

2016 Anritsu Integrated Reporting [Financial Statements]



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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 Methods 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 Methods for Preparing Financial Statements” (“Regulations on 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.

- (3) The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2016, which was ¥112.62 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

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, 2015 to March 31, 2016) and the financial statements (from April 1, 2015 to March 31, 2016) 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 following acts are undertaken by the Company specially for ensuring the appropriateness of its consolidated financial statements and implementing the internal control over preparation of the consolidated financial statements appropriately based on IFRS:

- (1) Joining the Financial Accounting Standards Foundation (FASF) and gathering information on revised accounting standards or attending seminars in order to fully understand the contents of accounting standards and improving the Company’s accounting system to accurately reflect revisions to accounting standards 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 FY2015 as of March 31, 2016	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Assets			
Current assets:			
Cash and cash equivalents (Notes 9 and 30)	¥ 37,392	¥ 34,916	\$ 332,019
Trade and other receivables (Notes 10 and 30)	19,739	24,812	175,271
Other financial assets (Notes 17 and 30)	1,163	1,276	10,327
Inventories (Note 11)	18,377	19,191	163,177
Income tax receivables	171	206	1,518
Other assets	3,700	3,726	32,854
Total current assets	80,542	84,127	715,166
Non-current assets:			
Property, plant and equipment (Notes 12 and 15)	27,738	26,877	246,297
Goodwill and intangible assets (Notes 13 and 15)	3,209	2,558	28,494
Investment property (Note 14)	1,831	1,998	16,258
Trade and other receivables (Notes 10 and 30)	339	394	3,010
Other financial assets (Notes 17 and 30)	2,396	2,184	21,275
Investments accounted for using equity method (Note 16)	—	87	—
Deferred tax assets (Note 25)	8,546	8,651	75,884
Other assets	24	17	213
Total non-current assets	44,083	42,766	391,431
Total	¥124,625	¥126,893	\$1,106,597
Liabilities and Equity			
Liabilities			
Current liabilities:			
Trade and other payables (Notes 18 and 30)	¥ 7,134	¥ 11,537	\$ 63,346
Bonds and borrowings (Notes 19 and 30)	1,590	6,586	14,118
Other financial liabilities (Notes 20, 21, and 30)	61	82	542
Income tax payables	1,230	1,785	10,922
Employee benefits (Note 22)	5,607	6,458	49,787
Provisions (Note 23)	255	320	2,264
Other liabilities (Note 24)	5,674	7,749	50,381
Total current liabilities	21,551	34,517	191,360
Non-current liabilities:			
Trade and other payables (Notes 18 and 30)	359	378	3,188
Bonds and borrowings (Notes 19 and 30)	20,435	9,479	181,451
Other financial liabilities (Notes 20, 21, and 30)	82	108	728
Employee benefits (Note 22)	4,290	1,416	38,093
Provisions (Note 23)	109	127	968
Deferred tax liabilities (Note 25)	303	362	2,690
Other liabilities (Note 24)	1,633	1,840	14,500
Total non-current liabilities	27,211	13,710	241,618
Total liabilities	48,762	48,227	432,978
Equity:			
Common stock (Note 26)	19,052	19,052	169,170
Additional paid-in capital (Note 26)	28,221	28,217	250,586
Retained earnings (Note 26)	23,194	24,566	205,949
Treasury stock (Note 26)	(1,041)	(869)	(9,243)
Other components of equity (Note 26)	6,386	7,673	56,704
Total equity attributable to owners of parent	75,812	78,639	673,166
Non-controlling interests	51	27	453
Total equity	75,863	78,666	673,619
Total	¥124,625	¥126,893	\$1,106,597

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥112.62 to U.S. \$1.00, the approximate exchange rate on March 31, 2016.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

As of March 31

	Millions of yen		Thousands of U.S. dollars*
	FY2015 From April 1, 2015 to March 31, 2016	FY2014 From April 1, 2014 to March 31, 2015	FY2015 From April 1, 2015 to March 31, 2016
Continuing operations			
Revenue (Notes 8 and 31)	¥95,532	¥98,840	\$848,269
Cost of sales (Note 36)	46,557	46,148	413,400
Gross profit	48,975	52,692	434,869
Other revenue and expenses			
Selling, general and administrative expenses (Notes 32 and 36)	29,621	29,606	263,017
Research and development expense (Notes 33 and 36)	12,820	12,940	113,834
Other income (Notes 15 and 34)	241	1,017	2,140
Other expenses (Notes 15 and 35)	877	280	7,787
Operating profit (loss) (Note 8)	5,898	10,883	52,371
Finance income (Note 37)	240	1,260	2,132
Finance costs (Note 37)	616	635	5,470
Share of profit (loss) of associates and joint ventures accounted for using equity method	(87)	84	(773)
Profit (loss) before tax	5,435	11,592	48,260
Income tax expense (Note 25)	1,667	3,717	14,802
Profit (loss) from continuing operations	3,768	7,875	33,458
Profit (loss)	3,768	7,875	33,458
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Change of financial assets measured at fair value (Note 38)	252	(8)	2,238
Remeasurements of defined benefit plans (Note 38)	(1,557)	1,339	(13,826)
Total	(1,305)	1,331	(11,588)
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation (Note 38)	(1,829)	2,692	(16,240)
Total	(1,829)	2,692	(16,240)
Total of other comprehensive income	(3,134)	4,023	(27,828)
Comprehensive income	¥ 634	¥11,898	\$ 5,630
Profit (loss), attributable to:			
Owners of parent	¥ 3,761	¥ 7,858	\$ 33,395
Non-controlling interests	7	17	63
Total	¥ 3,768	¥ 7,875	\$ 33,458
Comprehensive income attributable to:			
Owners of parent	¥ 627	¥11,881	\$ 5,567
Non-controlling interests	7	17	63
Total	¥ 634	¥11,898	\$ 5,630
Earnings per share		Yen	U.S. dollars*
Basic earnings per share (Note 39)	¥27.38	¥55.72	\$0.24
Diluted earnings per share (Note 39)	27.38	55.72	0.24

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥112.62 to U.S. \$1.00, the approximate exchange rate on March 31, 2016.

Consolidated Statement of Changes in Equity

Years Ended March 31

Millions of yen								
FY2014 (From April 1, 2014 to March 31, 2015)								
	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, 2014	¥19,052	¥28,192	¥23,522	¥ (869)	¥4,989	¥74,886	¥11	¥74,897
Profit (loss)	—	—	7,858	—	—	7,858	17	7,875
Other comprehensive income (Note 38)	—	—	1,339	—	2,684	4,023	—	4,023
Total comprehensive income	—	—	9,197	—	2,684	11,881	17	11,898
Share-based payments (Notes 6 and 29)	—	25	—	—	—	25	—	25
Dividends paid (Note 28)	—	—	(3,153)	—	—	(3,153)	—	(3,153)
Purchase of treasury stock (Note 26)	—	—	—	(5,000)	—	(5,000)	—	(5,000)
Retirement of treasury stock (Note 26)	—	—	(5,000)	5,000	—	—	—	—
Dividends to non-controlling interests	—	—	—	—	—	—	(1)	(1)
Total transactions with owners and other transactions	—	25	(8,153)	(0)	—	(8,128)	(1)	(8,129)
Balance at March 31, 2015	¥19,052	¥28,217	¥24,566	¥ (869)	¥7,673	¥78,639	¥27	¥78,666

FY2015 (From April 1, 2015 to March 31, 2016)								
Balance at April 1, 2015	¥19,052	¥28,217	¥24,566	¥ (869)	¥7,673	¥78,639	¥27	¥78,666
Profit (loss)	—	—	3,761	—	—	3,761	7	3,768
Other comprehensive income (Note 38)	—	—	(1,557)	—	(1,577)	(3,134)	—	(3,134)
Total comprehensive income	—	—	2,204	—	(1,577)	627	7	634
Share-based payments (Notes 6 and 29)	—	4	11	28	—	43	—	43
Dividends paid (Note 28)	—	—	(3,297)	—	—	(3,297)	—	(3,297)
Purchase of treasury stock (Note 26)	—	—	—	(200)	—	(200)	—	(200)
Acquisition of subsidiary with non-controlling interests	—	—	—	—	—	—	18	18
Dividends to non-controlling interests	—	—	—	—	—	—	(1)	(1)
Transfer from other components of equity to retained earnings	—	—	(290)	—	290	—	—	—
Total transactions with owners and other transactions	—	4	(3,576)	(172)	290	(3,454)	17	(3,437)
Balance at March 31, 2016	¥19,052	¥28,221	¥23,194	¥(1,041)	¥6,386	¥75,812	¥51	¥75,863

Thousands of U.S. dollars*								
FY2015 (From April 1, 2015 to March 31, 2016)								
Balance at April 1, 2015	\$169,170	\$250,551	\$218,132	\$(7,716)	\$68,132	\$698,269	\$239	\$698,508
Profit (loss)	—	—	33,395	—	—	33,395	63	33,458
Other comprehensive income (Note 38)	—	—	(13,825)	—	(14,003)	(27,828)	—	(27,828)
Total comprehensive income	—	—	19,570	—	(14,003)	5,567	63	5,630
Share-based payments (Notes 6 and 29)	—	35	97	249	—	381	—	381
Dividends paid (Note 28)	—	—	(29,275)	—	—	(29,275)	—	(29,275)
Purchase of treasury stock (Note 26)	—	—	—	(1,776)	—	(1,776)	—	(1,776)
Acquisition of subsidiary with non-controlling interests	—	—	—	—	—	—	160	160
Dividends to non-controlling interests	—	—	—	—	—	—	(9)	(9)
Transfer from other components of equity to retained earnings	—	—	(2,575)	—	2,575	—	—	—
Total transactions with owners and other transactions	—	35	(31,753)	(1,527)	2,575	(30,670)	151	(30,519)
Balance at March 31, 2016	\$169,170	\$250,586	\$205,949	\$(9,243)	\$56,704	\$673,166	\$453	\$673,619

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥112.62 to U.S. \$1.00, the approximate exchange rate on March 31, 2016. Note: Details of Common stock, Additional paid-in capital, Retained earnings, Treasury stock and Other components of equity are described in Note 26 "Total Equity and Other Capital Items."

Consolidated Statement of Cash Flows

Years Ended March 31

	Millions of yen		Thousands of U.S. dollars*
	FY2015 (12 months) From April 1, 2015 to March 31, 2016	FY2014 (12 months) From April 1, 2014 to March 31, 2015	FY2015 (12 months) From April 1, 2015 to March 31, 2016
Cash flows from (used in) operating activities			
Profit (Loss) before tax	¥ 5,435	¥11,592	\$ 48,260
Depreciation and amortization expense	3,970	3,372	35,251
Impairment loss	—	86	—
Reversal of impairment loss	—	(573)	—
Interest and dividends income	(219)	(207)	(1,945)
Interest expenses	167	194	1,483
Loss (Gain) on disposal of property, plant and equipment	31	78	275
Decrease (Increase) in trade and other receivables	4,755	1,454	42,222
Decrease (Increase) in inventories	256	(869)	2,273
Increase (Decrease) in trade and other payables	(484)	(1,118)	(4,298)
Increase (Decrease) in employee benefits	(105)	(284)	(932)
Other, net	(1,874)	(1,875)	(16,640)
Subtotal	11,932	11,850	105,949
Interest received	120	130	1,066
Dividends received	99	84	879
Interest paid	(196)	(182)	(1,740)
Income taxes paid	(1,780)	(4,460)	(15,805)
Income taxes refund	21	161	186
Net cash flows from (used in) operating activities	10,196	7,583	90,535
Cash flows from (used in) investing activities (Note 40)			
Payments into time deposits	(1,211)	(1,278)	(10,753)
Proceeds from withdrawal of time deposits	1,203	1,312	10,682
Purchase of property, plant and equipment	(7,666)	(5,013)	(68,070)
Proceeds from sale of property, plant and equipment	10	24	89
Purchase of other financial assets	(5)	(5)	(44)
Proceeds from sale of other financial assets	138	—	1,225
Proceeds from sale of investments accounted for using equity method	—	222	—
Proceeds from government grants	—	117	—
Other, net	(1,512)	(1,428)	(13,426)
Net cash flows from (used in) investing activities	(9,043)	(6,049)	(80,297)
Cash flows from (used in) financing activities (Note 40)			
Net increase (decrease) in short-term borrowings	—	(355)	—
Proceeds from long-term borrowings	3,000	2,500	26,638
Repayments of long-term borrowings	(5,000)	(5,000)	(44,397)
Proceeds from issuing bonds	8,000	—	71,035
Purchase of treasury stock	(200)	(5,000)	(1,776)
Dividends paid	(3,297)	(3,153)	(29,275)
Other, net	(52)	(227)	(462)
Net cash flows from (used in) financing activities	2,451	(11,235)	21,763
Effect of exchange rate change on cash and cash equivalents	(1,128)	1,402	(10,016)
Net increase (decrease) in cash and cash equivalents	2,476	(8,299)	21,985
Cash and cash equivalents at beginning of period	34,916	43,215	310,034
Cash and cash equivalents at end of period (Note 9)	¥37,392	¥34,916	\$332,019

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥112.62 to U.S. \$1.00, the approximate exchange rate on March 31, 2016.

Notes to the Consolidated Financial Statements

1. Reporting Entity

Anritsu Corporation is a company incorporated under the laws of Japan. The Company's reporting date is March 31, 2016. The consolidated financial statements of the Company comprise the Company and its subsidiaries ("the Anritsu Group"). The Anritsu Group is engaged primarily in the development, manufacture, sale and servicing of Test and Measurement and PQA (Products Quality Assurance) business.

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 Methods 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 qualified 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 a 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 25: Recoverability of Deferred Tax Assets

Items concerned 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 15: Impairment of Non-financial Assets
- Note 22: Measurement of Defined Benefit Obligation
- Note 23: Provisions
- Note 25: Recoverability of Deferred Tax Assets
- Note 44: 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.

Among all of 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 as 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 of 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 consideration 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 in 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 a subsidiary, 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

A 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 transaction. At the

end of the 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 average exchange rates for the period.

Exchange differences arising from the 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 gain or loss 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 loss.

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 loss. Goodwill is not amortized, but tested annually for impairment and presented in impairment loss 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 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 losses. 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 the 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 to 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 and 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 losses) 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 related 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." When the treasury stock is retired, the amount of retired treasury stock is deducted from "Other additional paid-in capital" included in "Additional paid-in capital." If the amount of retired treasury stock is more than the balance of "Other additional paid-in capital," the excess amount is deducted from "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 (or disposal groups) 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 the 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.”

Non-current assets (or disposal groups) that cease to be classified as held for sale are measured at the lower of (a) their carrying amounts, adjusted for any depreciation or amortization that would have been recognized if the impairment loss had not been recognized for the assets, or (b) the recoverable amounts at the date that the assets are decided not to be classified as held for sale. Adjustments of the carrying amounts arising from ceases of reclassification to the non-current assets held for sale are recognized in profit or loss.

(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 Payment

The Anritsu Group has stock option plans and Performance-Related Stock Compensation Programs as incentive plans for directors and certain employees.

Under the stock option plans, rights to share-based payments are vested at the grant date of the 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.

The Performance-Related Stock Compensation Program is a program to distribute a certain number of the Company's shares, which is determined based on the number of evaluation points granted taking into consideration the degree of attainment of numeral target for the management indicator. An expense is recognized over the vesting period which is from the date when the measurement of degree of attainment starts until the date on which a right to receive the Company's shares is vested, and the same amount is recognized as a corresponding increase in equity. The amounts recognized in expense and the corresponding increase in equity are measured by reference to the fair value of the equity instruments granted. The recognized increase in equity is reversed when the Company's shares are distributed after the date on which a right to receive the Company's shares was vested.

(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 are 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 consists mainly 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 or over the contract period.

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 comprises mainly interest income and dividend income. Finance costs comprise mainly 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 Expense

Income tax expense comprises current tax expense and deferred tax expense. 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 expense is the expected tax payables and 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 their tax bases. 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, 2016.

IFRSs	Title	Summaries of new IFRSs/amendments
IFRS 3	Business Combinations	Clarification of the scope of exemption in respect of jointly controlled entities
IFRS 8	Operating Segments	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 13	Fair Value Measurement	Clarification of the scope of exception regarding the measurement of fair value of portfolio
IAS 16	Property, Plant and Equipment	Clarification of the accounting treatment for the revaluation of property, plant and equipment measured by the revaluation model
IAS 19	Employee Benefits	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	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 38	Intangible Assets	Clarification of the accounting treatment for the revaluation of intangible assets measured by the revaluation model
IAS 40	Investment Property	Clarification of the mutual relationship between IFRS 3 and IAS 40, involving the classification of property into investment property and owner-occupied property

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, 2016.

With the adoption of these IFRSs, there has been no material impact to the consolidated financial statements.

5. Changes in Accounting Estimates

None

6. Changes in Presentation

(Consolidated Statement of Changes in Equity)

"Stock options granted" which was presented in the consolidated statement of changes in equity for the fiscal year ended March 31, 2015, has been presented under the single title of

"Share-based payments" from the fiscal year ended March 31, 2016 since an election has been made to present it together with transactions for the newly introduced Performance-Related Stock Compensation Program. In order to reflect the change, 25 million yen which was included in "Stock options granted" in the consolidated statement of changes in equity for the fiscal year ended March 31, 2015 was reclassified as "Share-based payments."

7. New Standards and Interpretations not yet Applied

Except for IFRS 9 "Financial Instruments (revised in October 2010)," the Anritsu Group has not early applied new standards nor revised standards and interpretations for its consolidated financial statements before the fiscal year ended in March 31, 2016.

At the date of approval of the consolidated financial statements, the main standards and interpretations that were released but not early applied by the Anritsu Group are set out below. The impact of the adoption of IFRS 9 (revised in July 2014), IFRS 15 and IFRS 16 is currently being assessed but has not yet been determined. Except for these standards, the following standards and interpretations will have no material 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 5	Non-current Assets Held for Sale and Discontinued Operations	January 1, 2016	March 31, 2017	Clarification of the accounting treatment in cases in which the criteria to classify a non-current asset as held for distribution to owners are no longer met or cases where a non-current asset is reclassified from held for sale to held for distribution to owners
IFRS 7	Financial Instruments: Disclosures	January 1, 2016	March 31, 2017	Clarification of the criteria on whether a servicing contract is continuing involvement in a transferred financial asset
		January 1, 2018	March 31, 2019	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 9	Financial Instruments	January 1, 2018	March 31, 2019	Limited changes of classification of financial assets, and introduction of an expected credit loss impairment model
IFRS 10	Consolidated Financial Statements	Undetermined	Undetermined	Clarification of the accounting treatment for sale or contribution of assets between an investor and its associate or joint venture
		January 1, 2016	March 31, 2017	Clarification of the exceptional applications for consolidation for investment entities
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, 2016	March 31, 2017	Clarification of the treatment for investment entities
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, 2018	March 31, 2019	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
IFRS 16	Leases	January 1, 2019	March 31, 2020	Amendment to the accounting treatment for leases
IAS 1	Presentation of Financial Statements	January 1, 2016	March 31, 2017	Clarification of the disclosure requirements in accordance with materiality
IAS 7	Statement of Cash Flows	January 1, 2017	March 31, 2018	Amendment to disclosure requirements regarding changes in liabilities arising from financing activities
IAS 12	Income Taxes	January 1, 2017	March 31, 2018	Clarification of the recognition of deferred tax assets for unrealized losses
IAS 16	Property, Plant, and Equipment	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	January 1, 2016	March 31, 2017	Clarification of the determination method of the discount rate for postemployment benefit obligations
IAS 28	Investments in Associates and Joint Ventures	Undetermined	Undetermined	Clarification of the accounting treatment for sale or contribution of assets between an investor and its associate or joint venture
		January 1, 2016	March 31, 2017	Clarification of the exceptional applications for consolidation and the equity method for investment entities
IAS 34	Interim Financial Reporting	January 1, 2016	March 31, 2017	Clarification of the required information on IAS 34 "elsewhere in the interim financial report"
IAS 38	Intangible Assets	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

8. 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 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 "PQA" (Products Quality Assurance).

Effective from the fiscal year ended March 31, 2016, the name of the reportable segment previously known as "Industrial Automation" has been changed to "PQA." The segment name change has had no impact on the method for classification of the reportable segments.

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. PQA: Checkweighers, Automatic combination weighers, Inspection equipment, Comprehensive production management system

(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 the same as the accounting policies for the Anritsu Group described in Note 3.

Year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)	Reportable segment					Millions of yen	
	Test and Measurement	PQA	Subtotal	Others (Note 1)	Total	Adjustment (Notes 3, 4)	Consolidated
Outside customers	¥73,443	¥16,198	¥ 89,641	¥ 9,199	¥ 98,840	¥ —	¥ 98,840
Inter-segment (Note 2)	148	5	153	4,168	4,321	(4,321)	—
Total	73,591	16,203	89,794	13,367	103,161	(4,321)	98,840
Cost of sales, Other revenue and expenses	(64,647)	(15,379)	(80,026)	(11,404)	(91,430)	3,473	(87,957)
Operating profit (loss)	8,944	824	9,768	1,963	11,731	(848)	10,883
Finance income	—	—	—	—	—	—	1,260
Finance costs	—	—	—	—	—	—	635
Share of profit (loss) of associates and joint ventures accounted for using equity method	—	—	—	—	—	—	84
Profit (loss) before tax	—	—	—	—	—	—	11,592
Income tax expense	—	—	—	—	—	—	3,717
Profit (loss) for the year	—	—	—	—	—	—	7,875
Assets	88,051	15,018	103,069	13,005	116,074	10,819	126,893
Capital expenditures	9,469	295	9,764	282	10,046	(7)	10,039
Depreciation and amortization	2,735	193	2,928	453	3,381	(9)	3,372
Impairment loss	18	—	18	68	86	—	86
Reversal of impairment loss	—	—	—	573	573	—	573

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 (-848 million yen) includes elimination of inter-segment transactions (10 million yen) and company-wide expenses not allocated to business segments (-858 million yen). Company-wide expenses are composed mainly of basic research expense as well as selling, general and administrative expenses not attributable to business segments.

4. Adjustment of segment assets (10,819 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.

Notes to the Consolidated Financial Statements

Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Reportable segment					Millions of yen	
	Test and Measurement	PQA	Subtotal	Others (Note 1)	Total	Adjustment (Notes 3, 4)	Consolidated
Outside customers	¥67,730	¥18,892	¥ 86,622	¥ 8,910	¥ 95,532	¥ —	¥ 95,532
Inter-segment (Note 2)	73	3	76	4,454	4,530	(4,530)	—
Total	67,803	18,895	86,698	13,364	100,062	(4,530)	95,532
Cost of sales, Other revenue and expenses	(63,097)	(17,700)	(80,797)	(12,789)	(93,586)	3,952	(89,634)
Operating profit (loss)	4,706	1,195	5,901	575	6,476	(578)	5,898
Finance income	—	—	—	—	—	—	240
Finance costs	—	—	—	—	—	—	616
Share of profit (loss) of associates and joint ventures accounted for using equity method	—	—	—	—	—	—	(87)
Profit (loss) before tax	—	—	—	—	—	—	5,435
Income tax expense	—	—	—	—	—	—	1,667
Profit (loss) for the year	—	—	—	—	—	—	3,768
Assets	89,386	16,196	105,582	11,901	117,483	7,142	124,625
Capital expenditures	5,046	361	5,407	359	5,766	(15)	5,751
Depreciation and amortization	3,257	244	3,501	480	3,981	(11)	3,970

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 (-578 million yen) includes elimination of inter-segment transactions (-8 million yen) and company-wide expenses not allocated to business segments (-570 million yen). Company-wide expenses are composed mainly of basic research expense as well as selling, general and administrative expenses not attributable to business segments.

4. Adjustment of segment assets (7,142 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. The segment information of the same period of the previous fiscal year is shown based on the revised reportable segment name.

(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.

FY2014 (From April 1, 2014 to March 31, 2015)	Millions of yen	
	Revenue	Non-current assets
Japan	¥27,116	¥26,573
Americas	24,368	3,342
(United States)	(21,293)	—
EMEA	15,886	1,333
Asia and others	31,470	604
(China)	(15,942)	—
Eliminations and corporate	—	(315)
Total	¥98,840	¥31,537

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.

FY2015 (From April 1, 2015 to March 31, 2016)	Millions of yen	
	Revenue	Non-current assets
Japan	¥28,566	¥28,385
Americas	23,246	2,814
(United States)	(19,199)	—
EMEA	13,538	1,373
Asia and others	30,182	574
(China)	(15,293)	—
Eliminations and corporate	—	(344)
Total	¥95,532	¥32,802

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.

(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.

9. 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.

10. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Millions of yen	
	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Accounts receivable—trade	¥23,118	¥17,798
Notes receivable—trade	1,700	1,962
Accounts receivable—other	152	70
Others	585	453
Less: Allowance for doubtful accounts	(349)	(205)
Total	¥25,206	¥20,078

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

	Millions of yen	
	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Current assets	¥24,812	¥19,739
Non-current assets	394	339
Total	¥25,206	¥20,078

Notes to the Consolidated Financial Statements

11. Inventories

Details of inventories are as follows:

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Raw materials	¥ 6,627	¥ 6,411
Work in process	4,145	4,757
Finished goods	8,419	7,209
Total	¥19,191	¥18,377

Notes: 1. The losses on valuation of inventories is included in "Cost of Sales." Amounts of valuation loss included in the "Cost of Sales" are 993 million yen in FY2014 and 1,822 million yen in FY2015.

2. Inventories recorded in "Cost of Sales" as expenses were 41,862 million yen in FY2014 and 42,187 million yen in FY2015 (including the above losses on valuation).

3. The Company has not pledged any inventories as collateral.

12. Property, Plant and Equipment

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

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, equipment and fixtures	Land	Construction in progress	Total
Acquisition cost						
Balance at April 1, 2014	¥36,675	¥10,928	¥13,836	¥3,747	¥1,482	¥66,668
Acquisition	6,788	418	1,410	—	86	8,702
Disposal	(613)	(545)	(1,161)	—	—	(2,319)
Effect of foreign currency exchange differences	580	1,043	182	142	—	1,947
Others	1,475	70	(84)	—	(1,481)	(20)
Balance at March 31, 2015	44,905	11,914	14,183	3,889	87	74,978
Acquisition	1,875	467	1,819	—	135	4,296
Disposal	(83)	(438)	(933)	—	—	(1,454)
Effect of foreign currency exchange differences	(282)	(557)	(125)	(71)	(0)	(1,035)
Others	8	25	(31)	—	(87)	(85)
Balance at March 31, 2016	¥46,423	¥11,411	¥14,913	¥3,818	¥ 135	¥76,700

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, equipment and fixtures	Land	Construction in progress	Total
Accumulated depreciation and accumulated impairment loss						
Balance at April 1, 2014	¥(26,446)	¥ (9,134)	¥(11,340)	¥—	¥—	¥(46,920)
Depreciation expense	(994)	(541)	(975)	—	—	(2,510)
Impairment loss	(68)	—	—	—	—	(68)
Reversal of impairment loss	573	—	—	—	—	573
Disposal	598	501	1,100	—	—	2,199
Effect of foreign currency exchange differences	(396)	(831)	(145)	—	—	(1,372)
Others	7	(58)	48	—	—	(3)
Balance at March 31, 2015	(26,726)	(10,063)	(11,312)	—	—	(48,101)
Depreciation expense	(1,283)	(563)	(1,181)	—	—	(3,027)
Disposal	59	430	921	—	—	1,410
Effect of foreign currency exchange differences	204	389	102	—	—	695
Others	(2)	39	24	—	—	61
Balance at March 31, 2016	¥(27,748)	¥ (9,768)	¥(11,446)	¥—	¥—	¥(48,962)

	Millions of yen					
Carrying amount	Buildings and structures	Machinery and vehicles	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at April 1, 2014	¥10,229	¥1,794	¥2,496	¥3,747	¥1,482	¥19,748
Balance at March 31, 2015	18,179	1,851	2,871	3,889	87	26,877
Balance at March 31, 2016	18,675	1,643	3,467	3,818	135	27,738

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. Reversal of impairment loss is included in "Other Income."
4. Impairment loss is included in "Other Expenses."

(2) Leased Assets

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

	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Buildings and structures	¥ 0	¥ —
Machinery and vehicles	60	63
Tools, equipment and fixtures	137	94
Total	¥197	¥157

(3) Mortgages and Collateral

End of FY2014 as of March 31, 2015: None

End of FY2015 as of March 31, 2016: None

13. Goodwill and Intangible Assets

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

	Millions of yen				
Acquisition cost	Goodwill	Development assets	Software	Others	Total
Balance at April 1, 2014	¥1,256	¥1,953	¥2,637	¥198	¥6,044
Acquisition	—	—	765	—	765
Increases from internal development	—	426	146	—	572
Disposal	—	(43)	(88)	—	(131)
Effect of foreign currency exchange differences	—	(182)	115	9	(58)
Others	—	—	(0)	0	(0)
Balance at March 31, 2015	1,256	2,154	3,575	207	7,192
Acquisition	—	—	876	—	876
Increases from internal development	—	366	213	—	579
Disposal	—	—	(148)	—	(148)
Effect of foreign currency exchange differences	—	(51)	(81)	(7)	(139)
Others	—	—	12	(0)	12
Balance at March 31, 2016	¥1,256	¥2,469	¥4,447	¥200	¥8,372

Notes to the Consolidated Financial Statements

	Millions of yen				
	Goodwill	Development assets	Software	Others	Total
Accumulated amortization and accumulated impairment loss					
Balance at April 1, 2014	¥(1,256)	¥(1,197)	¥(1,443)	¥(125)	¥(4,021)
Amortization expense	—	(253)	(443)	(0)	(696)
Impairment loss	—	—	—	(18)	(18)
Disposal	—	13	82	—	95
Effect of foreign currency exchange differences	—	112	(106)	(3)	3
Others	—	—	3	—	3
Balance at March 31, 2015	(1,256)	(1,325)	(1,907)	(146)	(4,634)
Amortization expense	—	(233)	(543)	—	(776)
Disposal	—	—	134	—	134
Effect of foreign currency exchange differences	—	43	68	2	113
Others	—	—	(0)	(0)	(0)
Balance at March 31, 2016	¥(1,256)	¥(1,515)	¥(2,248)	¥(144)	¥(5,163)

	Millions of yen				
	Goodwill	Development assets	Software	Others	Total
Carrying amount					
Balance at April 1, 2014	¥—	¥756	¥1,194	¥73	¥2,023
Balance at March 31, 2015	—	829	1,668	61	2,558
Balance at March 31, 2016	—	954	2,199	56	3,209

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 loss is included in "Other Expenses."

(2) Leases

The carrying amounts of leased assets included in intangible assets were as follows:

	Millions of yen	
	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Software	¥11	¥6

14. Investment Property

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

	Millions of yen		
	Buildings and structures	Land	Total
Acquisition cost			
Balance at April 1, 2014	¥9,970	¥827	¥10,797
Acquisition	—	—	—
Disposal	—	—	—
Others	—	—	—
Balance at March 31, 2015	9,970	827	10,797
Acquisition	—	—	—
Disposal	—	—	—
Others	—	—	—
Balance at March 31, 2016	¥9,970	¥827	¥10,797

	Millions of yen		
Accumulated amortization and impairment loss	Buildings and structures	Land	Total
Balance at April 1, 2014	¥(8,616)	¥(17)	¥(8,633)
Depreciation expense	(166)	—	(166)
Impairment loss	—	—	—
Disposal	—	—	—
Others	—	—	—
Balance at March 31, 2015	(8,782)	(17)	(8,799)
Depreciation expense	(167)	—	(167)
Impairment loss	—	—	—
Disposal	—	—	—
Others	0	—	0
Balance at March 31, 2016	¥(8,949)	¥(17)	¥(8,966)

	Millions of yen		
Carrying amount	Buildings and structures	Land	Total
Balance at April 1, 2014	¥1,354	¥810	¥2,164
Balance at March 31, 2015	1,188	810	1,998
Balance at March 31, 2016	1,021	810	1,831

Note: Depreciation expense is recorded in "Cost of Sales."

(2) Fair Value

	Millions of yen	
	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Fair value	¥18,031	¥17,786

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	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Rental income	¥2,045	¥2,045
Operating expenses related to investment property	1,108	1,163

15. Impairment Loss and Reversal of Impairment Loss

(1) Assets with Recognized Impairment Loss

The detailed information on impairment loss recognized is included below.

Impairment loss has been included in "Other Expenses."

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Buildings and structures	¥68	¥—
Property, plant and equipment	68	—
Other intangible assets	18	—
Goodwill and intangible assets	18	—
Total of impairment loss	¥86	¥—

Note: For impairment loss by segment, please refer to Note 8. Segment Information.

Notes to the Consolidated Financial Statements

(2) Main Impairment Loss

- FY2014 (From April 1, 2014 to March 31, 2015)
There was no significant impairment loss to be disclosed.
- FY2015 (From April 1, 2015 to March 31, 2016)
None

(3) Assets Recognized from the Reversal of Impairment Loss

Detailed information on reversal of impairment loss recognized is included below.

Reversal of impairment loss is included in "Other income."

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Buildings and structures	¥573	¥—
Property, plant and equipment	573	—
Total of reversal of impairment loss	¥573	¥—

Note: For reversal of impairment loss by segment, please refer to Note 8. Segment Information.

(4) Main Reversal of Impairment Loss

- FY2014 (From April 1, 2014 to March 31, 2015)
During the fiscal year ended March 31, 2015, impairment loss on buildings and structures which had been decided to be closed in the prior year was reversed as a result of a decision to use the assets as part of the revised utilization plan at the head office site. Consequently, a reversal of impairment loss of 573 million

yen has been recognized. The recoverable amounts are measured based on the value in use. The value in use is estimated by using a discount rate of 12.9% that was determined based on the weighted average cost of capital of other companies in the same industry.

- FY2015 (From April 1, 2015 to March 31, 2016)
None

16. Associates

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

Name	Business	Percentage ownership (%)	
		End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
(Associate) SweepMasters, LLC	Test and Measurement	20.0%	—

Notes: 1. Condensed financial information on the company is omitted due to immateriality.

2. There are no market values as it is not a listed company.

3. The reporting period end date for the above company is December 31. As it is impractical to change the reporting period end date of the company to March 31, any impact from significant transactions or events occurring during the period between the 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.

17. 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 FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Time deposits with a maturity of more than 3 months (Financial assets measured at amortized cost)	¥1,264	¥1,150
Derivatives (Financial assets measured at FVTPL)	12	13
Total	¥1,276	¥1,163

Non-current assets

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Marketable securities (Financial assets measured at FVTOCI)	¥2,184	¥2,396
Total	¥2,184	¥2,396

18. Trade and Other Payables

Details of trade and other payables are as follows:

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Accounts payable - trade	¥ 4,266	¥4,170
Accounts payable - other	6,008	2,074
Accrued expenses	218	243
Others	1,423	1,006
Total	¥11,915	¥7,493

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

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Current liabilities	¥11,537	¥7,134
Non-current liabilities	378	359
Total	¥11,915	¥7,493

19. Bonds and Borrowings

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

Current liabilities

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Short-term borrowings	¥1,590	¥1,590
Long-term borrowings to be repaid within one year	4,996	—
Total	¥6,586	¥1,590

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

Non-current liabilities

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Long-term borrowings	¥3,500	¥ 6,489
Bonds	5,979	13,946
Total	¥9,479	¥20,435

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

Notes to the Consolidated Financial Statements

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

		Millions of yen	
	Repayment deadline (average interest rates)	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Short-term borrowings	— (0.4% annually)	¥ 1,590	¥ 1,590
Long-term borrowings to be repaid within one year	— (—)	4,996	—
Long-term borrowings	2018–2019 (0.5% annually)	3,500	6,489
Fifth unsecured bonds	September 22, 2017 (0.81% annually)	5,979	5,987
Sixth unsecured bonds	June 19, 2020 (0.447% annually)	—	7,959
Total	—	¥16,065	¥22,025

Note: Maturity dates and average interest rates are as of the fiscal year ended March 31, 2016.

20. 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

		Millions of yen	
		End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Lease obligations (Financial liabilities measured at amortized cost)		¥69	¥53
Derivatives (Financial assets measured at FVTPL)		13	8
Total		¥82	¥61

Non-current liabilities

		Millions of yen	
		End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Lease obligations (Financial liabilities measured at amortized cost)		¥108	¥82
Total		¥108	¥82

21. 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.

		Millions of yen			
		Total future minimum lease payments		Present value of minimum lease payments	
		End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Within 1 year		¥ 74	¥ 55	¥ 69	¥ 53
Between 1 and 5 years		111	82	106	79
Over 5 years		2	3	2	3
Total		¥187	¥140	¥177	¥135
Less: financial costs		(10)	(5)		
Present value of lease obligations		¥177	¥135	¥177	¥135

22. 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 212 million yen in the fiscal year ending March 31, 2017. 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, 2014	¥31,048	¥(28,959)	¥2,089
Amounts recognized as profit or loss			
Service cost	940	—	940
Interest expense (income)	341	(318)	23
Total	1,281	(318)	963
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	836	—	836
Experience adjustment	(101)	—	(101)
Return on plan assets	—	(2,713)	(2,713)
Total	735	(2,713)	(1,978)
Other			
Contributions by employer	—	(432)	(432)
Benefit paid	(1,493)	1,271	(222)
Total	(1,493)	839	(654)
Balance at March 31, 2015	31,571	(31,151)	420
Amounts recognized as profit or loss			
Service cost	984	—	984
Interest expense (income)	284	(280)	4
Total	1,268	(280)	988
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	2,273	—	2,273
Experience adjustment	(545)	—	(545)
Return on plan assets	—	524	524
Total	1,728	524	2,252
Other			
Contributions by employer	—	(206)	(206)
Benefit paid	(1,460)	1,299	(161)
Total	(1,460)	1,093	(367)
Balance at March 31, 2016	¥33,107	¥(29,814)	¥3,293

Notes to the Consolidated Financial Statements

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

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Japanese bonds	¥13,408	¥14,805
Japanese equity securities	7,391	5,473
Foreign bonds	1,855	1,471
Foreign equity securities	4,228	3,189
Others	4,269	4,876
Total	¥31,151	¥29,814

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

The principal actuarial assumptions are as follows:

	End of FY2014 as of March 31, 2015	% End of FY2015 as of March 31, 2016
Financial assumptions		
Discount rate	0.9%	0.4%

The weighted-average durations of the defined benefit pension plan obligations are 13.6 years and 13.8 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 0.2% appreciation or depreciation of each assumption.

	0.2% increase	Millions of yen End of FY2015 as of March 31, 2016 0.2% decrease
Financial assumptions		
Discount rate	¥(897)	¥937

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 assumptions shown.

2. Defined Contribution Plans

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

	FY2014 (From April 1, 2014 to March 31, 2015)	Millions of yen FY2015 (From April 1, 2015 to March 31, 2016)
Amount of expenses	¥723	¥625

Note: The amount of 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 FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Employee benefits (current liabilities)	¥6,458	¥5,607
Employee benefits (non-current liabilities)	996	997

23. 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, 2015	¥132	¥315	¥447
Increase during the year	4	118	122
Decrease due to intended use	(27)	(102)	(129)
Reversal during the year	—	(67)	(67)
Increase due to passage of time	1	—	1
Exchange differences on translation	(1)	(9)	(10)
Balance at March 31, 2016	¥109	¥255	¥364

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

	Millions of yen	
	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Current liabilities	¥320	¥255
Provision for decommissioning, restoration and rehabilitation costs	5	—
Provision for product warranties	315	255
Noncurrent liabilities	127	109
Provision for decommissioning, restoration and rehabilitation costs	127	109
Total	¥447	¥364

24. Government Grants

Details of government grants are as follows:

	Millions of yen	
	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Government grants for Koriyama 2nd Business Office (Note 1)		
Other liabilities – Current	¥ 80	¥ 80
Other liabilities – Non-current	1,215	1,136
Total	1,295	1,216
Other government grants		
Other liabilities – Current	8	9
Other liabilities – Non-current	117	108
Total	¥ 125	¥ 117

Notes: 1. The government grants for the Koriyama 2nd Business Office are the grants on condition that a plant is to be acquired or established in a specified region. The recognized grants have been amortized over the useful life 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.

Notes to the Consolidated Financial Statements

25. 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:

	End of FY2013 as of March 31, 2014	Amounts recognized in profits or loss	Amounts recognized in other comprehensive income	Amounts recognized directly in equity	Millions of yen End of FY2014 as of March 31, 2015
Deferred tax assets:					
Inventories	¥ 1,787	¥ 66	¥ —	¥—	¥ 1,853
Accrued expenses	1,383	(173)	—	—	1,210
Software	2,788	(90)	—	—	2,698
Property, plant and equipment	729	(31)	—	—	698
Investment securities	528	(34)	(59)	—	435
Postretirement benefits	2,727	(311)	(639)	—	1,777
Loss carried forward	154	(9)	—	—	145
Research and development expenses	505	169	—	—	674
Government grants	492	(35)	—	—	457
Others	1,635	(572)	—	—	1,063
Total deferred tax assets	¥12,728	¥(1,020)	¥(698)	¥—	¥11,010
Deferred tax liabilities:					
Property, plant and equipment	¥ 1,463	¥ (84)	¥ —	¥—	¥ 1,379
Investment securities	541	—	(82)	—	459
Others	783	100	—	—	883
Total deferred tax liabilities	¥ 2,787	¥ 16	¥ (82)	¥—	¥ 2,721

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

	End of FY2014 as of March 31, 2015	Amounts recognized in profits or loss	Amounts recognized in other comprehensive income	Amounts recognized directly in equity	Millions of yen End of FY2015 as of March 31, 2016
Deferred tax assets:					
Inventories	¥ 1,853	¥(109)	¥ —	¥—	¥ 1,744
Accrued expenses	1,210	(150)	—	—	1,060
Software	2,698	(123)	—	—	2,575
Property, plant and equipment	698	(9)	—	—	689
Investment securities	435	75	(132)	—	378
Postretirement benefits	1,777	153	695	—	2,625
Loss carried forward	145	115	—	—	260
Research and development expenses	674	158	—	—	832
Government grants	457	(50)	—	—	407
Others	1,063	(345)	—	—	718
Total deferred tax assets	¥11,010	¥(285)	¥563	¥—	¥11,288
Deferred tax liabilities:					
Property, plant and equipment	¥ 1,379	¥(254)	¥ —	¥—	¥ 1,125
Investment securities	459	—	98	—	557
Others	883	480	—	—	1,363
Total deferred tax liabilities	¥ 2,721	¥ 226	¥ 98	¥—	¥ 3,045

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

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

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Deferred tax assets	¥8,651	¥8,546
Deferred tax liabilities	362	303

Although there are tax loss carry-forwards recognized as deferred tax assets as of the end of the previous fiscal year (March 31, 2015), and the end of the current fiscal year (March 31, 2016), the factors that caused these losses were transient and therefore unlikely to reoccur. Based on forecasts of the future taxable profit derived from the business plan that was approved by the Board of Directors, it was concluded that a tax benefit was 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 were as follows:

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Future deductible temporary differences	¥ 8,612	¥ 8,882
Tax loss carry-forwards	8,817	8,673
Total	¥17,429	¥17,555
Tax credit carry-forwards	¥ —	¥ 1,189

Unrecognized deferred tax assets related to the above are 4,158 million yen and 5,253 million yen at the end of the previous fiscal year (March 31, 2015) and the end of the current fiscal year (March 31, 2016), respectively.

Future deductible temporary differences and tax loss carry-forwards are measured based on a taxable profit basis, while tax credit carry-forwards are 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:

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
First year	¥ 25	¥ 6
Second year	74	23
Third year	41	66
Fourth year	—	37
Fifth and subsequent years	8,677	8,541
Total	¥8,817	¥8,673

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) are 10,421 million yen and 10,461 million yen at the end of the previous fiscal year (March 31, 2015) and the end of the current fiscal year (March 31, 2016), respectively. Tax loss carry-forwards

related to regional taxes are 2,107 million yen for inhabitant tax and 1,991 million yen for business tax as of the end of the previous fiscal year (March 31, 2015) and 1,984 million yen for inhabitant tax and 1,968 million yen for business tax as of the end of the current fiscal year (March 31, 2016). Unrecognized deferred tax assets related to these amounts are 1,065 million yen and 1,000 million yen at the end of the previous fiscal year (March 31, 2015) and the end of the current fiscal year (March 31, 2016), respectively.

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

(2) Income Tax Expense

Detailed information on Income Tax Expense is as follows:

	FY2014 (From April 1, 2014 to March 31, 2015)	Millions of yen FY2015 (From April 1, 2015 to March 31, 2016)
Current tax expense		
Current fiscal year	¥2,689	¥1,001
Adjustment for prior years	(151)	82
Total current tax expense	2,538	1,083
Deferred tax expense		
Origination and reversal of temporary differences	493	420
Change in tax rates	630	289
Recognition of previously unrecognized tax loss carry-forwards and temporary differences	56	(125)
Total deferred tax expenses	1,179	584
Total	¥3,717	¥1,667

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

		%
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Applicable tax rate	35.6%	33.0%
Non-deductible expenses	3.1	2.4
Effect of the different tax rates at foreign subsidiaries	(4.9)	(4.1)
Effect of unrecognized tax loss carry-forwards or temporary differences	0.1	(1.5)
Effect of change in tax rates	5.4	5.3
Tax credit	(8.8)	(6.9)
Other	1.6	2.5
Actual tax rate	32.1%	30.7%

The Company is mainly subject to income tax (at rates of 23.9% in FY2015), local corporation tax (4.4%), inhabitant tax (16.1%), business tax (3.4%) and special local corporation tax (93.5%). The applicable tax rates based on such were 33.0% in FY2015. Foreign subsidiaries, however, are subject to income taxes where they are located. On March 29, 2016, "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act on Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted in the Diet. As a result, the reduction

of the income tax rate which is applicable to the Company and its domestic subsidiaries will be implemented for fiscal years commencing on or after April 1, 2016. In line with this change, the effective statutory tax rates used to measure deferred tax assets and liabilities related to temporary difference expected to be realized or settled from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 have been changed from 33.0% to 30.8% and 30.6%, respectively.

26. Total Equity and Other Capital Items

(1) Number of Issued Shares and Treasury Stock

	Balance at March 31, 2015	Balance at March 31, 2016
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	143,956,194	138,115,294
Retirement of treasury stock (Note 3)	(5,840,900)	—
Balance at end of fiscal year	138,115,294	138,115,294
Treasury stock		
Balance at beginning of fiscal year	643,246	643,983
Purchase of treasury stock (Note 1)	5,841,637	227,226
Distribution of treasury stock (Note 2)	—	(32,600)
Retirement of treasury stock (Note 3)	(5,840,900)	—
Balance at end of fiscal year	643,983	838,609

Notes: 1. Out of the treasury stock purchased in the current fiscal year, 226,300 shares are the purchase in the trust account concerning Trust for Distribution of Shares to Officers in accordance with the Performance-Related Stock Compensation Program. The remaining 926 shares are the increase due to purchase of shares less than one unit. Out of the treasury stock purchased in the previous fiscal year, 5,840,900 shares are the purchase in accordance with the provisions of Article 156 of the Companies Act, which was resolved at the Board of Directors meeting held on October 30, 2014. The remaining 737 shares are the increase due to purchase of shares less than one unit.

2. The distribution of treasury stock in the current fiscal year is the distribution of the Company's shares to Directors, Vice Presidents and Executive Officers of the Company in accordance with the Performance-Related Stock Compensation Program.

3. The retirement of treasury stock in the previous fiscal year is in accordance with the provisions of Article 178 of the Companies Act, which was resolved at the Board of Directors meeting held on January 29, 2015. The treasury stock was retired on February 16, 2015.

(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 the first-time adoption of IFRS.

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 in which they are incurred and immediately reclassifies 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 of equity are as follows:

1. Translation Differences for Foreign Operations

These are translation differences arising from the 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:

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Balance at beginning of fiscal year	¥4,743	¥7,435
Balance at end of the fiscal year	7,435	5,606

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.

The balances of changes in financial assets measured at fair value through other comprehensive income at the beginning and end of previous and current periods are as follows:

	End of FY2014 as of March 31, 2015	Millions of yen End of FY2015 as of March 31, 2016
Balance at beginning of fiscal year	¥246	¥238
Balance at end of the fiscal year	238	780

27. Business Combinations

There are no significant business combinations to be disclosed.

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28. Dividends

- Year ended March 31, 2015

(1) Amount of dividend paid

Resolution	Classes of shares	Millions of yen	Yen	Record date	Effective date
		Total dividends	Dividends per share		
June 26, 2014 Ordinary general meeting of shareholders	Ordinary shares	¥1,434	¥10.00	March 31, 2014	June 27, 2014
October 30, 2014 Board of Directors meeting	Ordinary shares	1,719	12.00	September 30, 2014	December 3, 2014

(2) Amount of dividends in which the record date belongs to the fiscal year ended March 31, 2015, whereas its effective date belongs to the following fiscal year

Resolution	Classes of shares	Millions of yen	Sources of dividends	Yen	Record date	Effective date
		Total dividends		Dividends per share		
June 25, 2015 Ordinary general meeting of shareholders	Ordinary shares	¥1,650	Retained earnings	¥12.00	March 31, 2015	June 26, 2015

- Year ended March 31, 2016

(1) Amount of dividend paid

Resolution	Classes of shares	Millions of yen	Yen	Record date	Effective date
		Total dividends	Dividends per share		
June 25, 2015 Ordinary general meeting of shareholders	Ordinary shares	¥1,650	¥12.00	March 31, 2015	June 26, 2015
October 29, 2015 Board of Directors meeting	Ordinary shares	1,650	12.00	September 30, 2015	December 2, 2015

Note: Total dividends approved at the Board of Directors meeting held on October 29, 2015 included dividends of 3 million yen paid to the treasury stock held by the trust account for distribution of shares to officers.

(2) Amount of dividends in which the record date belongs to the fiscal year ended March 31, 2016, whereas its effective date belongs to the following fiscal year

Resolution	Classes of shares	Millions of yen	Sources of dividends	Yen	Record date	Effective date
		Total dividends		Dividends per share		
June 28, 2016 Ordinary general meeting of shareholders	Ordinary shares	¥1,650	Retained earnings	¥12.00	March 31, 2016	June 29, 2016

Note: Total dividends approved at the ordinary general meeting of shareholders held on June 28, 2016 included dividends of 3 million yen paid to the treasury stock held by the trust account for distribution of shares to officers.

29. Share-based Payment

The Anritsu Group has a stock option plan and a Performance-Related Stock Compensation Program. The objectives of these plans are to motivate the directors and employees of the Company and its subsidiaries to improve business performances, encourage management in keeping with the interests of shareholders and stock prices and boost the Anritsu Group's corporate value.

(1) Details of the Stock Option Plan (Equity-settled, Share-based Payment)

Under this plan, blocks of 100 ordinary shares (blocks of 1,000 shares for the 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. Recipients of No. 14 and No. 15 stock options granted on September 1, 2014, losing their positions by resigning or retiring by August 31, 2017, may exercise the options for up to one year from September 1, 2017.

The Company accounts for stock options granted to eligible individuals as equity-settled, share-based payments. The payment amounts recognized as expenses are 25 million yen in the previous fiscal year (From April 1, 2014 to March 31, 2015), and there are no payment amounts recognized as expenses in the current fiscal year (From April 1, 2015 to March 31, 2016).

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	Yen
				Exercise price
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
No. 14	42,000	September 1, 2014	September 1, 2017 through August 31, 2023	956
No. 15	85,500	September 1, 2014	September 1, 2017 through August 31, 2023	956

The total number of exercisable shares and average exercise price for the previous and current fiscal years are as follows:

	Number of shares	Yen	Number of shares	Yen
		Weighted average exercise price		Weighted average exercise price
		FY2014 (From April 1, 2014 to March 31, 2015)		FY2015 (From April 1, 2015 to March 31, 2016)
Outstanding balance at beginning of fiscal year	589,000	¥1,085	716,500	¥1,062
Granted during year	127,500	956	—	—
Cancelled during year	—	—	36,000	908
Exercised during year	—	—	—	—
Matured and expired during year	—	—	—	—
Outstanding balance at end of fiscal year	716,500	1,062	680,500	1,069
Options exercisable at end of year	206,000	908	321,000	952

The exercise prices of stock options unexercised at the end of the previous fiscal year ranged from 908 yen to 1,295 yen. The weighted average remaining contractual period was 4.8 years. There were no stock options exercised during the previous fiscal year.

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 4.0 years.

There were no stock options exercised during the current fiscal year.

The Company adopts the Black-Scholes model to assess the fair value of stock options. 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	No. 14 and No. 15
Fair value at the grant date	¥ 309	¥ 292	¥ 352	¥ 199
Share price at the grant date	895	968	1,260	885
Exercise price	908	1,002	1,295	956
Projected volatility (%)	48.30	45.80	39.10	36.40
Expected remaining period (years)	3.9	3.9	4.8	4.8
Dividend yield (%)	0.78	1.55	1.59	2.26
Risk-free rate (%)	0.26	0.15	0.26	0.15

(2) Details of Performance-Related Stock Compensation Program (Equity-settled, Share-based Payment)

This is a performance-related stock compensation program to distribute a certain number of the Company's shares acquired through a trust established based on underlying funds contributed by the Company to Directors, Vice Presidents and Executive

Officers of the Company through the trust from FY2015 to FY2018. The number of the Company's shares to be distributed is based on the number of evaluation points granted in accordance with the "Rules on Distribution of Shares to Officers" established by the Board of Directors of the Company.

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The evaluation points are granted in May every year (only for the initial year, they are granted in July 2015) and the number of evaluation points granted is calculated by dividing (a) the amount obtained by multiplying (i) the base amount for distribution by title granted in accordance with the "Rules on Distribution of Shares to Officers" instituted by the Board of Directors of the Company by (ii) a factor representing the degree of contribution to the Company's performance, consisting of the degree of attainment of numeral targets regarding the management indicator set by the Company and another degree of attainment of managerial goals including non-financial aspects, set in advance, by (b) the Base Stock Price.

Each Director, Vice President or Executive Officer who satisfies the beneficiary requirements receives from the Trust a certain number of Company Shares corresponding to the determined evaluation points granted in May, in accordance with a prescribed procedure for determination of beneficiary in June of the year in which the evaluation points are granted (only for the initial year, such procedure is carried out in August 2015). There is no exercise price since the program is to distribute the Company's shares.

In order to satisfy the beneficiary requirements under the Program, the beneficiary must be a Director, Executive Officer or

Vice President of the Company and must not fall under either of the conditions below.

1. Persons who have voluntarily resigned from the position of Director, Executive Officer or Vice President of the Company prior to the date on which his/her right to receive shares was vested.
2. Persons who have been dismissed or who have resigned from the position of Director, Executive Officer or Vice President of the Company prior to the date on which his/her right to receive shares was vested as a result of having caused damage to the Company.

The Company accounts for the share-based payments under the program as equity-settled, share-based payments and an expense is recognized over the vesting period. The amount recognized in expenses is measured by reference to the fair value of the equity instruments granted and the amounts recognized as expenses for the Performance-Related Stock Compensation Program is 43 million yen in the current fiscal year (From April 1, 2015 to March 31, 2016). Of the amounts recognized as expenses, 28 million yen is associated with the shares distributed in the current fiscal year and the remaining 15 million yen is associated with the shares to be distributed in the fiscal year ending March 31, 2017.

An outline of the Company shares distributed to the Directors, Executive Officers and Vice Presidents of the Company is as follows:

	Number of shares granted	Grant date	Yen
			Fair value at the grant date
FY2015 (From April 1, 2015 to March 31, 2016)	32,600	August 7, 2015	¥880

Fair value is measured on the basis of observable market prices. Expected dividends are not taken into account due to the proximity of the grant date to the exercise date.

Changes in the number of evaluation points that form the basis for the distribution of the Company shares are as follows:

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Balance at beginning of fiscal year	—	—
Granted during year	—	32,600
Exercised during year	—	(32,600)
Cancelled during year	—	—
Balance at end of fiscal year	—	—

30. Financial Instruments

In this section, financial assets measured at fair value through profit 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 the rate of interest and thereby manage 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.

End of FY2014 as of March 31, 2015	Millions of yen	
	1% increase	1% decrease
Profit (loss) before tax	¥(66)	¥66

End of FY2015 as of March 31, 2016	Millions of yen	
	1% increase	1% decrease
Profit (loss) before tax	¥(46)	¥46

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 risk of currency fluctuations. The Anritsu Group is also exposed to foreign currency exchange risk 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 risk are as follows.

End of FY2014 as of March 31, 2015	Millions of yen		
	Japanese yen	U.S. dollar	Euro
Net exposure	¥31	¥11,793	¥895
(in thousands of units of relevant currency)	(—)	(US\$98,149 thousand)	(€6,867 thousand)

End of FY2015 as of March 31, 2016	Millions of yen		
	Japanese yen	U.S. dollar	Euro
Net exposure	¥220	¥7,424	¥565
(in thousands of units of relevant currency)	(—)	(US\$65,919 thousand)	(€4,431 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. The projected revenue, goods purchases and other impacts are not taken into consideration.

	Millions of yen	
	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Japanese yen	¥ 0	¥ 2
U.S. dollar	(118)	(74)
Euro	(9)	(6)

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. Risk of Equity Instrument Price Fluctuations

The Anritsu Group owns listed shares of companies with which it has business relationships, and is exposed to the risk of price fluctuations of the 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 its 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.

	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Other comprehensive income	¥(63)	¥(83)

(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 44, "Contingencies," are the maximum exposure to credit risk, without taking valuations of credit enhancements into consideration.

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

	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Within 30 days past due	¥ 908	¥1,116
Within 6 months past due	1,756	626
Within 1 year past due	197	63
Total	¥2,861	¥1,805

The above shows the carrying value before allowance for doubtful accounts. For trade and other receivables, there are certain deposits received as credit enhancements (378 million yen in the previous fiscal year and 359 million yen in the current fiscal year).

Changes in the allowance for doubtful accounts are as follows:

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Balance at beginning of fiscal year	¥259	¥349
Provisions	145	114
Amount used	(2)	(133)
Other	(53)	(125)
Balance at end of fiscal year	¥349	¥205

Some trade and other receivables that were individually uncollectible after considering customer financial positions, the status of payment delays and other factors were 218 million yen at the end of the previous fiscal year and 57 million yen at the end of the current fiscal year. The allowance for doubtful accounts is 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 borrowings 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 FY2014 as of March 31, 2015	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	¥11,915	¥11,915	¥11,537	¥ —	¥ —	¥—	¥ —	¥378
Bonds and borrowings	16,065	16,323	6,684	67	6,044	19	3,509	—
Other financial liabilities	177	187	74	49	28	22	12	2
Guarantee obligations	—	797	624	23	22	21	20	87
Derivative financial liabilities:								
Other financial liabilities	13	13	13	—	—	—	—	—
Total	¥28,170	¥29,235	¥18,932	¥139	¥6,094	¥62	¥3,541	¥467

Millions of yen								
End of FY2015 as of March 31, 2016	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	¥ 7,493	¥ 7,493	¥7,134	¥ —	¥ —	¥ —	¥ —	¥359
Bonds and borrowings	22,025	22,424	1,711	6,090	3,060	3,545	8,018	—
Other financial liabilities	135	140	55	33	27	16	6	3
Guarantee obligations	—	613	465	21	20	20	18	69
Derivative financial liabilities:								
Other financial liabilities	8	8	8	—	—	—	—	—
Total	¥29,661	¥30,678	¥9,373	¥6,144	¥3,107	¥3,581	¥8,042	¥431

(5) Presentation of Offsetting Financial Assets and Financial Liabilities

Financial assets recognized in the consolidated statement of financial position were 63,582 million yen in the previous fiscal year and 61,029 million yen in the current fiscal year, while

financial liabilities recognized likewise were 28,170 million yen in the previous fiscal year and 29,661 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 FY2014 as of March 31, 2015		End of FY2015 as of March 31, 2016	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Assets measured at fair value				
Financial assets measured at FVTOCI:				
Other financial assets	¥ 2,184	¥ 2,184	¥ 2,396	¥ 2,396
Financial assets measured at FVTPL:				
Other financial assets	12	12	13	13
Assets measured at amortized cost:				
Cash and cash equivalents	34,916	34,916	37,392	37,392
Trade and other receivables	25,206	25,206	20,078	20,078
Other financial assets	1,264	1,264	1,150	1,150
Liabilities measured at fair value				
Financial liabilities measured at FVTPL:				
Other financial liabilities	13	13	8	8
Liabilities measured at amortized cost:				
Trade and other payables	11,915	11,915	7,493	7,493
Bonds and borrowings	16,065	16,105	22,025	22,195
Other financial liabilities	177	183	135	139

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, the 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, 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 of 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 and liabilities that are not based on observable market data.

- Financial instruments measured at the fair value

	Millions of yen			
End of FY2014 as of March 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTOCI:				
Other financial assets	¥927	¥—	¥1,257	¥2,184
Financial assets measured at FVTPL:				
Other financial assets	—	12	—	12
Total assets	¥927	¥12	¥1,257	¥2,196
Financial assets measured at FVTPL:				
Other financial liabilities	¥ —	¥13	¥ —	¥ 13
Total liabilities	¥ —	¥13	¥ —	¥ 13

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

	Millions of yen			
End of FY2015 as of March 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTOCI:				
Other financial assets	¥1,197	¥—	¥1,199	¥2,396
Financial assets measured at FVTPL:				
Other financial assets	—	13	—	13
Total assets	¥1,197	¥13	¥1,199	¥2,409
Financial assets measured at FVTPL:				
Other financial liabilities	¥ —	¥ 8	¥ —	¥ 8
Total liabilities	¥ —	¥ 8	¥ —	¥ 8

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

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

	Millions of yen
End of FY2014 as of March 31, 2015	
Balance at beginning of fiscal year	¥1,190
Other comprehensive income	67
Acquisition	—
Disposal	—
Balance at end of fiscal year	¥1,257

	Millions of yen
End of FY2015 as of March 31, 2016	
Balance at beginning of fiscal year	¥1,257
Other comprehensive income	35
Acquisition	—
Disposal	(93)
Balance at end of fiscal year	¥1,199

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, an illiquidity discount is taken into consideration in the calculation.

Notes to the Consolidated Financial Statements

(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 were as follows:

End of FY2014 as of March 31, 2015	Millions of yen
Listed shares	
NEC Corporation	¥ 327
KDDI Corporation	169
Kyowa Exeo Corporation	155
Others	276
Listed shares subtotal	927
Unlisted shares	
Communication equipment industry	502
Leasing industry	337
Others	418
Unlisted shares subtotal	1,257
Total	¥2,184

End of FY2015 as of March 31, 2016	Millions of yen
Listed shares	
NEC Corporation	¥ 262
KDDI Corporation	559
Kyowa Exeo Corporation	150
Others	226
Listed shares subtotal	1,197
Unlisted shares	
Communication equipment industry	518
Leasing industry	321
Others	360
Unlisted shares subtotal	1,199
Total	¥2,396

Dividends on investments held as of the fiscal year-end were 84 million yen and 55 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 reasonably possible alternative assumptions could have some effects. The effect on other comprehensive income (after tax) resulting from changing the illiquidity discount within the range of plus or minus 10% is as follows:

	Millions of yen			
	End of FY2014 as of March 31, 2015		End of FY2015 as of March 31, 2016	
	Beneficial impact	Adverse impact	Beneficial impact	Adverse impact
Other comprehensive income	¥121	¥(121)	¥118	¥(118)

(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:

FY2014 (From April 1, 2014 to March 31, 2015)	Millions of yen		
	Fair value at the time of derecognition	Cumulative gains or losses	Dividend income
	¥—	¥—	¥—

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

FY2015 (From April 1, 2015 to March 31, 2016)	Millions of yen		
	Fair value at the time of derecognition	Cumulative gains or losses	Dividend income
	¥138	¥(428)	¥44

Note: During the current fiscal year, the cumulative loss (after tax) of 290 million yen was reclassified from other components of equity to retained earnings.

31. Revenue

Details of revenue are as follows:

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Revenue from products	¥84,185	¥78,431
Revenue from services	14,655	17,101
Total	¥98,840	¥95,532

32. Selling, General and Administrative Expenses

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

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Personnel expenses	¥18,340	¥19,286
Travel and transportation expenses	1,985	1,861
Advertising expenses	1,892	1,750
Depreciation and amortization expenses	1,004	1,131
Others	6,385	5,593
Total	¥29,606	¥29,621

33. Research and Development Expense

Details of research and development expense are as follows:

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Material expenses	¥ 3,414	¥ 2,829
Personnel expenses	7,970	8,717
Others	1,556	1,274
Total	¥12,940	¥12,820

34. Other Income

Details of other income are as follows:

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Reversal of impairment loss	¥ 573	¥ —
Others	444	241
Total	¥1,017	¥241

Notes to the Consolidated Financial Statements

35. Other Expenses

Details of other expenses are as follows:

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Business structure improvement expenses	¥ —	¥698
Impairment loss	86	—
Loss on disposal or sale of property, plant and equipment	78	31
Others	116	148
Total	¥280	¥877

36. Personnel Expenses

Details of personnel expenses are as follows:

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Wage and salary	¥32,007	¥33,152
Welfare expenses	6,580	6,938
Retirement benefit expense	1,686	1,612
Others	1,924	1,883
Total	¥42,197	¥43,585

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

37. 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."

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Interest income:		
Financial assets measured at amortized cost	¥ 123	¥120
Dividends income:		
Financial assets measured at FVTOCI	84	99
Foreign exchange gains	1,002	—
Other	51	21
Total	¥1,260	¥240

Details of finance costs are as follows:

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Interest expenses:		
Financial liabilities measured at amortized cost	¥194	¥167
Foreign exchange losses	—	398
Other	441	51
Total	¥635	¥616

38. 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."

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Items that will not be reclassified to profit or loss		
Changes in financial assets measured at FVTOCI		
Increase during the fiscal year	¥ (8)	¥ 252
Total changes in financial assets measured at FVTOCI	(8)	252
Remeasurements of defined benefit plans		
Increase during the fiscal year	1,339	(1,557)
Total remeasurements of defined benefit plans	1,339	(1,557)
Total	1,331	(1,305)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation		
Increase during the fiscal year	2,692	(1,829)
Total exchange differences on translation	2,692	(1,829)
Total	2,692	(1,829)
Total other comprehensive income	¥4,023	¥(3,134)

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

	Millions of yen					
	FY2014 (From April 1, 2014 to March 31, 2015)			FY2015 (From April 1, 2015 to March 31, 2016)		
	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	¥ (30)	¥ 22	¥ (8)	¥ 344	¥ (92)	¥ 252
Remeasurements of defined benefit plans	1,978	(639)	1,339	(2,252)	695	(1,557)
Total	1,948	(617)	1,331	(1,908)	603	(1,305)
Items that may be reclassified subsequently to profit or loss						
Exchange differences on transactions	2,692	—	2,692	(1,829)	—	(1,829)
Total	2,692	—	2,692	(1,829)	—	(1,829)
Total other comprehensive income	¥4,640	¥(617)	¥4,023	¥(3,737)	¥603	¥(3,134)

39. Earnings Per Share (attributable to owners of parent)

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Profit attributable to owners of parent	¥7,858	¥3,761
Adjusted profit used for diluted earnings per share	—	—
Profit used in calculation of diluted earnings per share	7,858	3,761
	Shares	
Weighted average number of issued and outstanding shares	141,017,097	137,349,163
Increase in number of shares used in the calculation of diluted earnings per share		
Increase by stock options	6,344	—
Weighted average number of issued and outstanding shares used in the calculation of diluted earnings per share	141,023,441	137,349,163
	Yen	
Basic earnings per share	¥55.72	¥27.38
Diluted earnings per share	55.72	27.38

Notes to the Consolidated Financial Statements

40. Non-cash Transactions

Details of non-cash transactions are as follows:

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Acquisition of assets through finance leases	¥85	¥31
Total	¥85	¥31

41. Operating Leases

- Leases as lessee

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

	Millions of yen	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Minimum lease payments	¥1,419	¥1,720
Total lease payments	¥1,419	¥1,720

Note: Minimum lease payments are recorded in "Cost of sales," "Selling, general and administrative expenses," and "Research and development expense" 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	
	End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Less than 1 year	¥ 590	¥ 728
Between 1 and 5 years	650	686
Over 5 years	47	56
Total	¥1,287	¥1,470

Note: Operating lease payments represent rent payments 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).

42. Related Parties

(1) Major Subsidiaries

Name	Business	Location	Percentage ownership (%)	
			End of FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Anritsu Infvis Co., Ltd.	PQA	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	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Compensation and bonuses	¥263	¥251
Share-based payments	8	18
Total	¥271	¥269

43. Commitments

There are no significant commitments to be disclosed.

44. 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 FY2014 as of March 31, 2015	End of FY2015 as of March 31, 2016
Guarantees for employees	¥197	¥169
Operationally contracted guarantees	600	444
Total	¥797	¥613

(Guarantees for Employees)

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

(Operationally Contracted Guarantees)

The longest period of the guarantee is through 2016. 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

45. Subsequent Events

None

(Reference Information)

Consolidated quarterly information for the current fiscal year

	Millions of yen			
	1st Quarter	2nd Quarter	3rd Quarter	FY2015
Cumulative period				
Revenue	¥23,647	¥49,020	¥72,197	¥95,532
Quarterly (Annual) profit before tax	1,673	3,212	5,113	5,435
Quarterly (Annual) profit attributable to owners of parent	1,143	2,358	3,912	3,761
Quarterly (Annual) basic earnings per share (yen)	8.32	17.16	28.48	27.38

	Yen			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Accounting period				
Quarterly earnings per share: Basic (yen)	¥8.32	¥8.84	¥11.32	¥(1.10)

Non-consolidated Balance Sheet

		Millions of yen	Thousands of U.S. dollars*
	FY2015 as of March 31, 2016	FY2014 as of March 31, 2015	FY2015 as of March 31, 2016
Assets			
Current assets			
Cash and deposits	¥ 16,977	¥ 15,096	\$ 150,746
Notes receivable–trade	406	486	3,605
Accounts receivable–trade	11,726	13,972	104,120
Finished goods	2,550	2,790	22,643
Work in process	51	2,332	453
Raw materials	3,200	2,877	28,414
Prepaid expenses	122	119	1,083
Deferred tax assets	983	1,152	8,728
Other	6,082	3,078	54,005
Allowance for doubtful accounts	(95)	(112)	(844)
Total current assets	42,002	41,790	372,953
Noncurrent assets			
Property, plant and equipment			
Buildings	14,338	13,332	127,313
Structures	290	269	2,575
Machinery and equipment	138	170	1,225
Vehicles	0	0	0
Tools, furniture and fixtures	2,543	1,742	22,580
Land	2,010	2,010	17,848
Construction in progress	134	82	1,190
Total property, plant and equipment	19,453	17,605	172,731
Intangible assets			
Software	1,658	1,222	14,722
Other	26	53	231
Total intangible assets	1,684	1,275	14,953
Investments and other assets			
Investment securities	1,104	859	9,803
Stocks of subsidiaries and affiliates	46,281	46,259	410,948
Long-term loans receivable	5,651	5,501	50,178
Prepaid pension cost	3,173	4,075	28,174
Deferred tax assets	2,862	2,870	25,413
Other	87	117	773
Allowance for doubtful accounts	(0)	(1)	(0)
Total investments and other assets	59,158	59,680	525,289
Total noncurrent assets	80,295	78,560	712,973
Total	¥122,297	¥120,350	\$1,085,926

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥112.62 to U.S. \$1.00, the approximate exchange rate on March 31, 2016.

	Millions of yen		Thousands of U.S. dollars*
	FY2015 as of March 31, 2016	FY2014 as of March 31, 2015	FY2015 as of March 31, 2016
Liabilities			
Current liabilities			
Notes and accounts payable–trade	¥ 4,921	¥ 4,136	\$ 43,696
Short-term loans payable	1,190	1,190	10,567
Current portion of long-term loans payable	—	5,000	—
Lease obligations	6	15	53
Accounts payable–other	2,405	6,857	21,355
Accrued expenses	1,263	1,389	11,215
Income taxes payable	253	409	2,246
Advances received	1,063	1,643	9,439
Deposits received	13,132	12,155	116,605
Provision for product warranties	30	41	266
Provision for directors' bonuses	30	48	266
Other	47	6	417
Total current liabilities	24,340	32,889	216,125
Non-current liabilities			
Bonds payable	14,000	6,000	124,312
Long-term loans payable	6,500	3,500	57,716
Lease obligations	6	12	53
Provision for directors' retirement benefits	6	6	53
Other	284	269	2,522
Total non-current liabilities	20,796	9,787	184,656
Total liabilities	45,136	42,676	400,781
Net assets			
Shareholders' equity			
Capital stock	19,052	19,052	169,170
Capital surplus			
Legal capital surplus	28,003	28,003	248,650
Total capital surplus	28,003	28,003	248,650
Retained earnings			
Legal retained earnings	2,468	2,468	21,914
Other retained earnings	27,918	28,410	247,896
General reserve	21,719	21,719	192,852
Retained earnings brought forward	6,199	6,691	55,044
Treasury stock	(1,041)	(869)	(9,243)
Total shareholders' equity	76,400	77,064	678,387
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	557	395	4,946
Total valuation and translation adjustments	557	395	4,946
Subscription rights to shares	204	215	1,812
Total net assets	77,161	77,674	685,145
Total	¥122,297	¥120,350	\$1,085,926

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥112.62 to U.S. \$1.00, the approximate exchange rate on March 31, 2016.

Non-consolidated Statement of Income

	Millions of yen		Thousands of U.S. dollars*
	FY2015 From April 1, 2015 to March 31, 2016	FY2014 From April 1, 2014 to March 31, 2015	FY2015 From April 1, 2015 to March 31, 2016
Net sales	¥46,939	¥49,877	\$416,791
Cost of sales	26,987	28,126	239,629
Gross profit	19,952	21,751	177,162
Selling, general and administrative expenses	17,111	17,272	151,936
Operating income (loss)	2,841	4,479	25,226
Interest and dividend income	1,360	1,045	12,076
Other	175	789	1,554
Non-operating income	1,535	1,834	13,630
Interest expenses	141	167	1,252
Other	840	200	7,458
Non-operating expenses	981	367	8,710
Ordinary income (loss)	3,395	5,946	30,146
Gain on sales of investment securities	98	—	870
Gain on reversal of subscription rights to shares	11	—	98
Extraordinary income	109	—	968
Impairment loss	—	67	—
Extraordinary loss	—	67	—
Income (Loss) before income taxes	3,504	5,879	31,114
Income taxes—current	627	1,329	5,567
Income taxes—deferred	70	216	622
Net income (loss)	¥ 2,807	¥ 4,334	\$ 24,925

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥112.62 to U.S. \$1.00, the approximate exchange rate on March 31, 2016.

Independent Auditor's Report



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, 2016 and 2015, and 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 misstatement, 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, 2016 and 2015, 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, 2016 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, 27, 2016
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Anritsu's new global headquarters building is designed to stimulate open innovations.

Anritsu

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