Anritsu Integrated Report 2020

[Financial Statements]

Contents

Financial Results Summary

1. Basis of Presenting Consolidated Financial Statements

(1) The consolidated financial statements of Anritsu Corporation (“the Company”) have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provision of Article 93 of “Regulations Concerning Terminology, Forms and 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, 2020, which was ¥108.81 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. 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 especially 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

March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars*
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**	**End of FY2019 as of March 31, 2020**
Assets			
Current assets:			
Cash and cash equivalents (Notes 8 and 36)	¥ 45,097	**¥ 47,669**	**$ 438,094**
Trade and other receivables (Notes 9 and 36)	25,055	**26,263**	**241,366**
Other financial assets (Notes 11 and 36)	537	**29**	**267**
Inventories (Note 10)	18,585	**20,775**	**190,929**
Income tax receivables	343	**413**	**3,796**
Other assets	3,375	**3,857**	**35,447**
Total current assets	92,994	**99,009**	**909,926**
Non-current assets:			
Property, plant and equipment (Note 12)	24,221	**25,259**	**232,139**
Goodwill and intangible assets (Note 13)	3,586	**3,833**	**35,227**
Investment property (Note 14)	830	**663**	**6,093**
Trade and other receivables (Notes 9 and 36)	305	**287**	**2,638**
Other financial assets (Notes 11 and 36)	1,670	**1,785**	**16,405**
Deferred tax assets (Note 16)	6,814	**7,548**	**69,369**
Other assets	45	**485**	**4,457**
Total non-current assets	37,473	**39,864**	**366,363**
Total assets	130,467	**138,873**	**1,276,289**
Liabilities and Equity			
Liabilities			
Current liabilities:			
Trade and other payables (Notes 17 and 36)	7,599	**7,467**	**68,624**
Bonds and borrowings (Notes 18 and 36)	5,270	**9,882**	**90,819**
Other financial liabilities (Notes 19, 20, and 36)	70	**753**	**6,920**
Income tax payables	3,053	**4,028**	**37,019**
Employee benefits (Note 21)	6,829	**7,293**	**67,025**
Provisions (Note 22)	424	**435**	**3,998**
Other liabilities (Notes 23 and 26)	7,003	**7,484**	**68,780**
Total current liabilities	30,251	**37,346**	**343,222**
Non-current liabilities:			
Trade and other payables (Notes 17 and 36)	435	**480**	**4,411**
Bonds and borrowings (Notes 18 and 36)	10,978	**2,994**	**27,516**
Other financial liabilities (Notes 19, 20, and 36)	124	**1,015**	**9,328**
Employee benefits (Note 21)	1,100	**775**	**7,123**
Provisions (Note 22)	111	**108**	**993**
Deferred tax liabilities (Note 16)	197	**336**	**3,088**
Other liabilities (Notes 23 and 26)	1,590	**1,484**	**13,638**
Total non-current liabilities	14,538	**7,195**	**66,124**
Total liabilities	44,789	**44,541**	**409,347**
Equity:			
Common stock (Note 24)	19,113	**19,151**	**176,004**
Additional paid-in capital (Note 24)	28,207	**28,277**	**259,875**
Retained earnings (Note 24)	33,442	**43,182**	**396,857**
Treasury stock (Note 24)	(1,133)	**(1,119)**	**(10,284)**
Other components of equity (Note 24)	5,930	**4,681**	**43,020**
Total equity attributable to owners of parent	85,560	**94,172**	**865,472**
Non-controlling interests	117	**159**	**1,461**
Total equity	85,678	**94,331**	**866,933**
Total liabilities and equity	¥130,467	**¥138,873**	**$1,276,289**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥108.81 to U.S. $1.00, the approximate exchange rate on March 31, 2020.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars*
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**	**End of FY2019 as of March 31, 2020**
Continuing operations			
Revenue (Notes 6 and 26)	¥99,659	**¥107,023**	**$983,577**
Cost of sales (Note 29)	48,807	**48,948**	**449,848**
Gross profit	50,852	**58,075**	**533,729**
Other revenue and expenses			
Selling, general and administrative expenses (Notes 27 and 29)	27,944	**28,036**	**257,660**
Research and development expense (Notes 28 and 29)	11,715	**12,975**	**119,245**
Other income (Note 30)	428	**659**	**6,056**
Other expenses (Note 30)	374	**309**	**2,840**
Operating profit (loss) (Note 6)	11,246	**17,413**	**160,031**
Finance income (Note 31)	387	**345**	**3,171**
Finance costs (Note 31)	271	**577**	**5,303**
Profit (loss) before tax	11,362	**17,181**	**157,899**
Income tax expense (Note 16)	2,371	**3,783**	**34,767**
Profit (loss) from continuing operations	8,991	**13,397**	**123,123**
Profit (loss)	8,991	**13,397**	**123,123**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Change of financial assets measured at fair value (Note 32)	69	**83**	**763**
Remeasurements of defined benefit plans (Note 32)	96	**(214)**	**(1,967)**
Total	165	**(130)**	**(1,195)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation (Note 32)	225	**(1,329)**	**(12,214)**
Total	225	**(1,329)**	**(12,214)**
Total of other comprehensive income	390	**(1,459)**	**(13,409)**
Comprehensive income (loss)	¥ 9,381	**¥11,937**	**$109,705**
Profit (loss), attributable to:			
Owners of parent	¥ 8,956	**¥13,355**	**$122,737**
Non-controlling interests	34	**42**	**386**
Total	¥ 8,991	**¥13,397**	**$123,123**
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 9,346	**¥11,895**	**$109,319**
Non-controlling interests	34	**42**	**386**
Total	¥ 9,381	**¥11,937**	**$109,705**
	Yen		U.S. dollars*
Earnings per share			
Basic earnings per share (Note 33)	¥65.20	**¥97.20**	**$0.89**
Diluted earnings per share (Note 33)	65.16	**97.16**	**0.89**

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Consolidated Statement of Changes in Equity

Years ended March 31, 2019 and 2020

FY2018 (From April 1, 2018 to March 31, 2019)								Millions of yen
	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, 2018	¥19,064	¥28,137	¥26,254	¥ (987)	¥5,761	¥78,230	¥ 83	¥78,313
Cumulative effect by change in accounting policy	—	—	183	—	—	183	—	183
Balance at April 1, 2018 after change in accounting policy	19,064	28,137	26,438	(987)	5,761	78,414	83	78,497
Profit (loss)	—	—	8,956	—	—	8,956	34	8,991
Other comprehensive income (Note 32)	—	—	96	—	294	390	—	390
Total comprehensive income (loss)	—	—	9,052	—	294	9,346	34	9,381
Share-based payments (Note 35)	49	69	24	23	—	166	—	166
Dividends paid (Note 25)	—	—	(2,198)	—	—	(2,198)	—	(2,198)
Purchase of treasury stock (Note 24)	—	—	—	(168)	—	(168)	—	(168)
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	125	—	(125)	—	—	—
Total transactions with owners and other transactions	49	69	(2,047)	(145)	(125)	(2,200)	(0)	(2,201)
Balance at March 31, 2019	¥19,113	¥28,207	¥33,442	¥(1,133)	¥5,930	¥85,560	¥117	¥85,678

FY2019 (From April 1, 2019 to March 31, 2020)								Millions of yen
Balance at April 1, 2019	**¥19,113**	**¥28,207**	**¥33,442**	**¥(1,133)**	**¥5,930**	**¥85,560**	**¥117**	**¥85,678**
Cumulative effect by change in accounting policy (Note 2)	**—**	**—**	**(45)**	**—**	**—**	**(45)**	**—**	**(45)**
Balance at April 1, 2019 after change in accounting policy	**19,113**	**28,207**	**33,396**	**(1,133)**	**5,930**	**85,515**	**117**	**85,632**
Profit (loss)	**—**	**—**	**13,355**	**—**	**—**	**13,355**	**42**	**13,397**
Other comprehensive income (Note 32)	**—**	**—**	**(214)**	**—**	**(1,245)**	**(1,459)**	**—**	**(1,459)**
Total comprehensive income (loss)	**—**	**—**	**13,140**	**—**	**(1,245)**	**11,895**	**42**	**11,937**
Share-based payments (Note 35)	**37**	**70**	**6**	**14**	**—**	**128**	**—**	**128**
Dividends paid (Note 25)	**—**	**—**	**(3,365)**	**—**	**—**	**(3,365)**	**—**	**(3,365)**
Purchase of treasury stock (Note 24)	**—**	**—**	**—**	**(0)**	**—**	**(0)**	**—**	**(0)**
Disposal of treasury stock (Note 24)	**—**	**0**	**—**	**0**	**—**	**0**	**—**	**0**
Dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(0)**	**(0)**
Transfer from other components of equity to retained earnings	**—**	**—**	**4**	**—**	**(4)**	**—**	**—**	**—**
Total transactions with owners and other transactions	**37**	**70**	**(3,355)**	**13**	**(4)**	**(3,237)**	**(0)**	**(3,238)**
Balance at March 31, 2020	**¥19,151**	**¥28,277**	**¥43,182**	**¥(1,119)**	**¥4,681**	**¥94,172**	**¥159**	**¥94,331**

FY2019 (From April 1, 2019 to March 31, 2020)								Thousands of U.S. dollars*
Balance at April 1, 2019	**$175,655**	**$259,232**	**$307,343**	**$(10,413)**	**$54,499**	**$786,325**	**$1,075**	**$787,409**
Cumulative effect by change in accounting policy (Note 2)	**—**	**—**	**(414)**	**—**	**—**	**(414)**	**—**	**(414)**
Balance at April 1, 2019 after change in accounting policy	**175,655**	**259,232**	**306,920**	**(10,413)**	**54,499**	**785,911**	**1,075**	**786,986**
Profit (loss)	**—**	**—**	**122,737**	**—**	**—**	**122,737**	**386**	**123,123**
Other comprehensive income (Note 32)	**—**	**—**	**(1,967)**	**—**	**(11,442)**	**(13,409)**	**—**	**(13,409)**
Total comprehensive income (loss)	**—**	**—**	**120,761**	**—**	**(11,442)**	**109,319**	**386**	**109,705**
Share-based payments (Note 35)	**340**	**643**	**55**	**129**	**—**	**1,176**	**—**	**1,176**
Dividends paid (Note 25)	**—**	**—**	**(30,925)**	**—**	**—**	**(30,925)**	**—**	**(30,925)**
Purchase of treasury stock (Note 24)	**—**	**—**	**—**	**(0)**	**—**	**(0)**	**—**	**(0)**
Disposal of treasury stock (Note 24)	**—**	**0**	**—**	**0**	**—**	**0**	**—**	**0**
Dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(0)**	**(0)**
Transfer from other components of equity to retained earnings	**—**	**—**	**37**	**—**	**(37)**	**—**	**—**	**—**
Total transactions with owners and other transactions	**340**	**643**	**(30,834)**	**119**	**(37)**	**(29,749)**	**(0)**	**(29,758)**
Balance at March 31, 2020	**$176,004**	**$259,875**	**$396,857**	**$(10,284)**	**$43,020**	**$865,472**	**$1,461**	**$866,933**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥108.81 to U.S. $1.00, the approximate exchange rate on March 31, 2020.
Note: Details of Common stock, Additional paid-in capital, Retained earnings, Treasury stock and Other components of equity are described in Note 24, "Total Equity and Other Capital Items."

Consolidated Statement of Cash Flows

Years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars*
	FY2018 (12 months) From April 1, 2018 to March 31, 2019	**FY2019 (12 months) From April 1, 2019 to March 31, 2020**	**FY2019 (12 months) From April 1, 2019 to March 31, 2020**
Cash flows from (used in) operating activities			
Profit (loss) before tax	¥11,362	**¥17,181**	**$157,899**
Depreciation and amortization expense	4,386	**4,999**	**45,942**
Interest and dividends income	(335)	**(342)**	**(3,143)**
Interest expenses	103	**116**	**1,066**
Loss (gain) on disposal of property, plant and equipment	(241)	**(43)**	**(395)**
Decrease (increase) in trade and other receivables	(3,395)	**(1,282)**	**(11,782)**
Decrease (increase) in inventories	(64)	**(2,370)**	**(21,781)**
Increase (decrease) in trade and other payables	(452)	**(176)**	**(1,617)**
Increase (decrease) in employee benefits	536	**(578)**	**(5,312)**
Other, net	1,761	**363**	**3,336**
Subtotal	13,661	**17,866**	**164,194**
Interest received	272	**304**	**2,794**
Dividends received	62	**37**	**340**
Interest paid	(98)	**(102)**	**(937)**
Income taxes paid	(1,960)	**(3,473)**	**(31,918)**
Income taxes refund	309	**88**	**809**
Net cash flows from (used in) operating activities	12,247	**14,721**	**135,291**
Cash flows from (used in) investing activities (Note 34)			
Payments into time deposits	(545)	**(9)**	**(83)**
Proceeds from withdrawal of time deposits	1,135	**477**	**4,384**
Purchase of property, plant and equipment	(2,114)	**(2,830)**	**(26,009)**
Proceeds from sale of property, plant and equipment	714	**310**	**2,849**
Purchase of other financial assets	(3)	**(1)**	**(9)**
Proceeds from sale of other financial assets	1,177	**6**	**55**
Other, net	(980)	**(1,637)**	**(15,045)**
Net cash flows from (used in) investing activities	(616)	**(3,686)**	**(33,876)**
Cash flows from (used in) financing activities (Note 34)			
Net increase (decrease) in short-term borrowings	300	**114**	**1,048**
Proceeds from long-term borrowings	3,000	**—**	**—**
Repayments of long-term borrowings	(3,000)	**(3,500)**	**(32,166)**
Repayments of lease liabilities	—	**(900)**	**(8,271)**
Dividends paid	(2,198)	**(3,365)**	**(30,925)**
Other, net	(154)	**58**	**533**
Net cash flows from (used in) financing activities	(2,052)	**(7,592)**	**(69,773)**
Effect of exchange rate change on cash and cash equivalents	65	**(870)**	**(7,996)**
Net increase (decrease) in cash and cash equivalents	9,644	**2,572**	**23,638**
Cash and cash equivalents at beginning of period	35,452	**45,097**	**414,456**
Cash and cash equivalents at end of period (Note 8)	¥45,097	**¥47,669**	**$438,094**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥108.81 to U.S. $1.00, the approximate exchange rate on March 31, 2020.

Notes to the Consolidated Financial Statements

1. Reporting Entity

Anritsu Corporation is an incorporated company located in Japan. The registrated address of headquarters is disclosed in Anritsu's website (https://www.anritsu.com). The Company's reporting date is March 31, 2020. The consolidated financial statements of the Company comprise the Company and its subsidiaries ("the Anritsu Group"). The Anritsu Group is engaged primarily in the Test and Measurement and PQA (Products Quality Assurance) Business. Main activities for each business are stated under 6. Segment Information.

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 Hamada, Representative Director and President, and Akifumi Kubota, Chief Financial Officer 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 down to the nearest million.

(4) Changes in Accounting Policy

The Anritsu Group has adopted the following IFRSs from the fiscal year ended March 31, 2020.

Standard	Title	Subject of new standards/amendment
IFRS 16	Leases	Amendment to the accounting treatment for leases

Under IFRS 16, whether or not a contract is a lease contract or a contract containing a lease is determined at its inception, based on its substance. If the contract substantially involves transfer of the right to control the use of an identified asset for a certain period of time in exchange for consideration, such contract is determined to constitute a lease contract or a contract containing a lease.

At the inception of a lease, lease liability and right-of-use asset are recognized unless it is classified as a short-term lease or a lease of a low-value asset. In the case of a short-term lease or a lease of a low-value asset, lease payments are recognized as an expense on a straight-line basis over the lease term, based on the practical expedients allowed under IFRS 16.

A lease liability is measured at its present value as calculated by discounting the lease payments yet to be made as at the inception, using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot easily be determined, a lessee's incremental borrowing rate of interest may be used for this purpose. Subsequent to the inception date of the lease, the lease liability may be increased or decreased to reflect the interest expenses associated with the lease liability as well as the lease payments that have been made.

A right-of-use asset is measured initially with the initially measured amount of the lease liability at the inception, adjusted by the initial direct costs, etc., and added by the costs associated with the obligations to restore the leased asset required under the lease contract, etc. Subsequent to the inception date of the lease, however, the right-of-use asset is measured by using a cost model at the acquisition cost less accumulated depreciation as well as accumulated impairment losses. The right-of-use asset is depreciated on a straight-line basis over the useful life or lease term whichever is shorter, unless it is reasonably certain that the Anritsu Group will obtain ownership of the lease asset at the termination of the lease term. The lease term includes the applicable periods of the extension and termination options, insofar as such options are to be exercised with reasonable certainty.

Following the adoption of IFRS 16, the Anritsu Group has newly recognized a right-of-use asset and lease liability for the leases classified as operating leases under IAS 17 – Leases. As for the leases classified as finance leases under IAS 17, book values recognized pursuant to IAS 17 have been directly quoted in general, while for some of such leases deemed to constitute leases of low-value assets, the accounting method has been changed whereby recognition of the right-of-use asset and lease liability has been discontinued based on the practical expedients, and lease payments are now recognized as an expense on a straight-line basis over the lease term.

Lease payments of the operating lease recognized as expenses under IAS 17 are allocated into repayment of financial expense and that of the lease liability according to the interest method, while the financial expenses are recognized in the Condensed Quarterly Consolidated Statement of Profit or Loss and Other Comprehensive Income. The amount of repayment of the lease liability for the operating lease was recorded as a negative-value item in cash flows from (used in) operating activities in the Condensed Quarterly Consolidated Statement of Cash Flows, which has been reclassified as a negative-value item in cash flows from (used in) financing activities.

In adopting IFRS 16, the Anritsu Group implemented retroactive adoption based on the transitional measures, whereby cumulative effects of the commencement of adoption were recognized as an adjustment to retained earnings at the beginning of the fiscal year ended March 31, 2020, while whether a lease is contained in contracts in force at the adoption of IFRS 16 was determined by following the decisions made based on IAS 17 – Leases and IFRIC 4 "Determining Whether an Arrangement Contains a Lease". Meanwhile, the following practical expedients have been adopted.

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- For the leases previously classified as operating leases in the past, their initial direct costs have been excluded from the measurement of the right-of-use asset at the date of initial application.

As a result of the aforementioned, the right-of-use asset of ¥1,705 million and the lease liability of ¥1,758 million have been additionally recognized on the inception date as property, plant and equipment and other financial liabilities, respectively, in the Condensed Quarterly Consolidated Statement of Financial Position. Also ¥45 million decrease has been recognized in retained earnings. This has no significant impact on the Condensed Quarterly Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Reconciliation between non-cancellable operating lease contracts disclosed at the end of the previous fiscal year based on the adoption of IAS 17, and the lease liability recognized in the Condensed Quarterly Consolidated Statement of Financial Position on the inception date is as follows:

	Millions of yen
	Amount
Non-cancelable operating lease contract, disclosed as of March 31, 2019	¥1,139
Non-cancelable operating lease contract (after discount), disclosed as of March 31, 2019 (Notes 1)	657
Finance lease liabilities (as of March 31, 2019)	186
Reported amount for cancelable operating lease contract	1,104
Low value leases, recognized as expenses under fixed amount method	(3)
Lease liabilities as of April 1, 2019	¥1,945

(Notes 1): Value of non-cancelable operating lease contract (after discount) disclosed as of March 31, 2019 is discounted value excluded non-lease component.

(Notes 2): Weighted average of lessees' incremental borrowing rates applicable to the lease liability recognized in the Condensed Quarterly Consolidated Statement of Financial Position on the inception date is 2.8%.

3. Significant Accounting Policies

The significant accounting policies applied in the preparation of the consolidated financial statements are summarized below:

(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 transactions, and any unrealized gains/losses and claims/obligations arising from them, 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). For each business combination, the Anritsu Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either (a) fair value or (b) the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. 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.

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) Business Combinations

The acquisition method is applied as the method of accounting for business combinations. The acquisition consideration is measured as the sum of the acquisition-date fair values of the transferred assets exchange from control of the acquiree, liabilities assumed, and the equity instruments issued by the acquirer.

If the acquisition consideration is more than the fair values of the identifiable assets and liabilities, the excess amount is recognized as goodwill in the consolidated statement of financial position. Transaction expenses arising in relation to business combinations are expensed as incurred.

(3) 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.

(4) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is calculated 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.

(5) 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 (including buildings and structures held under leases): 2–50 years
- Machinery, Equipment and Vehicles (including machinery, equipment and vehicles held under leases): 2–15 years
- Tools, Furniture and Fixtures (including tools, furniture and fixtures held under leases): 2–20 years
- Land (land held under leases): 2–5 years

Land (excluding land held under leases) and construction in progress are not depreciated.

Property, plant and equipment recognized under a lease (right-of-use asset) is depreciated over the useful life or lease term whichever is shorter, unless it is reasonably certain that the Anritsu Group will obtain ownership of the leased asset at the termination of the lease term. The lease term includes the applicable periods of the extension and termination options, insofar as such options are to be exercised with reasonable certainty.

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

(6) 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.

Acquisition costs from business combinations are measured at fair value at the date of intangible assets' acquisition. After being recognized, 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 10 years.

(7) 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.

(8) Leases

The Anritsu Group determines whether or not a contract is a lease contract or a contract containing a lease at its inception, based on its substance. If the contract substantially involves transfer of the right to control the use of an identified asset for a certain period of time in exchange for consideration, such contract is determined to constitute a lease contract or a contract containing a lease.

At the inception of a lease, lease liability and right-of-use asset are recognized unless it is classified as a short-term lease or a lease of a low-value asset. In the case of a short-term lease or a lease of a low-value asset, lease payments are recognized as an expense on a straight-line basis over the lease term, based on the practical expedients allowed under IFRS 16.

A lease liability is measured at its present value as calculated by discounting the lease payments yet to be made as at the inception, using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot easily be determined, a lessee's incremental borrowing rate of interest may be used for this purpose. Subsequent to the inception date of the lease, the lease liability may be increased or decreased to reflect the interest expenses associated with the lease liability as well as the lease payments that have been made.

A right-of-use asset is measured initially with the initially measured amount of the lease liability at the inception, adjusted by the initial direct costs, etc., and added by the costs associated with the obligations to restore the leased asset required under the lease contract, etc. Subsequent to the inception date of the lease, however, the right-of-use asset is measured by using a cost model at the acquisition cost less accumulated depreciation as well as accumulated impairment losses.

Lease liabilities are recorded in "Other financial liabilities" and right-of-use assets are recorded in "Property, plant and equipment" in the consolidated statement of financial position.

(9) 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.

(10) 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

The Anritsu Group classifies investments in equity instruments that are not held for trading or contingent consideration in a business combination as change of financial assets measured at fair value by making an irrevocable selection at initial recognition to present subsequent changes in those investments in other comprehensive income (hereinafter referred to as "financial assets measured at FVTOCI"). Those investments are equity instruments held for the purpose of maintaining and strengthening the business relationships with investees. The Anritsu Group recognizes any changes in the fair value of such investments in other comprehensive income, and amounts recognized as other comprehensive income are not transferred to profit or loss in the case of derecognition of such investments. Dividends income on such investments are recognized in profit or loss as finance income, unless it is evident that the dividends are the return of investment principal.

IFRS 9 "Financial Instruments" requires an entity to recognize financial assets that meet the following two conditions as financial assets measured at FVTOCI. However, the Anritsu Group does not hold any applicable financial assets.

- Such applicable financial assets are held within a business model through which the objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest in the outstanding principal.

For financial assets measured at FVTOCI that are not held by the Anritsu Group, unlike the Group's financial assets mentioned above, impairment gains or losses and foreign exchange gains or losses on such assets are recognized in profit or loss as they arise. Changes, etc., in fair value of recognized assets, excluding impairment gains or losses and foreign exchange gains and losses, are recognized as other comprehensive income as they arise, and accumulated gains or losses previously recognized in other comprehensive income are transferred from equity to profit or loss as reclassification adjustments in the case of derecognition of such assets.

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 shortterm time deposits with original maturities of three months or less.

(11) Non-derivative Financial Liabilities

Debt securities issued by the Anritsu Group are initially recognized on the issue date. Other non-derivative financial liabilities 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.

(12) 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."

(13) Impairment

1. Non-derivative Financial Assets

For financial assets measured at amortized cost, the Anritsu Group recognizes allowance for doubtful accounts. For recognition of allowance for doubtful accounts, allowance for doubtful accounts on trade and other receivables are always measured at an amount equal to lifetime expected credit losses. Allowance for doubtful accounts on other financial assets are measured at an amount equal to the 12-month expected credit losses when the credit risk has not increased significantly, and measured at an amount equal to lifetime expected credit losses when the credit risk has increased significantly.

In measuring allowance for doubtful accounts, the Group regularly monitors the financial status of debtors and assesses deteriorating situations of debtors' financial positions, such as defaults, delinquencies, extension of payment deadlines, and bankruptcies or signs thereof. If such situation or sign is not identified, the Group estimates expected credit losses using past due information.

All individually significant financial assets are measured for impairment on an individual basis. Financial assets that are not individually significant are assessed collectively in groups that share similar risk characteristics and measured for impairment.

The Group recognizes reclassification adjustments necessary for recognition of allowance for doubtful accounts required as of the reporting date in selling, general and administrative expenses 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 nonfinancial 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 (achievement evaluation period: FY2014-FY2017) 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 the 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.

Under Performance-Related Stock Compensation Program (achievement evaluation period: FY2018-FY2020), evaluation points of each Director are calculated, based on the degree of attainment of numerical targets for management indicators in each fiscal year, and granted in the following fiscal year. Each Director receives the Company's shares based on the accumulated evaluation points upon their retirement from office. The Anritsu Group recognizes expenses over each attainment level evaluation period and the same amount corresponding to the expenses as an 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 recognizes revenue, excluding interest and dividend income under IFRS 9 "Financial Instruments," based on the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Anritsu Group mainly sells products and software, and provides repair and support services incidental to those products and software in two businesses. In the Test and Measurement Business, this includes measuring instruments and systems for communications applications, and service assurance. In the PQA Business, this includes product control and quality assurance systems such as precision, high-speed auto checkweighers, electric weighers and metal detectors, for the food, pharmaceutical and cosmetics industries.

We deem our performance obligations to be satisfied and recognize revenue from the sale of these products and software when the significant risks and economic value associated with the possession of goods have been transferred to the customer, because in the absence of ongoing involvement in the management of the goods, the customer acquires control over the goods.

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.

We recognize revenue of repair and support service that came with the sales of products and software at the time or when the service is rendered over a period of time to the customer.

For multiple element transactions in which we provide multiple deliverables such as products, software, or support services, if the respective components are identified as having separate performance obligations, we allocate the transaction price proportionately based on the standalone selling price, and recognize revenue for each performance obligation.

We recognize contract liabilities when considerations for promised products or services are received or receipt of consideration thereof is finalized before such products or services are transferred to customers.

(19) Finance Income and Costs

Finance income comprises mainly interest income and dividend income. Finance costs comprise mainly interest payments on borrowings, corporate bonds and lease liabilities 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. Significant Accounting Estimates and Judgements

The preparation of consolidated financial statements based on IFRS requires management to make judgments, estimates and assumptions that affect the application of account 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. The influence from 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 by management that have significant effects in the consolidated financial statements are as follows:

- Evaluation of Inventories (Note 3. Significant Accounting Policies (4) Inventories, Note 10. Inventories)
- Impairment of Non-financial Assets (Note 3. Significant Accounting Policies (13) Impairment, Note 15. Impairment Loss on Non-financial Assets)
- Measurement of Defined Benefit Obligation (Note 3. Significant Accounting Policies (15) Employee Benefits, Note 21. Employee Benefits)
- Provisions in Accounting Method and Evaluation (Note 3. Significant Accounting Policies (16) Provisions, Note 22. Provisions)
- Recoverability of Deferred Tax Assets (Note 3. Significant Accounting Policies (20) Income Tax Expense, Note 16. Income Tax Expense)
- Contingencies (Note 41. Contingencies)

5. New Standards and Interpretations Not Yet Applied

No important new or revised standards, or interpretation guidance was announced by the date of approval of the consolidated financial statements.

6. Segment Information

(1) Outline of Reportable Segment

The reportable segments of the Anritsu Group are business segments which are classified based on products and services. Each business segment operates its business activities with a comprehensive domestic and overseas strategic business plan.

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).

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 reportable segments are the same as the accounting policies for the Anritsu Group described in Note 3. Inter-segment revenue is measured based on market price.

Millions of yen

Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)	Reportable segment: Test and Measurement	Reportable segment: PQA	Reportable segment: Subtotal	Others (Note 1)	Total	Adjustment (Notes 2, 3)	Consolidated
Outside customers	¥68,168	¥23,074	¥ 91,242	¥ 8,416	¥ 99,659	¥ —	¥ 99,659
Inter-segment	90	3	94	4,146	4,240	(4,240)	—
Total	¥68,259	¥23,077	¥ 91,336	¥12,563	¥103,900	¥(4,240)	¥ 99,659
Cost of sales, Other revenue and expenses	(58,846)	(21,467)	(80,314)	(11,418)	(91,732)	3,319	(88,413)
Operating profit (loss)	9,413	1,609	11,022	1,145	12,168	(921)	11,246
Finance income	—	—	—	—	—	—	387
Finance costs	—	—	—	—	—	—	271
Profit (loss) before tax	—	—	—	—	—	—	11,362
Income tax expense	—	—	—	—	—	—	2,371
Profit (loss) for the year	—	—	—	—	—	—	8,991
Assets	93,058	17,561	110,619	9,598	120,218	10,249	130,467
Capital expenditures	1,962	506	2,468	353	2,822	(14)	2,807
Depreciation and amortization	3,548	285	3,834	562	4,397	(10)	4,386

Notes: 1. Others: Information and Communications, Devices, Logistics, Welfare-related service, Leases on real estate, Corporate administration, Parts manufacturing and others
2. Adjustment of operating profit includes elimination of inter-segment transactions (¥-2 million) and company-wide expenses not allocated to business segments (¥-919 million). Company-wide expenses are composed mainly of basic research expense as well as selling, general and administrative expenses not attributable to business segments.
3. Adjustment of segment assets 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.

Millions of yen

Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)	Reportable segment: Test and Measurement	Reportable segment: PQA	Reportable segment: Subtotal	Others (Note 1)	Total	Adjustment (Notes 2, 3)	Consolidated
Outside customers	**¥ 75,165**	**¥22,575**	**¥ 97,740**	**¥ 9,282**	**¥107,023**	**¥ —**	**¥107,023**
Inter-segment	**95**	**3**	**98**	**4,931**	**5,030**	**(5,030)**	**—**
Total	**¥ 75,261**	**¥22,578**	**¥ 97,839**	**¥14,213**	**¥112,053**	**¥(5,030)**	**¥107,023**
Cost of sales, Other revenue and expenses	**(60,112)**	**(21,291)**	**(81,404)**	**(12,313)**	**(93,717)**	**4,108**	**(89,609)**
Operating profit (loss)	**15,148**	**1,287**	**16,435**	**1,900**	**18,335**	**(921)**	**17,413**
Finance income	**—**	**—**	**—**	**—**	**—**	**—**	**345**
Finance costs	**—**	**—**	**—**	**—**	**—**	**—**	**577**
Profit (loss) before tax	**—**	**—**	**—**	**—**	**—**	**—**	**17,181**
Income tax expense	**—**	**—**	**—**	**—**	**—**	**—**	**3,783**
Profit (loss) for the year	**—**	**—**	**—**	**—**	**—**	**—**	**13,397**
Assets	**101,843**	**18,452**	**120,295**	**7,807**	**128,102**	**10,770**	**138,873**
Capital expenditures	**3,775**	**787**	**4,562**	**362**	**4,925**	**(13)**	**4,911**
Depreciation and amortization	**3,886**	**547**	**4,433**	**575**	**5,009**	**(9)**	**4,999**

Notes: 1. Others: Information and Communications, Devices, Logistics, Welfare-related service, Leases on real estate, Corporate administration, Parts manufacturing and others
2. Adjustment of operating profit includes elimination of inter-segment transactions (¥-8 million) and company-wide expenses not allocated to business segments (¥-913 million). Company-wide expenses are composed mainly of basic research expense as well as selling, general and administrative expenses not attributable to business segments.
3. Adjustment of segment assets includes excess investment capital not attributable to business segments (cash and cash equivalents), long-term investment capital (other financial assets (non-current assets)) and assets related to basic research.

(3) Information Regarding Products and Service

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

(4) Information Regarding Geographical Areas

Revenue and non-current assets (excluding financial instruments and deferred tax assets) by geographic area are indicated below.

	Millions of yen	
FY2018 (From April 1, 2018 to March 31, 2019)	Revenue	Non-current assets
Japan	¥32,183	¥24,325
Americas	26,429	2,438
[United States]	[21,889]	—
EMEA	12,170	1,683
Asia and others	28,876	658
[China]	[9,566]	—
Eliminations and corporate	—	(423)
Total	¥99,659	¥28,683

Notes: 1. Revenue information is presented based on the geographical location of the customers, and it is classified by country or region.
2. Non-current assets information (excluding financial instruments and deferred tax assets) is presented based on the geographical location of the assets.
3. EMEA: Europe, Middle East and Africa
4. The Anritsu Group has not disclosed non-current assets (excluding financial instruments and deferred tax assets) for the United States and China as the amounts are immaterial.

	Millions of yen	
FY2019 (From April 1, 2019 to March 31, 2020)	Revenue	Non-current assets
Japan	**¥ 36,293**	**¥24,432**
Americas	**20,773**	**3,036**
[United States]	**[18,252]**	**—**
EMEA	**10,693**	**1,951**
Asia and others	**39,262**	**1,327**
[China]	**[16,040]**	**—**
Eliminations and corporate	**—**	**(499)**
Total	**¥107,023**	**¥30,247**

Notes: 1. Revenue information is presented based on the geographical location of the customers, and it is classified by country or region.
2. Non-current assets information (excluding financial instruments and deferred tax assets) is presented based on the geographical location of the assets.
3. EMEA: Europe, Middle East and Africa
4. 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.

7. Business Combinations

There are no significant business combinations to be disclosed.

8. Cash and Cash Equivalents

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

9. Trade and Other Receivables

Details of trade and other receivables are as follows:

Millions of yen

	Beginning of FY2018 as of April 1, 2018	End of FY2018 as of March 31, 2019	Beginning of FY2019 as of April 1, 2019	**End of FY2019 as of March 31, 2020**
Accounts receivable–trade	¥18,778	¥22,458	¥22,458	**¥23,515**
Notes receivable–trade	2,655	2,653	2,653	**2,585**
Accounts receivable–other	64	79	79	**46**
Others	456	499	499	**584**
Less: Allowance for doubtful accounts	(147)	(330)	(330)	**(180)**
Total	¥21,807	¥25,360	¥25,360	**¥26,550**
Current assets	¥21,480	¥25,055	¥25,055	**¥26,263**
Non-current assets	326	305	305	**287**
Total	¥21,807	¥25,360	¥25,360	**¥26,550**

Note: In accordance with the application of IFRS 15 "Revenue from Contracts with Customers," the balance at the beginning of the fiscal year ended March 31, 2019 has been adjusted.

10. Inventories

Details of inventories are as follows:

Millions of yen

	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Raw materials	¥ 7,196	**¥ 7,912**
Work in process	4,794	**5,308**
Finished goods	6,595	**7,554**
Total	¥18,585	**¥20,775**

Notes: 1. The losses on valuation of inventories were included in "Cost of sales." Amounts of valuation loss included in the "Cost of sales" are ¥776 million in FY2018 and ¥1,338 million in FY2019.
2. Inventories recorded in "Cost of sales" as expenses were ¥44,334 million in FY2018 and ¥44,380 million in FY2019 (including the above losses on valuation).
3. The Company has not pledged any inventories as collateral.

11. 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 FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Time deposits with a maturity of more than 3 months (Financial assets measured at amortized cost)	¥530	**¥12**
Derivatives (Financial assets measured at FVTPL)	6	**17**
Total	¥537	**¥29**

• Non-current assets

Millions of yen

	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Marketable securities (Financial assets measured at FVTOCI)	¥1,670	**¥1,785**
Total	¥1,670	**¥1,785**

12. Property, Plant and Equipment

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

Millions of yen

Acquisition cost	Buildings and structures	Machinery and vehicles	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at April 1, 2018	¥47,297	¥12,403	¥14,073	¥3,757	¥ 14	¥77,547
Acquisition	531	359	1,005	—	28	1,924
Disposal	(1,564)	(609)	(788)	—	—	(2,961)
Effect of foreign currency exchange differences	136	182	22	34	0	378
Others	2	(652)	(7)	—	—	(657)
Balance at March 31, 2019	¥46,403	¥11,684	¥14,305	¥3,792	¥ 43	¥76,230
Adjustment due to change in accounting policy (Note 3)	2,313	725	0	5	—	3,045
Balance at March 31, 2019 after change in accounting policy	48,717	12,410	14,306	3,797	43	79,275
Acquisition	**1,213**	**515**	**1,409**	**4**	**415**	**3,558**
Disposal	**(1,596)**	**(509)**	**(777)**	**(5)**	**(5)**	**(2,893)**
Effect of foreign currency exchange differences	**(157)**	**(354)**	**(48)**	**(25)**	**6**	**(579)**
Others	**(148)**	**267**	**2**	**—**	**(336)**	**(213)**
Balance at March 31, 2020	**¥48,029**	**¥12,330**	**¥14,893**	**¥3,771**	**¥123**	**¥79,147**

Millions of yen

Accumulated depreciation and accumulated impairment loss	Buildings and structures	Machinery and vehicles	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at April 1, 2018	¥(29,954)	¥(10,136)	¥(11,509)	¥—	¥—	¥(51,599)
Depreciation expense	(1,285)	(640)	(1,055)	—	—	(2,980)
Disposal	1,522	595	766	—	—	2,884
Effect of foreign currency exchange differences	(111)	(180)	(20)	—	—	(311)
Others	2	6	(9)	—	—	(1)
Balance at March 31, 2019	¥(29,826)	¥(10,354)	¥(11,827)	¥—	¥—	¥(52,008)
Adjustment due to change in accounting policy (Note 3)	(924)	(412)	(0)	(2)	—	(1,339)
Balance at March 31, 2019 after change in accounting policy	(30,751)	(10,766)	(11,827)	(2)	—	(53,347)
Depreciation expense	**(2,017)**	**(646)**	**(1,107)**	**(5)**	**—**	**(3,776)**
Disposal	**1,321**	**386**	**764**	**1**	**—**	**2,473**
Effect of foreign currency exchange differences	**98**	**210**	**44**	**—**	**—**	**352**
Others	**285**	**120**	**4**	**—**	**—**	**409**
Balance at March 31, 2020	**¥(31,064)**	**¥(10,696)**	**¥(12,122)**	**¥(5)**	**¥—**	**¥(53,887)**

Millions of yen

Carrying amount	Buildings and structures	Machinery and vehicles	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance at April 1, 2018	¥17,343	¥2,267	¥2,564	¥3,757	¥ 14	¥25,947
Balance at March 31, 2019	16,577	1,329	2,478	3,792	43	24,221
Balance at March 31, 2019 after change in accounting policy	17,966	1,643	2,478	3,795	43	25,927
Balance at March 31, 2020	**¥16,965**	**¥1,634**	**¥2,771**	**¥3,766**	**¥123**	**¥25,259**

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. The Anritsu Group has applied IFRS 16 "Leases" from the fiscal year ended March 31, 2020. For operating leases in which the Anritsu Group is the lessee, right-of-use assets and lease liabilities are recognized on the initial date of application.

(2) Right-of-use Assets

The acquisition cost, Depreciation expense and carrying amount of right-of-use assets included in property, plant and equipment were as follows:

	Millions of yen	
Acquisition cost	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Buildings and structures	¥—	**¥583**
Machinery and vehicles	—	**139**
Tools, equipment and fixtures	19	**100**
Land	—	**4**
Total	¥19	**¥828**

Note: The acquisition cost of right-of-use asset for the fiscal year ended March 31, 2019 is shown as the acquisition cost of the leased asset under the previous accounting principles.

	Millions of yen	
Depreciation expense	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Buildings and structures	¥—	**¥(691)**
Machinery and vehicles	(17)	**(201)**
Tools, equipment and fixtures	(38)	**(45)**
Land	—	**(5)**
Total	¥(56)	**¥(943)**

Note: The depreciation expense of right-of-use asset for the fiscal year ended March 31, 2019 is shown as the depreciation expense of the leased asset under the previous accounting principles.

	Millions of yen	
Carrying amount	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Buildings and structures	¥ —	**¥1,198**
Machinery and vehicles	49	**294**
Tools, equipment and fixtures	114	**170**
Land	—	**2**
Total	¥164	**¥1,664**

Note: The carrying amount of right-of-use asset for the fiscal year ended March 31, 2019 is shown as the carrying amount of the leased asset under the previous accounting principles.

(3) Restrictions or Covenants Imposed by Collateral, Mortgage or Lease

End of FY2018 as of March 31, 2019: None

End of FY2019 as of March 31, 2020: None

13. Goodwill and Intangible Assets

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, 2018	¥1,444	¥2,268	¥5,471	¥580	¥ 9,764
Acquisition	—	—	419	7	427
Increases from internal development	—	371	83	—	454
Disposal	—	—	(551)	—	(551)
Effect of foreign currency exchange differences	8	(118)	24	14	(70)
Others	—	—	1	—	1
Balance at March 31, 2019	¥1,452	¥2,521	¥5,449	¥602	¥10,026
Acquisition	**—**	**—**	**890**	**—**	**890**
Increases from internal development	**—**	**393**	**68**	**—**	**461**
Disposal	**—**	**—**	**(547)**	**(12)**	**(559)**
Effect of foreign currency exchange differences	**(3)**	**(106)**	**(23)**	**(15)**	**(148)**
Others	**—**	**—**	**24**	**0**	**25**
Balance at March 31, 2020	**¥1,448**	**¥2,809**	**¥5,862**	**¥575**	**¥10,695**

Millions of yen

Accumulated amortization and accumulated impairment loss	Goodwill	Development assets	Software	Others	Total
Balance at April 1, 2018	¥(1,255)	¥ (999)	¥(3,254)	¥(261)	¥(5,771)
Amortization expense	—	(354)	(804)	(80)	(1,239)
Impairment loss	—	—	—	(6)	(6)
Disposal	—	—	551	—	551
Effect of foreign currency exchange differences	—	57	(26)	(4)	26
Others	—	—	0	(0)	(0)
Balance at March 31, 2019	¥(1,255)	¥(1,296)	¥(3,534)	¥(354)	¥(6,440)
Amortization expense	**—**	**(266)**	**(721)**	**(69)**	**(1,056)**
Impairment loss	**—**	**—**	**—**	**(0)**	**(0)**
Disposal	**—**	**—**	**547**	**12**	**559**
Effect of foreign currency exchange differences	**—**	**55**	**19**	**6**	**81**
Others	**—**	**—**	**(4)**	**(0)**	**(5)**
Balance at March 31, 2020	**¥(1,255)**	**¥(1,507)**	**¥(3,692)**	**¥(405)**	**¥(6,862)**

Millions of yen

Carrying amount	Goodwill	Development assets	Software	Others	Total
Balance at April 1, 2018	¥188	¥1,269	¥2,216	¥318	¥3,993
Balance at March 31, 2019	197	1,225	1,915	248	3,586
Balance at March 31, 2020	**¥193**	**¥1,301**	**¥2,169**	**¥169**	**¥3,833**

Note: 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."

14. Investment Property

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

			Millions of yen
Acquisition cost	Buildings and structures	Land	Total
Balance at April 1, 2018	¥9,970	¥827	¥10,797
Acquisition	—	—	—
Disposal	(3)	(442)	(445)
Others	—	—	—
Balance at March 31, 2019	9,967	384	10,351
Acquisition	**—**	**—**	**—**
Disposal	**(713)**	**—**	**(713)**
Others	**—**	**—**	**—**
Balance at March 31, 2020	**¥9,253**	**¥384**	**¥ 9,638**

			Millions of yen
Accumulated amortization and impairment loss	Buildings and structures	Land	Total
Balance at April 1, 2018	¥(9,282)	¥(51)	¥(9,333)
Depreciation expense	(166)	—	(166)
Impairment loss	—	(25)	(25)
Disposal	3	—	3
Others	—	—	—
Balance at March 31, 2019	(9,445)	(76)	(9,521)
Depreciation expense	**(166)**	**—**	**(166)**
Impairment loss	**—**	**—**	**—**
Disposal	**713**	**—**	**713**
Others	**—**	**—**	**—**
Balance at March 31, 2020	**¥(8,898)**	**¥(76)**	**¥(8,974)**

			Millions of yen
Carrying amount	Buildings and structures	Land	Total
Balance at April 1, 2018	¥688	¥775	¥1,463
Balance at March 31, 2019	521	308	830
Balance at March 31, 2020	**¥355**	**¥308**	**¥ 663**

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

(2) Fair Value

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Fair value	¥16,997	**¥17,071**

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
	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Rental income	¥2,039	**¥2,033**
Operating expenses related to investment property	1,088	**1,121**

15. Impairment Loss on Non-financial Assets

No material impairment losses and reversal of impairment losses occurred, therefore it is being omitted.

16. Income Tax Expense

(1) Deferred Tax Assets and Deferred Tax Liabilities

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

Millions of yen

	Beginning of FY2018 as of April 1, 2018	Changes in Accounting Policy	Amounts recognized in profits or loss	Amounts recognized in other comprehensive income	Amounts recognized directly in equity	End of FY2018 as of March 31, 2019
Deferred tax assets:						
Inventories	¥ 1,642	¥—	¥(150)	¥ —	¥—	¥ 1,492
Accrued expenses	930	—	262	—	—	1,193
Software	1,857	—	164	—	—	2,021
Property, plant and equipment	717	—	(134)	—	—	583
Investment securities	369	—	(137)	(184)	—	47
Postretirement benefits	1,907	—	(375)	(44)	—	1,487
Loss carried forward	1,054	—	(114)	—	—	940
Research and development expenses	1,351	—	(31)	—	—	1,319
Government grants	353	—	(26)	—	—	326
Others	745	—	227	—	—	972
Total deferred tax assets	¥10,929	¥—	¥(316)	¥(228)	¥—	¥10,384
Deferred tax liabilities:						
Property, plant and equipment	¥ 678	¥—	¥(158)	¥ —	¥—	¥ 520
Investment securities	656	—	—	(209)	—	447
Others	2,653	22	122	—	—	2,798
Total deferred tax liabilities	¥ 3,989	¥22	¥ (35)	¥(209)	¥—	¥ 3,766

Notes: 1. Foreign-currency translation differences are presented as amounts recognized in profit or loss.
2. The changes in accounting policies are due to recording of ¥22 million in deferred tax liabilities in accordance with the application of IFRS 15 "Revenue from Contracts with Customers."

Millions of yen

	Beginning of FY2019 as of April 1, 2019	Changes in Accounting Policy	Amounts recognized in profits or loss	Amounts recognized in other comprehensive income	Amounts recognized directly in equity	**End of FY2019 as of March 31, 2020**
Deferred tax assets:						
Inventories	¥ 1,492	**¥—**	**¥452**	**¥ —**	**¥—**	**¥ 1,944**
Accrued expenses	1,176	**—**	**128**	**—**	**—**	**1,304**
Software	2,021	**—**	**450**	**—**	**—**	**2,472**
Property, plant and equipment	583	**—**	**236**	**—**	**—**	**819**
Investment securities	47	**—**	**(6)**	**4**	**—**	**46**
Postretirement benefits	1,487	**—**	**(390)**	**95**	**—**	**1,192**
Loss carried forward	940	**—**	**(216)**	**—**	**—**	**723**
Research and development expenses	1,319	**—**	**(82)**	**—**	**—**	**1,236**
Government grants	326	**—**	**(26)**	**—**	**—**	**299**
Others	989	**9**	**90**	**—**	**—**	**1,089**
Total deferred tax assets	¥10,384	**¥ 9**	**¥635**	**¥100**	**¥—**	**¥11,130**
Deferred tax liabilities:						
Property, plant and equipment	¥ 520	**¥—**	**¥119**	**¥ —**	**¥—**	**¥ 639**
Investment securities	447	**—**	**—**	**40**	**—**	**487**
Others	2,798	**—**	**(8)**	**—**	**—**	**2,790**
Total deferred tax liabilities	¥ 3,766	**¥—**	**¥111**	**¥ 40**	**¥—**	**¥ 3,918**

Notes: 1. Foreign-currency translation differences are presented as amounts recognized in profit or loss.
2. The changes in accounting policies are due to recording of ¥9 million in deferred tax assets in accordance with the application of IFRS 16 "Leases."

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

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Deferred tax assets	¥6,814	**¥7,548**
Deferred tax liabilities	197	**336**

Although there are tax loss carry-forwards recognized as deferred tax assets as of the end of the previous fiscal year (March 31, 2019), and the end of the current fiscal year (March 31, 2020), 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:

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Future deductible temporary differences	¥ 9,943	**¥ 9,254**
Tax loss carry-forwards	8,501	**8,986**
Total	¥18,445	**¥18,241**
Tax credit carry-forwards	¥ 1,605	**¥ 1,488**

Unrecognized deferred tax assets related to the above are ¥5,309 million and ¥5,365 million at the end of the previous fiscal year (March 31, 2019) and the end of the current fiscal year (March 31, 2020), 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:

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
First year	¥ —	**¥ —**
Second year	—	**—**
Third year	—	**—**
Fourth year	—	**—**
Fifth and subsequent years	8,501	**8,986**
Total	¥8,501	**¥8,986**

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 carryforwards 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 ¥9,859 million and ¥9,618 million at the end of the previous fiscal year (March 31, 2019) and the end of the current fiscal year (March 31, 2020), respectively. Tax loss carry-forwards related to regional taxes are ¥1,747 million for inhabitant tax and ¥1,665 million for business tax as of the end of the previous fiscal year (March 31, 2019) and ¥1,420 million for inhabitant tax and ¥1,434 million for business tax as of the end of the current fiscal year (March 31, 2020).

Unrecognized deferred tax assets related to these amounts are ¥922 million and ¥720 million at the end of the previous fiscal year (March 31, 2019) and the end of the current fiscal year (March 31, 2020), respectively.

The expiration period for the loss carry-forwards related to inhabitant tax and business tax is 10 years.

(2) Income Tax Expense

Detailed information on Income Tax Expense is as follows:

		Millions of yen
	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Current tax expense:		
Current fiscal year	¥2,180	**¥4,333**
Adjustment for prior years	(51)	**(34)**
Total current tax expense	2,128	**4,298**
Deferred tax expense		
Origination and reversal of temporary differences	(80)	**(752)**
Recognition of previously unrecognized tax loss carry-forwards and temporary differences	323	**237**
Total deferred tax expenses	242	**(514)**
Total	¥2,371	**¥3,783**

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

		%
	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Applicable tax rate	30.6%	**30.6%**
Non-deductible expenses	0.8	**0.5**
Effect of the different tax rates at foreign subsidiaries	0.1	**(2.1)**
Effect of unrecognized tax loss carry-forwards or temporary differences	3.5	**1.8**
Tax credit	(8.0)	**(8.6)**
Uncertain tax position on income taxes for U.S. subsidiaries	(6.6)	**2.1**
Other	0.5	**(2.3)**
Actual tax rate	20.9%	**22.0%**

The Company is mainly subject to income tax, inhabitant tax and business tax. The applicable tax rates based on such were 30.6%. Foreign subsidiaries, however, are subject to income taxes where they are located.

17. Trade and Other Payables

Details of trade and other payables are as follows:

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Accounts payable - trade	¥5,347	**¥5,190**
Accounts payable - other	1,445	**1,336**
Accrued expenses	237	**192**
Others	1,003	**1,228**
Total	¥8,034	**¥7,948**
Current liabilities	¥7,599	**¥7,467**
Non-current liabilities	435	**480**
Total	¥8,034	**¥7,948**

18. Bonds and Borrowings

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

Current liabilities

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Short-term borrowings	¥1,770	**¥1,885**
Bonds to be repaid within one year	—	**7,997**
Long-term borrowings to be repaid within one year	3,500	**—**
Total	¥5,270	**¥9,882**

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

Non-current liabilities

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Long-term borrowings	¥ 2,990	**¥2,994**
Bonds	7,987	**—**
Total	¥10,978	**¥2,994**

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

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

			Millions of yen
	Repayment deadline (average interest rates)	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Short-term borrowings	— (0.3% annually)	¥ 1,770	**¥ 1,885**
Long-term borrowings	2021 (0.3% annually)	2,990	**2,994**
Sixth unsecured bonds	June 19, 2020 (0.447% annually)	7,987	**7,997**
Total	—	¥16,248	**¥12,876**

Note: Maturity dates and average interest rates are as of the fiscal year ended March 31, 2020.

19. Other Financial Liabilities

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

Current liabilities

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Lease liabilities (Financial liabilities measured at amortized cost)	¥62	**¥702**
Derivatives (Financial liabilities measured at FVTPL)	8	**51**
Total	¥70	**¥753**

Non-current liabilities

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Lease liabilities (Financial liabilities measured at amortized cost)	¥124	**¥1,015**
Total	¥124	**¥1,015**

20. Lease Liabilities

Total future minimum lease payments and the present value of minimum lease payments are shown below. Lease liabilities 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 FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Within 1 year	¥ 63	**¥ 794**	¥ 62	**¥ 702**
Between 1 and 5 years	122	**1,022**	119	**1,012**
Over 5 years	5	**3**	5	**3**
Total	¥191	**¥1,820**	¥186	**¥1,717**
Less: financial costs	(4)	**(103)**		
Present value of lease liabilities	¥186	**¥1,717**	¥186	**¥1,717**

Note: The Anritsu Group has applied IFRS 16 "Leases" from the fiscal year ended March 31, 2020. For operating leases in which the Anritsu Group is the lessee, right-of-use asset and lease liabilities are recognized on the initial date of application.

21. Employee Benefits

(1) Postemployment Benefits

1. Defined Benefit Plans

A retirement lump-sum payment plan and a cash-balance pension plan (that reflects market interest) have been adopted as defined benefit plans to cover the employees of the Company and certain subsidiaries. The benefits of the defined benefit plan are determined based on the number of years of service, compensation at the time of retirement and other factors. Defined benefit plans are managed by a single pension fund legally separated from the Anritsu Group. The board of trustees of the pension fund comprises six representatives on behalf of the employer.

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

Reconciliations of Present value of defined benefit pension plan obligations

Changes in present value of defined benefit pension plan obligations are as follows:

Millions of yen

	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Present value of defined benefit pension plan obligations at the beginning of current periods	¥31,491	**¥30,634**
Service cost	1,004	**949**
Interest expense	125	**91**
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	—	**—**
Actuarial gains and losses arising from changes in financial assumptions	315	**(809)**
Actuarial gains and losses arising from changes in experience adjustment	(752)	**108**
Benefit paid	(1,550)	**(1,455)**
Present value of defined benefit pension plan obligations at the end of current periods	30,634	**29,519**

Fair value of the plan assets

Changes in fair value of the plan assets are as follows:

Millions of yen

	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Fair value of plan assets at the beginning of current periods	¥(30,055)	**¥(30,359)**
Interest income	(120)	**(91)**
Remeasurements:		
Return on plan assets	296	**1,010**
Contributions by employer	(1,797)	**(1,797)**
Benefit paid	1,316	**1,249**
Fair value of plan assets at the end of current periods	(30,359)	**(29,987)**

During the fiscal year ended March 31, 2019, the Anritsu Group, based on a labor-management agreement, established the risk reserve contribution, for which the Group contributes ¥8,000 million, within the limits of potential risk of shortfall in pension assets, evenly over 5 years.

The Anritsu Group plans to contribute ¥1,803 million in the fiscal year ending March 31, 2021. (Of the above, standard contribution and risk reserve contribution amount to ¥203 million and ¥1,600 million, respectively. The amount contributed from the retirement benefit trust to pension assets is not included.)

Details of plan assets are as follows:

Millions of yen

	End of FY2018 as of March 31, 2019			**End of FY2019 as of March 31, 2020**		
	Assets with active quoted prices	Assets without active quoted prices	Total	**Assets with active quoted prices**	**Assets without active quoted prices**	**Total**
Cash and cash equivalents	¥ 3,932	¥ —	¥ 3,932	**¥ 2,312**	**¥ —**	**¥ 2,312**
Equity instruments	7,886	—	7,886	**6,588**	**—**	**6,588**
Japanese equity securities	4,518	—	4,518	**3,952**	**—**	**3,952**
Foreign equity securities	3,367	—	3,367	**2,635**	**—**	**2,635**
Debt instruments	12,873	—	12,873	**12,618**	**—**	**12,618**
Japanese bonds	9,960	—	9,960	**10,384**	**—**	**10,384**
Foreign bonds	2,912	—	2,912	**2,234**	**—**	**2,234**
Life insurance company general accounts	—	1,695	1,695	**—**	**1,704**	**1,704**
Insurance	—	1,417	1,417	**—**	**1,444**	**1,444**
Others	—	2,554	2,554	**—**	**5,319**	**5,319**
Total	¥24,691	¥5,667	¥30,359	**¥21,519**	**¥8,468**	**¥29,987**

The principal actuarial assumptions are as follows:

%

	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Financial assumptions		
Discount rate	0.3%	**0.5%**

The weighted average durations of the defined benefit pension plan obligations are 12.1 years and 11.7 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% increase or decrease of each assumption.

Millions of yen

	End of FY2019 as of March 31, 2020	
	0.2% increase	0.2% decrease
Financial assumptions		
Discount rate	**¥(667)**	**¥693**

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:

Millions of yen

	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Amount of expenses	¥762	**¥707**

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:

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Employee benefits (current liabilities)	6,829	**7,293**
Employee benefits (non-current liabilities)	825	**775**

22. Provisions

Details of and changes in provisions are as follows:

			Millions of yen
	Provision for decommissioning, restoration and rehabilitation costs	Provision for product warranties	Total
Balance at April 1, 2019	¥111	¥424	¥535
Increase during the year	**0**	**154**	**154**
Decrease due to intended use	**(2)**	**(137)**	**(140)**
Increase due to passage of time	**1**	**—**	**1**
Exchange differences on translation	**(1)**	**(7)**	**(8)**
Balance at March 31, 2020	**¥110**	**¥433**	**¥543**

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

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Current liabilities	¥424	**¥435**
Provision for decommissioning, restoration and rehabilitation costs	—	**1**
Provision for product warranties	424	**433**
Non-current liabilities	111	**108**
Provision for decommissioning, restoration and rehabilitation costs	111	**108**
Total	¥535	**¥543**

23. Government Grants

Details of government grants are as follows:

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Government grants for Koriyama 2nd Business Office (Note 1)		
Other liabilities – Current	¥ 78	**¥ 57**
Other liabilities – Non-current	898	**841**
Total	977	**898**
Other government grants		
Other liabilities – Current	8	**8**
Other liabilities – Non-current	81	**72**
Total	¥ 90	**¥ 81**

Notes: 1. The government grants for 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.

24. Total Equity and Other Capital Items

(1) Number of Issued Shares and Treasury Stock

	Balance at March 31, 2019	**Balance at March 31, 2020**
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	138,134,794	**138,206,794**
Increase due to exercise of stock option	72,000	**50,500**
Balance at end of fiscal year	138,206,794	**138,257,294**
Treasury stock		
Balance at beginning of fiscal year	777,659	**840,435**
Purchase of treasury stock (Note 1)	88,876	**319**
Distribution of treasury stock (Note 2)	(26,100)	**10,566**
Balance at end of fiscal year	840,435	**830,188**

Notes: 1. The increase in purchase of treasury stock during the fiscal year ended March 31, 2020 is due to purchase of shares less than one unit.
Out of the increase in the treasury stock purchased in the previous fiscal year, 88,300 shares are due to purchase of treasury stock in the trust account associated with the trust for distribution of shares to officers in accordance with the performance-linked stock compensation program. The remaining 576 shares are the increase due to purchase of shares less than one unit.
2. Out of the decrease in distribution of treasury stock during the fiscal year ended March 31, 2020, 10,500 shares are due to distribution of shares from the trust account associated with the trust for distribution of shares to officers in accordance with the performance-linked stock compensation program. The remaining 66 shares are the decrease due to additional purchase of shares less than one unit.
The decrease in distribution of treasury stock in the previous fiscal year is due to distribution of shares from the trust account associated with the trust for distribution of shares to officers in accordance with the performance-linked stock compensation program.

(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.

(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:

	Millions of yen	
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Balance at beginning of fiscal year	¥4,739	**¥4,965**
Balance at end of the fiscal year	4,965	**3,635**

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:

	Millions of yen	
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Balance at beginning of fiscal year	¥1,022	**¥ 965**
Balance at end of the fiscal year	965	**1,045**

25. Dividends

Year ended March 31, 2019

(1) Amount of dividend paid

Resolution	Classes of shares	Millions of yen Total dividends	Yen Dividends per share	Record date	Effective date
June 26, 2018 Ordinary general meeting of shareholders	Ordinary shares	¥1,031	¥7.50	March 31, 2018	June 27, 2018
October 31, 2018 Board of Directors meeting	Ordinary shares	1,168	8.50	September 30, 2018	December 4, 2018

Notes: Dividends approved at the ordinary general meeting of shareholders held on June 26, 2018 included dividends of 0 million paid to the treasury stock held by the trust account for distribution of shares to officers.
Dividends approved at the Board of Directors meeting held on October 31, 2018 included dividends of 0 million 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, 2019, whereas its effective date belongs to the following fiscal year

Resolution	Classes of shares	Millions of yen Total dividends	Sources of dividends	Yen Dividends per share	Record date	Effective date
June 26, 2019 Ordinary general meeting of shareholders	Ordinary shares	¥1,857	Retained earnings	¥13.50	March 31, 2019	June 27, 2019

Note: Dividends approved at the ordinary general meeting of shareholders held on June 26, 2019 included dividends of ¥2 million paid to the treasury stock held by the trust account for distribution of shares to officers.

Year ended March 31, 2020

(1) Amount of dividend paid

Resolution	Classes of shares	Millions of yen Total dividends	Yen Dividends per share	Record date	Effective date
June 26, 2019 Ordinary general meeting of shareholders	**Ordinary shares**	**¥1,857**	**¥13.50**	**March 31, 2019**	**June 27, 2019**
October 30, 2019 Board of Directors meeting	**Ordinary shares**	**1,513**	**11.00**	**September 30, 2019**	**December 4, 2019**

Notes: Dividends approved at the ordinary general meeting of shareholders held on June 26, 2019 included dividends of ¥2 million paid to the treasury stock held by the trust account for distribution of shares to officers.
Dividends approved at the Board of Directors meeting held on October 30, 2019 included dividends of ¥2 million 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, 2020, whereas its effective date belongs to the following fiscal year

Resolution	Classes of shares	Millions of yen Total dividends	Sources of dividends	Yen Dividends per share	Record date	Effective date
June 25, 2020 Ordinary general meeting of shareholders	**Ordinary shares**	**¥2,752**	**Retained earnings**	**¥20.00**	**March 31, 2020**	**June 26, 2020**

Note: Dividends approved at the ordinary general meeting of shareholders held on June 25, 2020 included dividends of ¥3 million paid to the treasury stock held by the trust account for distribution of shares to officers.

26. Revenue

(1) Revenue

Details of revenue are as follows:

		Millions of yen
	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Revenue from products	¥81,686	**¥ 90,096**
Revenue from services	17,972	**16,926**
Total	¥99,659	**¥107,023**

Note: There is no revenue recognized from performance obligation satisfied in past periods.

(2) Contract Balance

The balance of contract liabilities from contracts with customers is as follows:

		Millions of yen
	Beginning of FY2018 as of April 1, 2018	End of FY2018 as of March 31, 2019
Contract liabilities	¥3,768	¥4,098

Notes: 1. Contract liabilities are included in other current liabilities and other non-current liabilities in the consolidated statement of financial position.
2. Of the revenue recognized in the fiscal year ended March 31, 2019, ¥3,346 million were included in the balance of contract liabilities at the beginning of the fiscal year ended March 31, 2019.

		Millions of yen
	Beginning of FY2019 as of April 1, 2019	**End of FY2019 as of March 31, 2020**
Contract liabilities	¥4,098	**¥4,623**

Notes: 1. Contract liabilities are included in other current liabilities and other non-current liabilities in the consolidated statement of financial position.
2. Of the revenue recognized in the fiscal year ended March 31, 2020, ¥3,536 million were included in the balance of contract liabilities at the beginning of the fiscal year ended March 31, 2020.

(3) Transaction Price Allocated to the Remaining Performance Obligations

The total transaction price allocated to the remaining performance obligations and the expected period of revenue recognition are as follows:

		Millions of yen
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Within 1 year	¥3,536	**¥3,878**
Over 1 year	562	**744**
Total	¥4,098	**¥4,623**

27. Selling, General and Administrative Expenses

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

		Millions of yen
	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Personnel expenses	¥18,266	**¥18,415**
Travel and transportation expenses	1,563	**1,350**
Advertising expenses	1,305	**1,592**
Depreciation and amortization expenses	1,403	**1,879**
Others	5,406	**4,799**
Total	¥27,944	**¥28,036**

28. Research and Development Expense

Details of research and development expense are as follows:

		Millions of yen
	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Material expenses	¥ 3,172	**¥ 3,810**
Personnel expenses	7,276	**8,023**
Others	1,266	**1,141**
Total	¥11,715	**¥12,975**

29. Personnel Expenses

Details of personnel expenses are as follows:

		Millions of yen
	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Wages and salaries	¥31,601	**¥32,831**
Welfare expenses	5,817	**6,159**
Retirement benefit expense	1,772	**1,657**
Others	1,529	**1,668**
Total	¥40,720	**¥42,316**

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

30. Other Income and Other Expenses

Details of other income and other expenses are as follows:

		Millions of yen
	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Other income		
Insurance claim income	¥ —	**¥362**
Gain on sale of property, plant and equipment	241	**43**
Others	187	**253**
Total	¥428	**¥659**
Other expenses		
Loss on disaster	¥ —	**¥233**
Others	374	**76**
Total	¥374	**¥309**

31. 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
	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Interest income:		
Financial assets measured at amortized cost	¥272	**¥304**
Dividends income:		
Financial assets measured at FVTOCI	62	**37**
Foreign exchange gains	39	**—**
Other	12	**2**
Total	¥387	**¥345**

Details of finance costs are as follows:

		Millions of yen
	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Interest expenses:		
Financial liabilities measured at amortized cost	¥103	**¥116**
Foreign exchange losses	—	**312**
Other	168	**148**
Total	¥271	**¥577**

32. 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

	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Items that will not be reclassified to profit or loss		
Changes in financial assets measured at FVTOCI		
Incurred amount during the fiscal year	¥ 69	**¥ 83**
Total changes in financial assets measured at FVTOCI	69	**83**
Remeasurements of defined benefit plans		
Incurred amount during the fiscal year	96	**(214)**
Total remeasurements of defined benefit plans	96	**(214)**
Total	165	**(130)**
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation		
Incurred amount during the fiscal year	225	**(1,329)**
Total exchange differences on translation	225	**(1,329)**
Total	225	**(1,329)**
Total other comprehensive income	¥390	**¥(1,459)**

Note: The Anritsu Group classifies investments in equity instruments that are not held for trading or contingent consideration in a business combination as change of financial assets measured at fair value by making an irrevocable selection at initial recognition to present subsequent changes in those investments in other comprehensive income.

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

Millions of yen

	FY2018 (From April 1, 2018 to March 31, 2019)			**FY2019 (From April 1, 2019 to March 31, 2020)**		
	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	¥ 99	¥(30)	¥ 69	**¥ 120**	**¥(36)**	**¥ 83**
Remeasurements of defined benefit plans	140	(44)	96	**(309)**	**95**	**(214)**
Total	239	(74)	165	**(189)**	**58**	**(130)**
Items that may be reclassified subsequently to profit or loss						
Exchange differences on transactions	225	—	225	**(1,329)**	**—**	**(1,329)**
Total	225	—	225	**(1,329)**	**—**	**(1,329)**
Total other comprehensive income	¥465	¥(74)	¥390	**¥(1,518)**	**¥ 58**	**¥(1,459)**

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

	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
		Millions of yen
Profit attributable to owners of parent	¥8,956	**¥13,355**
Profit used in calculation of diluted earnings per share	8,956	**13,355**

		Shares
Weighted average number of issued and outstanding shares	137,368,418	**137,394,952**
Increase in number of shares used in the calculation of diluted earnings per share		
Increase due to stock options	80,562	**68,068**
Weighted average number of issued and outstanding shares used in the calculation of diluted earnings per share	137,448,980	**137,463,020**

		Yen
Basic earnings per share	¥65.20	**¥97.20**
Diluted earnings per share	65.16	**97.16**

34. Cash Flow Information

(1) Changes in Liabilities Related to Financial Activities

Details of changes in liabilities related to financial activities are as follows:

Millions of yen

Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)	April 1, 2018	Changes come with Cash Flow	Changes come without Cash Flow: Changes in Fair Value	Changes come without Cash Flow: Others	March 31, 2019
Short-term borrowings	¥ 1,470	¥300	¥—	¥—	¥ 1,770
Long-term borrowings	6,497	—	(6)	—	6,490
Bonds	7,977	—	9	—	7,987
Lease liabilities	220	(64)	—	30	186
Total	¥16,165	¥235	¥ 3	¥30	¥16,435

Millions of yen

Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)	April 1, 2019	Changes come with Cash Flow	Changes come without Cash Flow: Changes in Fair Value	Changes come without Cash Flow: Others	**March 31, 2020**
Short-term borrowings	¥ 1,770	**¥ 115**	**¥—**	**¥ —**	**¥ 1,885**
Long-term borrowings	6,490	**(3,500)**	**3**	**—**	**2,994**
Bonds	7,987	**—**	**10**	**—**	**7,997**
Lease liabilities	186	**(900)**	**—**	**2,431**	**1,717**
Total	¥16,435	**¥(4,285)**	**¥13**	**¥2,431**	**¥14,594**

(2) Non-cash Transactions

Details of non-cash transactions are as follows:

Millions of yen

	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Acquisition of assets through leases	¥26	**¥828**
Total	¥26	**¥828**

35. 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 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. 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 Anritsu Group's stock option plans for the current fiscal years are as follows:

				Yen
	Number of shares granted	Grant date	Exercise period	Exercise price
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

Total Number of Exercisable Shares and Average Exercise Price for the previous and current fiscal years are as follows:

		Yen		Yen
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	FY2018 (From April 1, 2018 to March 31, 2019)		**FY2019 (From April 1, 2019 to March 31, 2020)**	
Outstanding balance at beginning of fiscal year	310,000	¥1,173	**207,000**	**¥1,203**
Granted during year	—	—	**—**	**—**
Cancelled during year	31,000	1,153	**—**	**—**
Exercised during year	72,000	1,100	**50,500**	**1,194**
Matured and expired during year	—	—	**—**	**—**
Outstanding balance at end of fiscal year	207,000	1,203	**156,500**	**1,205**
Options exercisable at end of year	207,000	1,203	**156,500**	**1,205**

The exercise prices of stock options unexercised at the end of the previous fiscal year ranged from ¥956 to ¥1,295. The weighted average remaining contractual period was 3.7 years. The weighted average share price as of the exercise dates for stock options exercised during the previous fiscal year was ¥1,895.

The exercise prices of stock options unexercised at the end of the current fiscal year ranged from ¥956 to ¥1,295. The weighted average remaining contractual period was 2.7 years. The weighted average share price as of the exercise dates for stock options exercised during the current fiscal year was ¥2,042.

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. 12 and No. 13	No. 14 and No. 15
Fair value at the grant date	¥ 352	¥ 199
Share price at the grant date	1,260	885
Exercise price	1,295	956
Projected volatility (%)	39.10	36.40
Expected remaining period (years)	4.8	4.8
Dividend yield (%)	1.59	2.26
Risk-free rate (%)	0.26	0.15

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

Performance-Related Stock Compensation Program (Achievement evaluation period: From FY2018 to FY2020)

Under the program from FY2018 to FY2021, the Company acquires the Company's shares through the trust funded by the Company and distributes the shares that corresponds to the accumulated evaluation points granted to him/her in accordance with the Rules on Distribution of Shares stipulated by the Board of Directors over the attainment level evaluation period from FY2018 to FY2020 to the Company's Directors, Vice Presidents and Executive Officers upon his/her retirement from office.

Evaluation points are granted on the date of the Ordinary General Meeting of Shareholders each year. The number of evaluation points granted is determined by dividing the amount, obtained by multiplying the base distribution amount by position that is determined based on the Rules on Distribution of Shares stipulated by the Board of Directors by the achievement coefficient for numerical targets for management indicators, by the base share price.

The Company shall distribute to the Company's Directors, Vice Presidents and Executive Officers who have satisfied beneficiary requirements the Company's shares that correspond to the accumulated evaluation points granted to him/her from the trust upon his/her retirement from office through the procedures to confirm that he/she has satisfied beneficiary requirements.

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 evaluation 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 ¥79 million in the previous fiscal year (From April 1, 2018 to March 31, 2019), and ¥68 million in the current fiscal year (From April 1, 2019 to March 31, 2020). (A total of ¥79 million, which was recognized as expenses in the fiscal year ended March 31, 2019, was for stocks granted in FY2019. Of the amount recognized as expenses in the fiscal year ended March 31, 2020, ¥3 million is for stocks granted in FY2019, while the remaining ¥64 million is for stocks to be granted in FY2020.)

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

	FY2019 (From April 1, 2019 to March 31, 2020)
Balance at beginning of fiscal year	**—**
Granted during year	**44,856**
Exercised during year	**(10,470)**
Cancelled during year	**—**
Balance at end of fiscal year	**34,386**

Stock issuances expenses for the fiscal year ended March 31, 2020 was ¥20 million.

36. 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 (5%)
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.

		Millions of yen
End of FY2018 as of March 31, 2019	1% increase	1% decrease
Profit (loss) before tax	¥(55)	¥55

		Millions of yen
End of FY2019 as of March 31, 2020	1% increase	1% decrease
Profit (loss) before tax	**¥(48)**	**¥48**

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:

			Millions of yen
End of FY2018 as of March 31, 2019	Japanese yen	U.S. dollar	Euro
Net exposure	¥(779)	¥6,851	¥627
[in thousands of units of relevant currency]	[—]	[US$61,723 thousand]	[€5,035 thousand]

			Millions of yen
End of FY2019 as of March 31, 2020	Japanese yen	U.S. dollar	Euro
Net exposure	**¥(1,243)**	**¥4,409**	**¥783**
[in thousands of units of relevant currency]	**[—]**	**[US$40,523 thousand]**	**[€6,552 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 FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Japanese yen	¥ (7)	**¥ (12)**
U.S. dollar	(68)	**(44)**
Euro	(6)	**(7)**

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.

Millions of yen

	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Other comprehensive income	¥(20)	**¥(17)**

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

Notes to the Consolidated Financial Statements

1. Credit Risk Exposure

The aging analyses of trade and other receivables at the end of FY2018 as of March 31, 2019 and FY2019 as of March 31, 2020 are as follows:

			Millions of yen
End of FY2018 as of March 31, 2019	Financial assets for which allowance for doubtful accounts are measured at an amount equal to lifetime expected credit losses	Credit-impaired financial assets	Total
No past due	¥23,190	¥ —	¥23,190
Within 30 days past due	1,149	—	1,149
Within 6 months past due	1,034	—	1,034
Over 6 months past due	60	256	316
Total	¥25,434	¥256	¥25,690

Note: The above shows the carrying value before allowance for doubtful accounts. There are certain deposits ¥429 million, received as credit enhancements.

			Millions of yen
End of FY2019 as of March 31, 2020	Financial assets for which allowance for doubtful accounts are measured at an amount equal to lifetime expected credit losses	Credit-impaired financial assets	Total
No past due	**¥23,276**	**¥ —**	**¥23,276**
Within 30 days past due	**1,873**	**—**	**1,873**
Within 6 months past due	**1,407**	**—**	**1,407**
Over 6 months past due	**46**	**127**	**174**
Total	**¥26,603**	**¥127**	**¥26,731**

Note: The above shows the carrying value before allowance for doubtful accounts. There are certain deposits ¥371 million, received as credit enhancements.

2. Changes in the Allowance for Doubtful Account

Changes in the allowance for doubtful accounts are as follows:

			Millions of yen
			Trade and other receivables
	Financial assets for which allowance for doubtful accounts are measured at an amount equal to lifetime expected credit losses	Credit-impaired financial assets	Total
Balance at April 1, 2018	**¥64**	**¥ 82**	**¥147**
Increase	**10**	**228**	**238**
Decrease	**(7)**	**(51)**	**(58)**
Others (Translation differences for foreign operations)	**7**	**(3)**	**3**
Balance at March 31, 2019	**74**	**256**	**330**
Increase	**25**	**55**	**80**
Decrease	**(45)**	**(180)**	**(225)**
Others (Translation differences for foreign operations)	**4**	**(9)**	**(4)**
Balance at March 31, 2020	**¥58**	**¥122**	**¥180**

(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 FY2018 as of March 31, 2019	Carrying amounts	Contractual cash flow	1 year or less	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Non-derivative financial liabilities:								
Trade and other payables	¥ 8,034	¥ 8,034	¥ 7,599	¥ 5	¥ —	¥—	¥—	¥429
Bonds and borrowings	16,248	16,362	5,330	8,027	3,004	—	—	—
Other financial liabilities	186	191	63	60	35	17	8	5
Guarantee obligations	—	386	330	10	9	4	4	27
Derivative financial liabilities:								
Other financial liabilities	8	8	8	—	—	—	—	—
Total	¥24,478	¥24,984	¥13,333	¥8,104	¥3,048	¥22	¥13	¥462

Millions of yen

End of FY2019 as of March 31, 2020	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	**¥ 7,948**	**¥ 7,948**	**¥ 7,467**	**¥ 109**	**¥ —**	**¥ —**	**¥—**	**¥371**
Bonds and borrowings	**12,876**	**12,879**	**9,874**	**3,004**	**—**	**—**	**—**	**—**
Other financial liabilities	**1,717**	**1,820**	**794**	**558**	**306**	**120**	**36**	**3**
Guarantee obligations	**—**	**454**	**406**	**5**	**1**	**0**	**0**	**40**
Derivative financial liabilities:								
Other financial liabilities	**51**	**51**	**51**	**—**	**—**	**—**	**—**	**—**
Total	**¥22,594**	**¥23,155**	**¥18,594**	**¥3,678**	**¥307**	**¥120**	**¥37**	**¥414**

(5) Fair Value

1. Fair Value Calculation Method

The fair value calculation methods for financial instruments (excluding lease liabilities) are as follows:

• 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.

• Bonds and Borrowings

Bonds are measured based on market prices as well as prices provided by correspondent financial institutions.

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.

2. Financial Instruments Measured at Amortized Cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows. Financial instruments whose carrying amounts reasonably approximate fair values and lease liabilities are not included in the table below.

				Millions of yen
	End of FY2018 as of March 31, 2019		**End of FY2019 as of March 31, 2020**	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Liabilities measured at amortized cost:				
Bonds	¥ 7,987	¥ 8,021	**¥ 7,997**	**¥ 8,004**
Borrowings	8,260	8,259	**4,879**	**4,878**
Total	¥16,248	¥16,281	**¥12,876**	**¥12,882**

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 FY2018 as of March 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTOCI:				
Other financial assets	¥288	¥—	¥1,381	¥1,670
Financial assets measured at FVTPL:				
Other financial assets	—	6	—	6
Total assets	¥288	¥ 6	¥1,381	¥1,676
Financial liabilities measured at FVTPL:				
Other financial liabilities	¥ —	¥ 8	¥ —	¥ 8
Total liabilities	¥ —	¥ 8	¥ —	¥ 8

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 FY2019 as of March 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTOCI:				
Other financial assets	**¥247**	**¥—**	**¥1,538**	**¥1,785**
Financial assets measured at FVTPL:				
Other financial assets	**—**	**17**	**—**	**17**
Total assets	**¥247**	**¥17**	**¥1,538**	**¥1,803**
Financial liabilities measured at FVTPL:				
Other financial liabilities	**¥ —**	**¥51**	**¥ —**	**¥ 51**
Total liabilities	**¥ —**	**¥51**	**¥ —**	**¥ 51**

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 FY2018 as of March 31, 2019	Financial assets measured at FVTOCI
Balance at beginning of fiscal year	¥1,298
Other comprehensive income	¥ 83
Disposal	—
Balance at end of fiscal year	¥1,381

End of FY2019 as of March 31, 2020	Millions of yen Financial assets measured at FVTOCI
Balance at beginning of fiscal year	**¥1,381**
Other comprehensive income	**¥ 156**
Disposal	**(0)**
Balance at end of fiscal year	**¥1,538**

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.

(6) 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:

	Millions of yen	
	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Listed shares		
Nihon Denkei Company Limited	¥ 50	**¥ 33**
Sumitomo Mitsui Financial Group, Incorporated	41	**28**
Others	196	**186**
Listed shares subtotal	288	**247**
Unlisted shares		
Communication equipment industry	734	**782**
Leasing industry	259	**223**
Others	388	**531**
Unlisted shares subtotal	1,381	**1,538**
Total	¥1,670	**¥1,785**

Dividends on investments held as of the fiscal year end were ¥32 million and ¥37 million 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 effect) resulting from changing the illiquidity discount within the range of plus or minus 10% is as follows:

	Millions of yen			
	End of FY2018 as of March 31, 2019		**End of FY2019 as of March 31, 2020**	
	Beneficial impact	Adverse impact	Beneficial impact	Adverse impact
Other comprehensive income	¥136	¥(136)	**¥151**	**¥(151)**

(7) 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:

FY2018 (From April 1, 2018 to March 31, 2019)	Fair value at the time of derecognition	Cumulative gains or losses	Dividend income
	¥1,179	¥181	¥30

Millions of yen

Note: During the previous fiscal year, the cumulative gain (after tax) of ¥125 million was reclassified from other components of equity to retained earnings.

FY2019 (From April 1, 2019 to March 31, 2020)	Fair value at the time of derecognition	Cumulative gains or losses	Dividend income
	¥6	**¥6**	**¥0**

Millions of yen

Note: During the current fiscal year, the cumulative gain (after tax) of ¥4 million was reclassified from other components of equity to retained earnings.

37. Leases

The amounts recognized for leases in which the Anritsu Group is the lessee are as follows:

	Millions of yen
	FY2019 (From April 1, 2019 to March 31, 2020)
Lease payments of short-term leases or leases of low-value assets	**¥ 313**
Cash outflow of leases	**¥1,215**

Notes: 1. The acquisition cost, depreciation, and carrying amount of right-of-use asset are stated under Note 12. "Property, Plant and Equipment."
2. The maturity analyses of lease liabilities are stated under Note 20. "Lease Liabilities."

38. Operating Leases

• Leases as lessee

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

	Millions of yen
	FY2018 (From April 1, 2018 to March 31, 2019)
Minimum lease payments	¥1,491
Total lease payments	¥1,491

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 FY2018 as of March 31, 2019
Less than 1 year	¥ 416
Between 1 and 5 years	673
Over 5 years	50
Total	¥1,139

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).

39. Related Parties

(1) Major Subsidiaries

			Percentage ownership (%)	
Name	Business	Location	End of FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Anritsu Infivis Co., Ltd.	PQA	Atsugi-City, Kanagawa	100%	**100%**
Anritsu Networks Co., Ltd.	Other	Atsugi-City, Kanagawa	100	**100**
Anritsu U.S. Holding, Inc.	Test and Measurement	California, USA	100	**100**
Anritsu Company	Test and Measurement	California, USA	100	**100**
Anritsu Americas Sales Company	Test and Measurement	California, 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

• FY2018 (From April 1, 2018 to March 31, 2019)

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

• FY2019 (From April 1, 2019 to March 31, 2020)

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	
	FY2018 (From April 1, 2018 to March 31, 2019)	**FY2019 (From April 1, 2019 to March 31, 2020)**
Short-term employee benefit	¥311	**¥250**
Share-based payments	33	**26**
Postemployment Benefits	5	**—**
Total	¥350	**¥276**

40. Commitments

There are no significant commitments to be disclosed.

41. 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 FY2018 as of March 31, 2019	**End of FY2019 as of March 31, 2020**
Guarantees for employees	¥ 69	**¥ 55**
Operationally contracted guarantees	316	**398**
Total	¥386	**¥454**

(Guarantees for Employees)

The longest period of the guarantee is through CY2032. If Anritsu Group employees fail 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 CY2020. 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

42. Subsequent Events

None

(Reference Information)

Consolidated quarterly information for the current fiscal year

				Millions of yen
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**FY2019**
Cumulative period				
Revenue	**¥23,326**	**¥49,808**	**¥76,418**	**¥107,023**
Quarterly (annual) profit before tax	**2,531**	**6,371**	**11,235**	**17,181**
Quarterly (annual) profit attributable to owners of parent	**1,776**	**4,656**	**8,306**	**13,355**
Quarterly (annual) basic earnings per share (yen)	**12.93**	**33.89**	**60.46**	**97.20**

				Yen
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Accounting period				
Quarterly earnings per share: Basic (yen)	**¥12.93**	**¥20.96**	**¥26.57**	**¥36.74**

Non-consolidated Balance Sheet

March 31, 2019 and 2020

	FY2018 as of March 31, 2019 (Millions of yen)	**FY2019 as of March 31, 2020** (Millions of yen)	**FY2019 as of March 31, 2020** (Thousands of U.S. dollars*)
Assets			
Current assets			
Cash and deposits	¥ 22,895	**¥ 23,767**	**$ 218,427**
Notes receivable–trade	662	**397**	**3,649**
Accounts receivable–trade	13,573	**17,044**	**156,640**
Finished goods	1,867	**2,306**	**21,193**
Work in process	41	**35**	**322**
Raw materials	3,532	**4,050**	**37,221**
Prepaid expenses	160	**169**	**1,553**
Other	6,026	**7,192**	**66,097**
Allowance for doubtful accounts	(72)	**(80)**	**(735)**
Total current assets	48,687	**54,882**	**504,384**
Non-current assets			
Property, plant and equipment			
Buildings	13,337	**12,793**	**117,572**
Structures	246	**271**	**2,491**
Machinery and equipment	139	**251**	**2,307**
Vehicles	0	**2**	**18**
Tools, furniture and fixtures	1,946	**2,257**	**20,743**
Land	1,985	**1,981**	**18,206**
Total property, plant and equipment	17,655	**17,559**	**161,373**
Intangible assets			
Software	1,156	**845**	**7,766**
Other	0	**0**	**0**
Total intangible assets	1,157	**846**	**7,775**
Investments and other assets			
Investment securities	149	**118**	**1,084**
Shares of subsidiaries and affiliates	46,312	**46,510**	**427,442**
Long-term loans receivable	5,501	**5,501**	**50,556**
Prepaid pension cost	3,595	**4,214**	**38,728**
Deferred tax assets	3,201	**3,745**	**34,418**
Other	67	**83**	**763**
Allowance for doubtful accounts	—	**(26)**	**(239)**
Total investments and other assets	58,828	**60,148**	**552,780**
Total non-current assets	77,640	**78,554**	**721,937**
Total	¥126,327	**¥133,436**	**$1,226,321**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥108.81 to U.S. $1.00, the approximate exchange rate on March 31, 2020.

March 31, 2019 and 2020

	FY2018 as of March 31, 2019 (Millions of yen)	**FY2019 as of March 31, 2020** (Millions of yen)	**FY2019 as of March 31, 2020** (Thousands of U.S. dollars*)
Liabilities			
Current liabilities			
Notes and accounts payable–trade	¥ 5,350	**¥ 5,491**	**$ 50,464**
Short-term loans payable	1,090	**1,090**	**10,017**
Current portion of long-term loans payable	3,500	**—**	**—**
Current portion of bonds payable	—	**8,000**	**73,523**
Lease liabilities	12	**21**	**193**
Accounts payable–other	2,035	**1,813**	**16,662**
Accrued expenses	2,000	**2,359**	**21,680**
Income taxes payable	1,732	**2,508**	**23,049**
Advances received	1,384	**1,426**	**13,105**
Deposits received	17,175	**19,616**	**180,278**
Provision for product warranties	51	**46**	**423**
Provision for directors' bonuses	85	**73**	**671**
Other	85	**192**	**1,765**
Total current liabilities	34,503	**42,640**	**391,876**
Non-current liabilities			
Bonds payable	8,000	**—**	**—**
Long-term loans payable	3,000	**3,000**	**27,571**
Lease liabilities	35	**54**	**496**
Provision for directors' retirement benefits	5	**—**	**—**
Other	265	**194**	**1,783**
Total non-current liabilities	11,307	**3,248**	**29,850**
Total liabilities	45,811	**45,889**	**421,735**
Net assets			
Shareholders' equity			
Capital stock	19,113	**19,151**	**176,004**
Capital surplus			
Legal capital surplus	28,063	**28,101**	**258,258**
Other capital surplus	0	**0**	**0**
Total capital surplus	28,063	**28,101**	**258,258**
Retained earnings			
Legal retained earnings	2,468	**2,468**	**22,682**
Other retained earnings	31,896	**38,879**	**357,311**
General reserve	21,719	**21,719**	**199,605**
Retained earnings brought forward	10,177	**17,160**	**157,706**
Total retained earnings	34,364	**41,347**	**379,993**
Treasury stock	(1,133)	**(1,119)**	**(10,284)**
Total shareholders' equity	80,408	**87,480**	**803,970**
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	43	**17**	**156**
Total valuation and translation adjustments	43	**17**	**156**
Subscription rights to shares	64	**48**	**441**
Total net assets	80,516	**87,547**	**804,586**
Total	¥126,327	**¥133,436**	**$1,226,321**

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Non-consolidated Statement of Income

Years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars*
	FY2018 as of March 31, 2019	**FY2019 as of March 31, 2020**	**FY2019 as of March 31, 2020**
Net sales	¥46,866	**¥56,963**	**$523,509**
Cost of sales	22,535	**27,235**	**250,299**
Gross profit	24,331	**29,727**	**273,201**
Selling, general and administrative expenses	16,951	**19,207**	**176,519**
Operating income (loss)	7,379	**10,520**	**96,682**
Interest and dividend income	870	**2,542**	**23,362**
Other	188	**189**	**1,737**
Non-operating income	1,059	**2,731**	**25,099**
Interest expenses	75	**63**	**579**
Other	211	**403**	**3,704**
Non-operating expenses	287	**466**	**4,283**
Ordinary income (loss)	8,151	**12,784**	**117,489**
Gain on reversal of subscription rights to shares	8	**—**	**—**
Gain on sales of investment securities	913	**5**	**46**
Insurance claim income	—	**352**	**3,235**
Gain on sales of noncurrent assets	—	**52**	**478**
Extraordinary income	922	**410**	**3,768**
Loss on disposal of noncurrent assets	181	**27**	**248**
Impairment loss	25	**—**	**—**
Loss on disaster	—	**213**	**1,958**
Extraordinary loss	206	**240**	**2,206**
Income (loss) before income taxes	8,867	**12,954**	**119,052**
Income taxes–current	1,765	**3,139**	**28,848**
Income taxes–deferred	132	**(538)**	**(4,944)**
Net income (loss)	¥ 6,970	**¥10,353**	**$ 95,148**

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This Annual Report is prepared for investors as supplementary information of "2020 Anritsu Integrated Reporting" to provide financial highlights of Anritsu. This report excerpts main financial information from the Annual Securities Report ("Yukashoken Hokokusho") filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan. For convenience of readers outside Japan, certain information is only included in this report and not included in the original Annual Securities Report. Should there be any inconsistency between the English text of Annual Report and the official Japanese text of Annual Securities Report ("Yukashoken Hokokusho"), the latter shall prevail.


Anritsu headquarters (Atsugi, Kanagawa, Japan)


Tohoku Anritsu Co., Ltd. (Koriyama, Fukushima, Japan)


Anritsu Company (Morgan Hill, CA, U.S.A.)

Anritsu Climate Change Action PGRE 30

Anritsu Climate Change Action PGRE 30* will reduce greenhouse gas emissions through the use of renewable energy. Private generation of renewable energy ratio accounted for 0.8% of the Anritsu Group's electricity consumption in FY2018 and we will raise this to about 30% by around 2030. To achieve PGRE 30, Anritsu Group has been introducing and increasing the solar panel that will be consumed by the Anritsu Group's principal business sites—Atsugi in Kanagawa, Japan, Koriyama in Fukushima, Japan and Morgan Hill, California, in the U.S.A.

***PGRE 30:**
"PGRE" refers to Private Generation of Renewable Energy and "30" refers to the target about 30% Private Generation of Renewable Energy by around 2030.

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