Anritsu Integrated Report

2022 [Financial Statements]

Anritsu
Advancing beyond

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, 2022, which was ¥122.41 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, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars*
	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**	**End of FY2021 as of March 31, 2022**
Assets			
Current assets:			
Cash and cash equivalents (Notes 8 and 37)	¥ 49,810	**¥ 45,689**	**$ 373,246**
Trade and other receivables (Notes 9 and 37)	26,184	**26,622**	**217,482**
Other financial assets (Notes 11 and 37)	14	**17**	**139**
Inventories (Note 10)	20,043	**25,591**	**209,060**
Income taxes receivables	89	**105**	**858**
Other current assets	3,672	**3,962**	**32,367**
Total current assets	99,815	**101,989**	**833,175**
Non-current assets:			
Property, plant and equipment (Note 12)	25,277	**28,150**	**229,965**
Goodwill and intangible assets (Note 13)	5,184	**8,579**	**70,084**
Investment property (Note 14)	482	**255**	**2,083**
Trade and other receivables (Notes 9 and 37)	355	**492**	**4,019**
Investments accounted for using equity method (Note 16)	—	**3**	**25**
Other financial assets (Notes 11 and 37)	1,826	**1,378**	**11,257**
Deferred tax assets (Note 17)	6,839	**6,379**	**52,112**
Other non-current assets (Note 22)	4,319	**6,031**	**49,269**
Total non-current assets	44,285	**51,271**	**418,846**
Total assets	144,100	**153,261**	**1,252,030**
Liabilities and Equity			
Liabilities			
Current liabilities:			
Trade and other payables (Notes 18 and 37)	6,671	**8,426**	**68,834**
Bonds and borrowings (Notes 19 and 37)	4,131	**1,133**	**9,256**
Other financial liabilities (Notes 20, 21, and 37)	844	**964**	**7,875**
Income taxes payables	2,572	**1,901**	**15,530**
Employee benefits (Note 22)	8,007	**8,181**	**66,833**
Provisions (Note 23)	396	**438**	**3,578**
Other current liabilities (Notes 24 and 27)	8,596	**10,244**	**83,686**
Total current liabilities	31,220	**31,290**	**255,616**
Non-current liabilities:			
Trade and other payables (Notes 18 and 37)	382	**414**	**3,382**
Bonds and borrowings (Notes 19 and 37)	—	**2,990**	**24,426**
Other financial liabilities (Notes 20, 21, and 37)	923	**1,489**	**12,164**
Employee benefits (Note 22)	737	**783**	**6,397**
Provisions (Note 23)	112	**113**	**923**
Deferred tax liabilities (Note 17)	78	**326**	**2,663**
Other non-current liabilities (Notes 24 and 27)	1,190	**1,410**	**11,519**
Total non-current liabilities	3,424	**7,529**	**61,506**
Total liabilities	34,645	**38,819**	**317,123**
Equity:			
Share capital (Note 25)	19,171	**19,189**	**156,760**
Capital surplus (Note 25)	28,391	**28,432**	**232,269**
Retained earnings (Note 25)	56,402	**63,206**	**516,347**
Treasury shares (Note 25)	(1,120)	**(6,199)**	**(50,641)**
Other components of equity (Note 25)	6,413	**9,566**	**78,147**
Equity attributable to owners of parent	109,258	**114,196**	**932,898**
Non-controlling interests	196	**246**	**2,010**
Total equity	109,455	**114,442**	**934,907**
Total liabilities and equity	¥144,100	**¥153,261**	**$1,252,030**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥122.41 to U.S. $1.00, the approximate exchange rate on March 31, 2022.

Consolidated Statement of Comprehensive Income

Years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars*
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**	**FY2021 (From April 1, 2021 to March 31, 2022)**
Revenue (Notes 6 and 27)	¥105,939	**¥105,387**	**$860,935**
Cost of sales (Notes 30)	48,734	**49,915**	**407,769**
Gross profit	57,204	**55,472**	**453,166**
Other revenue and expenses			
Selling, general and administrative expenses (Notes 28 and 30)	26,793	**27,913**	**228,029**
Research and development expense (Notes 29 and 30)	10,908	**10,980**	**89,699**
Other income (Note 31)	266	**309**	**2,524**
Other expenses (Note 31)	117	**388**	**3,170**
Operating profit (loss) (Note 6)	19,651	**16,499**	**134,785**
Finance income (Note 32)	372	**970**	**7,924**
Finance costs (Note 32)	184	**318**	**2,598**
Share of profit (loss) of investments accounted for using equity method (Note 16)	—	**(1)**	**(8)**
Profit (loss) before tax	19,838	**17,150**	**140,103**
Income tax expense (Note 17)	3,695	**4,309**	**35,201**
Profit (loss)	16,143	**12,841**	**104,902**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income (Note 33)	186	**(318)**	**(2,598)**
Remeasurements of defined benefit plans (Note 33)	1,882	**69**	**564**
Total	2,069	**(248)**	**(2,026)**
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations (Note 33)	1,654	**3,487**	**28,486**
Total	1,654	**3,487**	**28,486**
Total other comprehensive income	3,724	**3,238**	**26,452**
Comprehensive income (loss)	¥19,867	**¥16,080**	**$131,362**
Profit (loss), attributable to:			
Owners of parent	¥16,105	**¥12,796**	**$104,534**
Non-controlling interests	37	**45**	**368**
Total	¥16,143	**¥12,841**	**$104,902**
Comprehensive income (loss) attributable to:			
Owners of parent	¥19,829	**¥16,035**	**$130,994**
Non-controlling interests	37	**45**	**368**
Total	¥19,867	**¥16,080**	**$131,362**

	Yen		U.S. dollars*
Earnings per share			
Basic earnings per share (Note 34)	¥117.18	**¥93.98**	**$0.77**
Diluted earnings per share (Note 34)	117.12	**93.95**	**0.77**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥122.41 to U.S. $1.00, the approximate exchange rate on March 31, 2022.

Consolidated Statement of Changes in Equity

Years ended March 31, 2021 and 2022

FY2020 (From April 1, 2020 to March 31, 2021) — Millions of yen

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2020	¥19,151	¥28,277	¥43,182	¥(1,119)	¥4,681	¥94,172	¥159	¥94,331
Profit (loss)	—	—	16,105	—	—	16,105	37	16,143
Other comprehensive income (Note 33)	—	—	1,882	—	1,841	3,724	—	3,724
Total comprehensive income (loss)	—	—	17,988	—	1,841	19,829	37	19,867
Share-based payment transactions (Note 36)	20	113	2	0	—	135	—	135
Dividends (Note 26)	—	—	(4,878)	—	—	(4,878)	—	(4,878)
Purchase of treasury shares (Note 25)	—	—	—	(0)	—	(0)	—	(0)
Disposal of treasury shares (Note 25)	—	0	—	0	—	0	—	0
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	108	—	(108)	—	—	—
Total transactions with owners and other transactions	20	113	(4,768)	(0)	(108)	(4,743)	(0)	(4,744)
Balance at March 31, 2021	¥19,171	¥28,391	¥56,402	¥(1,120)	¥6,413	¥109,258	¥196	¥109,455

FY2021 (From April 1, 2021 to March 31, 2022) — Millions of yen

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2021	**¥19,171**	**¥28,391**	**¥56,402**	**¥(1,120)**	**¥6,413**	**¥109,258**	**¥196**	**¥109,455**
Profit (loss)	**—**	**—**	**12,796**	**—**	**—**	**12,796**	**45**	**12,841**
Other comprehensive income (Note 33)	**—**	**—**	**69**	**—**	**3,169**	**3,238**	**(0)**	**3,238**
Total comprehensive income (loss)	**—**	**—**	**12,865**	**—**	**3,169**	**16,035**	**45**	**16,080**
Share-based payment transactions (Note 36)	**17**	**41**	**0**	**—**	**—**	**59**	**—**	**59**
Dividends (Note 26)	**—**	**—**	**(6,077)**	**—**	**—**	**(6,077)**	**—**	**(6,077)**
Purchase of treasury shares (Note 25)	**—**	**—**	**—**	**(5,079)**	**—**	**(5,079)**	**—**	**(5,079)**
Obtaining of control of subsidiaries (Note 7)	**—**	**—**	**—**	**—**	**—**	**—**	**4**	**4**
Dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(0)**	**(0)**
Transfer from other components of equity to retained earnings	**—**	**—**	**16**	**—**	**(16)**	**—**	**—**	**—**
Total transactions with owners and other transactions	**17**	**41**	**(6,061)**	**(5,079)**	**(16)**	**(11,097)**	**3**	**(11,093)**
Balance at March 31, 2022	**¥19,189**	**¥28,432**	**¥63,206**	**¥(6,199)**	**¥9,566**	**¥114,196**	**¥246**	**¥114,442**

FY2021 (From April 1, 2021 to March 31, 2022) — Thousands of U.S. dollars*

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2021	**$156,613**	**$231,934**	**$460,763**	**$(9,150)**	**$52,390**	**$892,558**	**$1,601**	**$894,167**
Profit (loss)	**—**	**—**	**104,534**	**—**	**—**	**104,534**	**368**	**104,902**
Other comprehensive income (Note 33)	**—**	**—**	**564**	**—**	**25,888**	**26,452**	**(0)**	**26,452**
Total comprehensive income (loss)	**—**	**—**	**105,098**	**—**	**25,888**	**130,994**	**368**	**131,362**
Share-based payment transactions (Note 36)	**139**	**335**	**0**	**—**	**—**	**482**	**—**	**482**
Dividends (Note 26)	**—**	**—**	**(49,645)**	**—**	**—**	**(49,645)**	**—**	**(49,645)**
Purchase of treasury shares (Note 25)	**—**	**—**	**—**	**(41,492)**	**—**	**(41,492)**	**—**	**(41,492)**
Obtaining of control of subsidiaries (Note 7)	**—**	**—**	**—**	**—**	**—**	**—**	**33**	**33**
Dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(0)**	**(0)**
Transfer from other components of equity to retained earnings	**—**	**—**	**131**	**—**	**(131)**	**—**	**—**	**—**
Total transactions with owners and other transactions	**139**	**335**	**(49,514)**	**(41,492)**	**(131)**	**(90,654)**	**25**	**(90,622)**
Balance at March 31, 2022	**$156,760**	**$232,269**	**$516,347**	**$(50,641)**	**$78,147**	**$932,898**	**$2,010**	**$934,907**

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Note: Details of Share capital, Capital surplus, Retained earnings, Treasury shares and Other components of equity are described in Note 25, "Total Equity and Other Capital Items."

Consolidated Statement of Cash Flows

Years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars*
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**	**FY2021 (From April 1, 2021 to March 31, 2022)**
Cash flows from operating activities			
Profit (loss) before tax	¥19,838	**¥17,150**	**$140,103**
Depreciation and amortization	4,946	**5,132**	**41,925**
Interest and dividend income	(128)	**(104)**	**(850)**
Interest expenses	70	**65**	**531**
Loss (gain) on sale and retirement of fixed assets	4	**336**	**2,745**
Decrease (increase) in trade and other receivables	91	**1,008**	**8,235**
Decrease (increase) in inventories	1,035	**(3,398)**	**(27,759)**
Increase (decrease) in trade and other payables	(1,055)	**544**	**4,444**
Increase (decrease) in employee benefits	(549)	**(1,713)**	**(13,994)**
Other, net	1,355	**961**	**7,851**
Subtotal	25,609	**19,984**	**163,255**
Interest received	91	**81**	**662**
Dividends received	37	**22**	**180**
Interest paid	(74)	**(71)**	**(580)**
Income taxes paid	(5,193)	**(4,379)**	**(35,773)**
Income taxes refund	11	**393**	**3,211**
Net cash provided by (used in) operating activities	20,481	**16,031**	**130,962**
Cash flows from investing activities			
Payments into time deposits	(9)	**(7)**	**(57)**
Proceeds from withdrawal of time deposits	4	**1**	**8**
Purchase of property, plant and equipment	(2,691)	**(2,941)**	**(24,026)**
Proceeds from sale of property, plant and equipment	5	**84**	**686**
Purchase of other financial assets	(26)	**(30)**	**(245)**
Proceeds from sale of other financial assets	256	**57**	**466**
Payments for loans receivable	—	**(10)**	**(82)**
Payments for acquisition of subsidiaries (Note 7)	—	**(4,012)**	**(32,775)**
Other, net	(2,568)	**(1,848)**	**(15,097)**
Net cash provided by (used in) investing activities	(5,029)	**(8,706)**	**(71,122)**
Cash flows from financing activities (Note 35)			
Net increase (decrease) in short-term borrowings	(753)	**(1,361)**	**(11,118)**
Proceeds from long-term borrowings	—	**3,000**	**24,508**
Repayments of long-term borrowings	—	**(3,000)**	**(24,508)**
Redemption of bonds (Note 19)	(8,000)	**—**	**—**
Repayments of lease liabilities	(857)	**(904)**	**(7,385)**
Purchase of treasury shares	(0)	**(5,079)**	**(41,492)**
Dividends paid	(4,878)	**(6,077)**	**(49,645)**
Other, net	30	**28**	**229**
Net cash provided by (used in) financing activities	(14,458)	**(13,395)**	**(109,427)**
Effect of exchange rate changes on cash and cash equivalents	1,147	**1,949**	**15,922**
Net increase (decrease) in cash and cash equivalents	2,140	**(4,120)**	**(33,657)**
Cash and cash equivalents at the beginning of period	47,669	**49,810**	**406,911**
Cash and cash equivalents at the end of period (Note 8)	¥49,810	**¥45,689**	**$373,246**

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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 on Anritsu's website (https://www.anritsu.com). The Company's reporting date is March 31, 2022. The consolidated financial statements of the Company comprise the Company and its subsidiaries ("the Anritsu Group") and affiliates.

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 Presentation

(1) Accounting Standards Adopted

The consolidated financial statements of the Anritsu Group have been prepared in accordance with 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 significant accounting policies applied in the consolidated financial statements are the same as the accounting policies applied in the previous fiscal year.

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-Group transactions, and any unrealized gains/losses and claims/obligations arising from them, are eliminated in the preparation of the consolidated financial statements.

The reporting period of the following consolidated subsidiaries ends on December 31. 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. Thus, for these subsidiaries, additional financial statements as of the end of the parent's reporting period are prepared for consolidation purposes. The end of the reporting period 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.

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”, and cumulative exchange differences are presented in “Other components of equity”.

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 reported 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 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 leased asset at the termination of the lease term. The lease term includes, in addition to the non-cancelable period of the lease, 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.

Notes to the Consolidated Financial Statements

(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 recorded in "Goodwill and intangible assets". Measurement of goodwill on initial recognition is described in (1) Basis of Consolidation.

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 property held for the purpose of earning rental income. The cost model is applied to investment property in which related assets are stated 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. 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.

When it is determined that a contract is a lease or contains a lease, the right-of-use asset and lease liability are recognized at the inception of the lease. However, in the case of a short-term lease or a lease of a low-value asset, a right-of-use asset or a lease liability is not recognized, and lease payments are recognized as an expense on a straight-line basis over the lease term.

A lease liability is measured at its present value of the lease payments that have not been paid as of the present date of commencement of the lease, discounted at the calculated interest rate of 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 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 nor contingent consideration in a business combination as 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 comprehensive income are recognized in "Other components of equity" in the consolidated statement of financial position. The balance of "Other components of equity" is reclassified directly to "Retained earnings" when the equity investment is derecognized.

3. Derecognition of Financial Assets

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

4. Cash and Cash Equivalents

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

(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) 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.

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.

(13) 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.

(14) 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. Defined benefit obligation is 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 discount rate is calculated based on the market yield of high-quality corporate bonds at the end of the fiscal year corresponding to the discount period, with the discount period set based on the period until the expected date of benefit payment in each future year.

Liabilities or assets related to defined benefit plans 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. If a defined benefit plan is overfunded, the net amount of the defined benefit asset is the asset ceiling, which is the present value of the economic benefits available in the form of returns from the plan or reductions in future contributions to the plan.

The remeasurement amount of the defined benefit plan is recognized in other comprehensive income in the period in which it is incurred and immediately transferred from other components of equity to retained earnings.

Prior service cost is charged to net income or loss in the period in which it is incurred.

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 rate is calculated based on the market yield of high-quality corporate bonds at the end of the fiscal year that have approximately the same maturity date as the Company's debt.

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.

Under Performance-Related Stock Compensation Program, 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.

(15) Provisions

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

When the time value of money is significant, 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."

(16) Revenue

The Anritsu Group recognizes revenue from contracts with customers, excluding interest and dividend income under IFRS 9 "Financial Instruments" and lease income under "IFRS 16 "Leases," 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 performance obligation is satisfied or as the performance obligation is satisfied

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.

The Anritsu Group recognizes revenue from the sale of these products and software at the time the performance obligations are satisfied through the transfer of the promised goods to the customers, the timing of which varies according to the terms of individual sales agreements, such as at the time of delivery, shipment, or inspection.

In the provision of services, for performance obligations satisfied at a point in time such as repairs, we deem our performance obligations to be satisfied and recognize revenue when such services have been rendered to the customers, such as when the customer conducts an acceptance inspection at the time of completion of the services. For performance obligations satisfied over a period of time such as support services, we deem our performance obligations to be satisfied over such period and recognize revenue on a straight-line basis over the period, as the customer receives benefits over the period in which the service is provided.

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.

After the performance obligation has been satisfied, we normally receive payment within one year or less in accordance with payment terms and conditions determined separately. Accordingly, the contracts do not contain a significant financing component.

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.

Contract liabilities of support services are reversed as the performance obligations of the contract are satisfied and revenue is recognized. Contract liabilities normally increase when the Group receives consideration from the customer before it transfers the product or services to the customer, and decrease as the Group satisfies the performance obligations.

(17) 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. Interest expense is recognized when incurred using the effective interest method.

(18) 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.

If a government grant is associated with an expense item, revenue is recognized on a systematic basis over the period in which the costs intended to be covered by such grant are recognized as expenses. Government grants in respect of assets are recorded as deferred income and recognized in profit or loss on a systematic basis over the estimated useful lives of the assets concerned.

(19) 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 arising from 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 carry-forward, 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.

(20) 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 period excluding shares purchased by the Company and held as treasury shares. Diluted earnings per share are calculated by adjusting for the effect of all dilutive potential common stock.

(21) Equity

1. Common Stock

For common stock issued by the Company, the issuance value is recorded as "Share capital" and "Capital surplus." The direct issue costs are deducted from "Capital surplus."

2. Treasury Shares

When the Anritsu Group reacquires treasury shares, the consideration paid, net of direct transaction costs, is recognized as a deduction from equity. When the treasury shares are 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 shares are retired, the amount of retired treasury shares is deducted from "Other capital surplus" included in "Capital surplus." If the amount of retired treasury shares is more than the balance of "Other capital surplus," the excess amount is deducted from "Retained earnings."

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

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. In the industry to which the Group belongs, products are at risk of becoming obsolete due to technical innovation. Accordingly, for inventories held for long periods, net realizable value is calculated assuming that a certain portion of such inventories will not be sold or used. Demand for the Group's products, repair, and support services may change due to factors beyond the control of management. If market conditions deteriorate more than previously predicted, resulting in a significant fall in net realizable value, it may materially impact the amounts to be recognized in the consolidated financial statements for the fiscal year ending March 31, 2023.

Details of inventories are stated under 10. Inventories.

• Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. In the recognition of deferred tax assets, we calculate the amounts by making a reasonable estimate of the timing and amount of possible future taxable profits to determine their probability. The timing and amount of taxable profits may be impacted by changes in uncertain future economic conditions. If the actual timing and amount differ from the estimates, they may materially impact the amounts to be recognized in the consolidated financial statements for the fiscal year ending March 31, 2023.

Description and amount of corporate income tax are stated under 17. Income Tax Expense.

• Measurement of defined benefit plan obligations

The Group has adopted the defined benefit plan. The present value of defined benefit pension plan obligations and the relevant service cost, etc., are calculated based on actuarial assumptions. Actuarial assumptions require estimates and judgment on various variables including discount rates, turnover rates, and mortality rates. Although actuarial assumptions are determined based on the best estimates and judgment of management, they may be impacted as a result of future changes in uncertain economic conditions and revisions and promulgations of relevant laws and regulations. If a review becomes necessary, it may materially impact the amounts to be recognized in the consolidated financial statements for the fiscal year ending March 31, 2023.

Actuarial assumptions and related sensitivities are stated under 22. Employee Benefits.

Impact of the spread of COVID-19.

Uncertain social and economic conditions due to the spread of COVID-19 continue to prevail. The economic impact of COVID-19 varies from region to region. Its impact on the Company's business also varies from region to region, and we forecast that the COVID-19 infection status will remain the same in each region for another year. Depending on the future spread of COVID-19 and the timing at which it will be contained, the Group's business performance may be impacted due to further prolonged sluggish economic activities. This impact is particularly relevant to the impairment of non-financial assets and the recoverability of deferred tax assets among the accounting estimates. However, these estimates contain uncertainties, and if the estimates change due to unforeseeable changes in their underlying assumptions, it may impact the Company's future financial position and operating results.

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.

Notes to 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 by Reportable Segment

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

FY2020 (From April 1, 2020 to March 31, 2021)	Reportable segment: Test and Measurement	Reportable segment: PQA	Reportable segment: Subtotal	Others (Note 1)	Total	Adjustment (Notes 2, 3)	Consolidated
Revenue from external customers	¥ 74,809	¥ 21,419	¥ 96,229	¥ 9,709	¥105,939	¥ —	¥105,939
Intersegment revenue	81	3	84	4,360	4,445	(4,445)	—
Total	¥ 74,891	¥ 21,422	¥ 96,313	¥14,070	¥110,384	¥(4,445)	¥105,939
Cost of sales, Other revenue and expenses	(57,176)	(20,082)	(77,259)	(12,272)	(89,531)	3,243	(86,287)
Operating profit (loss)	17,714	1,340	19,054	1,797	20,852	(1,201)	19,651
Finance income	—	—	—	—	—	—	372
Finance costs	—	—	—	—	—	—	184
Profit (loss) before tax	—	—	—	—	—	—	19,838
Income tax expense	—	—	—	—	—	—	3,695
Profit (loss) for the year	—	—	—	—	—	—	16,143
Segment assets	100,895	18,651	119,547	9,280	128,828	15,272	144,100
Capital expenditures	4,769	802	5,571	362	5,934	(15)	5,919
Depreciation and amortization	3,790	570	4,360	595	4,956	(9)	4,946

Notes: 1. Others: Environmental Measurement, Sensing & 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 (-0 million yen) and company-wide expenses not allocated to business segments (-1,200 million yen). Company-wide expenses are composed mainly of basic research expense as well as selling, general and administrative expenses not attributable to business segments.
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

FY2021 (From April 1, 2021 to March 31, 2022)	Reportable segment: Test and Measurement	Reportable segment: PQA	Reportable segment: Subtotal	Others (Note 1)	Total	Adjustment (Notes 2, 3)	Consolidated
Revenue from external customers	**¥ 73,320**	**¥ 21,978**	**¥ 95,298**	**¥10,089**	**¥105,387**	**¥ —**	**¥105,387**
Intersegment revenue	**37**	**3**	**40**	**3,536**	**3,576**	**(3,576)**	**—**
Total	**¥ 73,357**	**¥ 21,981**	**¥ 95,338**	**¥13,625**	**¥108,964**	**¥(3,576)**	**¥105,387**
Cost of sales, Other revenue and expenses	**(58,154)**	**(20,808)**	**(78,963)**	**(12,502)**	**(91,465)**	**2,577**	**(88,887)**
Operating profit (loss)	**15,202**	**1,173**	**16,375**	**1,123**	**17,498**	**(999)**	**16,499**
Finance income	**—**	**—**	**—**	**—**	**—**	**—**	**970**
Finance costs	**—**	**—**	**—**	**—**	**—**	**—**	**318**
Share of profit (loss) of investments accounted for using equity method	**—**	**—**	**—**	**—**	**—**	**—**	**(1)**
Profit (loss) before tax	**—**	**—**	**—**	**—**	**—**	**—**	**17,150**
Income tax expense	**—**	**—**	**—**	**—**	**—**	**—**	**4,309**
Profit (loss) for the year	**—**	**—**	**—**	**—**	**—**	**—**	**12,841**
Segment assets	**102,271**	**24,124**	**126,395**	**18,533**	**144,929**	**8,332**	**153,261**
Capital expenditures	**4,207**	**1,610**	**5,818**	**384**	**6,203**	**(2)**	**6,200**
Depreciation and amortization	**3,921**	**618**	**4,540**	**602**	**5,142**	**(10)**	**5,132**

Notes: 1. Others: Environmental Measurement, Sensing & 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 (10 million yen) and company-wide expenses not allocated to business segments (-1,009 million yen). Company-wide expenses are composed mainly of basic research expense as well as selling, general and administrative expenses not attributable to business segments.
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).

(4) Information regarding Geographical Areas

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

		Millions of yen
FY2020 (From April 1, 2020 to March 31, 2021)	Revenue	Non-current assets
Japan	¥ 32,202	¥27,531
Americas	21,380	4,573
[United States]	*[18,925]*	—
EMEA	11,021	2,166
Asia and others	41,334	1,450
[China]	*[19,689]*	—
Eliminations and corporate	—	(458)
Total	¥105,939	¥35,264

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, deferred tax assets and retirement benefit 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, deferred tax assets and retirement benefit assets) for the United States and China as the amounts are immaterial.

		Millions of yen
FY2021 (From April 1, 2021 to March 31, 2022)	Revenue	Non-current assets
Japan	**¥ 31,036**	**¥27,597**
Americas	**23,065**	**6,313**
[United States]	***[19,293]***	**—**
EMEA	**11,605**	**2,345**
Asia and others	**39,679**	**1,655**
[China]	***[17,577]***	**—**
Eliminations and corporate	**—**	**(417)**
Total	**¥105,387**	**¥37,494**

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, deferred tax assets and retirement benefit 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, deferred tax assets and retirement benefit 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

FY2020 (From April 1, 2020 to March 31, 2021)

None

FY2021 (From April 1, 2021 to March 31, 2022)

(1) Overview of business combination

1. The name and a description of the acquiree

Name TAKASAGO, LTD.

Main business R&D, manufacture and sales of power supply, electronic load equipment, information communication equipment, communication control equipment, and their application system products.

2. The primary reasons for the business combination

Anritsu Group has listed “electric vehicles and battery measurement” as one of the key growth areas in our mid-term business plan GLP2023. Anritsu Group welcomes Takasago who has industry leading electrical energy control technology for high voltage, large current and large capacity as well as business relationships with leading customers in the industry as the core to cultivate this area. By synergizing them with test system design technologies and global operation the Company has built in its test and measurement business, we will support the test needs of customers in the advancing and globalizing field of electric vehicles and battery measurement aiming contribution to the realization of carbon neutral societies.

3. The acquisition date
   January 4, 2022
4. How the acquirer obtained control of the acquiree
   Share acquisition for cash consideration
5. The percentage of voting equity interests acquired
   99.7%

(2) Fair value of consideration paid, assets acquired, and liabilities assumed, and non-controlling interests, as of the acquisition date

Goodwill arising from this business combination has been reported under the Others segment and is expected to be deductible for tax purposes. The main components of goodwill represent the effects of synergy with existing businesses and excess earnings power anticipated from the acquisition.

The assets acquired have been provisionally calculated based on information currently available, as the allocation of the acquisition cost has not been completed as of March 31, 2022.

	Millions of yen
Fair value of the amount of the payment, cash	**¥4,234**
Fair values of assets acquired and liabilities assumed	
Cash and cash equivalents	**221**
Trade and other receivables	**865**
Inventories	**930**
Property, plant and equipment	**1,730**
Intangible assets	**9**
Trade and other payables	**(700)**
Bonds and borrowings	**(1,361)**
Provisions	**(118)**
The others	**(210)**
Fair value of assets acquired and liabilities assumed, net	**¥1,367**
Non-controlling interests	**4**
Goodwill	**¥2,871**

The acquisition-related expenses associated with this business combination were 156 million yen, which has been reported in its entirety under “Selling, general and administrative expenses.”

Non-controlling interests have been measured based on the ratio of equity held by non-controlling shareholders in the fair value of identifiable assets of the acquired company.

(3) The fair value of the acquired receivables, the gross contractual amounts of accounts receivable and estimated uncollectible amount

Regarding the fair value of the acquired trade and other receivables of 865 million yen, the contractual amount of receivables is 865 million yen and is expected to be recovered.

(4) Cash flows from acquisition

	Millions of yen
Cash and cash equivalents paid for the acquisition	**¥4,234**
Cash and cash equivalents held by the acquiree at the acquisition date	**221**
Payments for acquisition of subsidiaries	**¥4,012**

(5) Effect on Business Performance

The Anritsu Group has not disclosed profit and loss information of this business combination on and after the acquisition date as well as profit or loss information under the assumption that this business combination was conducted at the beginning of the fiscal year under review, as its impact on the consolidated financial statements is immaterial.

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 FY2020 as of April 1, 2020	End of FY2020 as of March 31, 2021	Beginning of FY2021 as of April 1, 2021	**End of FY2021 as of March 31, 2022**
Accounts receivable–trade	¥23,515	¥23,300	¥23,300	**¥23,953**
Notes receivable–trade	2,585	2,780	2,780	**2,493**
Accounts receivable–other	46	49	49	**128**
Others	584	607	607	**724**
Less: Allowance for doubtful accounts	(180)	(198)	(198)	**(184)**
Total	¥26,550	¥26,539	¥26,539	**¥27,115**
Current assets	¥26,263	¥26,184	¥26,184	**¥26,622**
Non-current assets	287	355	355	**492**
Total	¥26,550	¥26,539	¥26,539	**¥27,115**

10. Inventories

Details of inventories are as follows:

Millions of yen

	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Raw materials	¥ 7,233	**¥ 10,905**
Work in process	5,151	**7,120**
Finished goods	7,658	**7,565**
Total	¥20,043	**¥ 25,591**

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 1,700 million yen in FY2020 and 1,574 million yen in FY2021.

2. Inventories recorded in "Cost of sales" as expenses were 45,025 million yen in FY2020 and 46,302 million yen in FY2021 (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 FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Time deposits with a maturity of more than 3 months (Financial assets measured at amortized cost)	¥ 7	**¥17**
Derivatives (Financial assets measured at FVTPL)	6	**—**
Total	¥14	**¥17**

• Non-current assets

Millions of yen

	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Marketable securities (Financial assets measured at FVTOCI)	¥1,826	**¥1,378**
Total	¥1,826	**¥1,378**

Notes to the Consolidated Financial Statements

12. Property, Plant and Equipment

(1) Fluctuation table

The cost of property, plant and equipment, changes in accumulated depreciation and accumulated impairment losses, and their carrying amounts are as follows:

Acquisition cost

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2020	¥48,029	¥12,330	¥14,893	¥3,771	¥123	¥79,147
Acquisition	1,008	556	1,441	9	649	3,665
Disposal	(494)	(806)	(470)	(10)	(0)	(1,781)
Effect of foreign currency exchange differences	269	363	67	28	(0)	728
Others	419	270	6	—	(730)	(33)
Balance at March 31, 2021	¥49,233	¥12,714	¥15,938	¥3,799	¥ 41	¥81,726
Acquisition	**1,738**	**414**	**1,284**	**5**	**914**	**4,358**
Business Combination	**390**	**169**	**13**	**1,155**	**—**	**1,730**
Disposal	**(493)**	**(550)**	**(681)**	**(4)**	**(0)**	**(1,730)**
Effect of foreign currency exchange differences	**743**	**886**	**116**	**99**	**11**	**1,856**
Others	**223**	**292**	**2**	**—**	**(301)**	**215**
Balance at March 31, 2022	**¥51,834**	**¥13,926**	**¥16,674**	**¥5,054**	**¥664**	**¥88,155**

Accumulated depreciation and accumulated impairment loss

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2020	¥(31,064)	¥(10,696)	¥(12,122)	¥(5)	—	¥(53,887)
Depreciation expense	(1,930)	(645)	(1,109)	(5)	—	(3,690)
Disposal	443	768	435	8	—	1,656
Effect of foreign currency exchange differences	(167)	(288)	(53)	—	—	(509)
Others	(17)	(2)	2	—	—	(17)
Balance at March 31, 2021	¥(32,735)	¥(10,864)	¥(12,846)	¥(2)	—	¥(56,449)
Depreciation expense	**(2,075)**	**(647)**	**(1,121)**	**(4)**	—	**(3,848)**
Disposal	**461**	**523**	**631**	**2**	—	**1,618**
Effect of foreign currency exchange differences	**(489)**	**(760)**	**(104)**	**—**	**—**	**(1,354)**
Others	**14**	**27**	**(13)**	**—**	**—**	**28**
Balance at March 31, 2022	**¥(34,824)**	**¥(11,720)**	**¥(13,455)**	**¥(4)**	—	**¥(60,005)**

Carrying amount

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2020	¥16,965	¥1,634	¥2,771	¥3,766	¥ 123	¥25,259
Balance at March 31, 2021	16,497	1,849	3,092	3,796	41	25,277
Balance at March 31, 2022	**¥17,009**	**¥2,205**	**¥3,219**	**¥5,050**	**¥664**	**¥28,150**

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.

(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:

Acquisition cost

		Millions of yen
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Buildings and structures	¥575	**¥1,264**
Machinery and vehicles	267	**199**
Tools, furniture and fixtures	20	**6**
Land	9	**5**
Total	¥872	**¥1,476**

Depreciation expense

		Millions of yen
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Buildings and structures	¥(647)	**¥(736)**
Machinery and vehicles	(191)	**(184)**
Tools, furniture and fixtures	(45)	**(43)**
Land	(5)	**(4)**
Total	¥(890)	**¥(968)**

Carrying amount

		Millions of yen
	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Buildings and structures	¥1,141	**¥1,828**
Machinery and vehicles	370	**395**
Tools, furniture and fixtures	135	**99**
Land	4	**3**
Total	¥1,652	**¥2,325**

(3) Restrictions or covenants imposed by collateral, mortgage or lease

End of FY2020 as of March 31, 2021: None

End of FY2021 as of March 31, 2022: None

13. Goodwill and Intangible Assets

(1) Fluctuation table

The cost of Goodwill and Intangible Assets, changes in accumulated depreciation and accumulated impairment losses, and their carrying amounts are as follows:

Acquisition cost

Millions of yen

	Goodwill	Development assets	Software	Others	Total
Balance at April 1, 2020	¥1,448	¥2,809	¥5,862	¥575	¥10,695
Acquisition	—	—	1,771	0	1,772
Increases from internal development	—	469	12	—	482
Disposal	—	—	(654)	(4)	(658)
Effect of foreign currency exchange differences	3	277	92	15	388
Others	—	289	(15)	—	274
Balance at March 31, 2021	¥1,452	¥3,845	¥7,069	¥587	¥12,955
Acquisition	**—**	**—**	**1,113**	**0**	**1,113**
Increases from internal development	**—**	**541**	**2**	**1**	**546**
Business Combination	**2,871**	**—**	**8**	**1**	**2,881**
Disposal	**—**	**(1,225)**	**(1,800)**	**(5)**	**(3,031)**
Effect of foreign currency exchange differences	**20**	**176**	**304**	**44**	**546**
Others	**—**	**2**	**(43)**	**(0)**	**(40)**
Balance at March 31, 2022	**¥4,344**	**¥3,341**	**¥6,655**	**¥629**	**¥14,970**

Accumulated amortization and accumulated impairment loss

Millions of yen

	Goodwill	Development assets	Software	Others	Total
Balance at April 1, 2020	¥(1,255)	¥(1,507)	¥(3,692)	¥(405)	¥(6,862)
Amortization expense	—	(401)	(644)	(43)	(1,089)
Impairment loss	—	—	—	—	—
Reversal of impairment loss	—	—	—	11	11
Disposal	—	—	653	4	657
Effect of foreign currency exchange differences	—	(162)	(26)	(8)	(197)
Others	—	(289)	(0)	—	(289)
Balance at March 31, 2021	(1,255)	(2,361)	(3,710)	(442)	(7,770)
Amortization expense	**—**	**(504)**	**(584)**	**(28)**	**(1,117)**
Impairment loss	**—**	**—**	**—**	**—**	**—**
Reversal of impairment loss	**—**	**—**	**—**	**—**	**—**
Disposal	**—**	**1,225**	**1,477**	**5**	**2,708**
Effect of foreign currency exchange differences	**—**	**(94)**	**(79)**	**(38)**	**(212)**
Others	**—**	**(0)**	**1**	**(0)**	**0**
Balance at March 31, 2022	**¥(1,255)**	**¥(1,734)**	**¥(2,895)**	**¥(505)**	**¥(6,391)**

Carrying amount

Millions of yen

	Goodwill	Development assets	Software	Others	Total
Balance at April 1, 2020	¥ 193	¥1,301	¥2,169	¥169	¥3,833
Balance at March 31, 2021	196	1,483	3,359	144	5,184
Balance at March 31, 2022	**¥3,088**	**¥1,606**	**¥3,760**	**¥124**	**¥8,579**

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) Fluctuation table

The cost of Investment Property, changes in accumulated depreciation and accumulated impairment losses, and their carrying amounts are as follows:

Acquisition cost

	Buildings and structures	Land	Total
			Millions of yen
Balance at April 1, 2020	¥9,253	¥384	¥9,638
Acquisition	—	—	—
Disposal	(55)	—	(55)
Others	—	—	—
Balance at March 31, 2021	9,198	384	9,583
Acquisition	**—**	**—**	**—**
Disposal	**—**	**(75)**	**(75)**
Others	**—**	**—**	**—**
Balance at March 31, 2022	**¥9,198**	**¥309**	**¥9,508**

Accumulated amortization and impairment loss

	Buildings and structures	Land	Total
			Millions of yen
Balance at April 1, 2020	¥(8,898)	¥(76)	¥(8,974)
Depreciation expense	(166)	—	(166)
Impairment loss	—	(14)	(14)
Disposal	55	—	55
Others	—	—	—
Balance at March 31, 2021	(9,009)	(91)	(9,100)
Depreciation expense	**(166)**	**—**	**(166)**
Impairment loss	**—**	**—**	**—**
Disposal	**—**	**14**	**14**
Others	**—**	**—**	**—**
Balance at March 31, 2022	**¥(9,175)**	**¥(76)**	**¥(9,252)**

Carrying amount

	Buildings and structures	Land	Total
			Millions of yen
Balance at April 1, 2020	¥355	¥308	¥663
Balance at March 31, 2021	188	293	482
Balance at March 31, 2022	**¥ 22**	**¥233**	**¥255**

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

(2) Fair Value

	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
		Millions of yen
Fair value	¥18,685	**¥18,705**

Note: The fair value of investment property is calculated by making necessary time adjustments based on valuations by real estate appraisers. The fair value hierarchy of investment property has been categorized into Level 3, as it contains unobservable inputs. Details of the fair value hierarchy are stated under 37. Financial Instruments.

(3) Amounts Recognized as Profit or Loss

	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
		Millions of yen
Rental income	¥2,033	**¥2,032**
Operating expenses related to investment property	1,214	**1,336**

Notes to the Consolidated Financial Statements

15. Impairment Loss on Non-financial Assets

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

16. Investments accounted for using equity method

There are no affiliates or jointly controlled entities that are individually significant to the Group.

17. Income Tax Expense

(1) Deferred Tax Assets and Deferred Tax Liabilities

Breakdown of deferred tax assets and deferred tax liabilities by major cause and changes are as follows:

Millions of yen

	Beginning of FY2020 as of April 1, 2020	Amounts recognized in profits or loss	Amounts recognized in other comprehensive income	Business Combination	Others	End of FY2020 as of March 31, 2021
Deferred tax assets:						
Inventories	¥1,944	¥ 329	¥ —	¥—	¥—	¥2,274
Accrued expenses	1,304	240	—	—	—	1,545
Software	2,472	33	—	—	—	2,506
Property, plant and equipment	819	96	—	—	—	916
Investment securities	46	(8)	(8)	—	—	28
Post-employment benefits	1,192	(339)	(853)	—	—	—
Loss carried forward	723	(1)	—	—	—	722
Government grants	299	(16)	—	—	—	282
Others	1,089	(20)	—	—	—	1,069
Total deferred tax assets	¥9,893	¥ 314	¥(862)	¥—	¥—	¥9,344
Deferred tax liabilities:						
Property, plant and equipment	639	46	—	—	—	686
Investment securities	487	—	26	—	—	514
Assets related to post-employment benefits	—	55	—	—	—	55
Others	1,553	(226)	—	—	—	1,327
Total deferred tax liabilities	¥2,681	¥(123)	¥ 26	¥—	¥—	¥2,584

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

Millions of yen

	Beginning of FY2021 as of April 1, 2021	Amounts recognized in profits or loss	Amounts recognized in other comprehensive income	Business Combination	Others	**End of FY2021 as of March 31, 2022**
Deferred tax assets:						
Inventories	¥2,274	**¥ 252**	**¥ —**	**¥ —**	**¥—**	**¥2,526**
Accrued expenses	1,545	**(11)**	**—**	**—**	**—**	**1,534**
Software	2,506	**(376)**	**—**	**—**	**—**	**2,129**
Property, plant and equipment	916	**(119)**	**—**	**—**	**—**	**796**
Investment securities	28	**0**	**0**	**—**	**—**	**28**
Loss carried forward	722	**101**	**—**	**—**	**—**	**823**
Government grants	282	**(18)**	**—**	**—**	**—**	**264**
Others	1,069	**(52)**	**—**	**—**	**—**	**1,016**
Total deferred tax assets	¥9,344	**¥(225)**	**¥ 0**	**¥ —**	**¥—**	**¥9,119**
Deferred tax liabilities:						
Property, plant and equipment	¥ 686	**2**	**—**	**256**	**—**	**945**
Investment securities	514	**—**	**(146)**	**—**	**—**	**367**
Assets related to post-employment benefits	55	**450**	**21**	**—**	**—**	**528**
Others	1,327	**(102)**	**—**	**—**	**—**	**1,225**
Total deferred tax liabilities	¥2,584	**¥ 350**	**¥(124)**	**¥256**	**¥—**	**¥3,066**

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

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

	Millions of yen	
	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Deferred tax assets	¥6,839	**¥6,379**
Deferred tax liabilities	78	**326**

Although there are tax loss carry-forwards recognized as deferred tax assets as of the end of the previous fiscal year (March 31, 2021), and the end of the current fiscal year (March 31, 2022), 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 FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Future deductible temporary differences	¥ 8,626	**¥ 9,449**
Loss carried forward	9,833	**10,954**
Total	¥18,459	**¥20,404**
Tax credit carried forward	¥ 1,565	**¥ 1,733**

Unrecognized deferred tax assets related to the above are 5,458 million yen at the end of the previous fiscal year (March 31, 2021) and the end of the current fiscal year, and 6,301 million yen (March 31, 2022), 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 scheduled expirations of tax loss carry-forwards for which no deferred tax assets are recognized is as follows:

	Millions of yen	
	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
First year	¥ —	**¥ 22**
Second year	—	**—**
Third year	—	**26**
Fourth year	—	**146**
Fifth and subsequent years	9,833	**10,760**
Total	¥9,833	**¥10,954**

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 7,317 million yen and 7,395 million yen at the end of the previous fiscal year (March 31, 2021) and the end of the current fiscal year (March 31, 2022), respectively. Tax loss carry-forwards related to regional taxes are 36 million yen for inhabitant tax and 36 million yen for business tax as of the end of the previous fiscal year (March 31, 2021) and 1,345 million yen for inhabitant tax and 1,345 million yen for business tax as of the end of the current fiscal year (March 31, 2022). Unrecognized deferred tax assets related to these amounts are 444 million yen and 554 million yen at the end of the previous fiscal year (March 31, 2021) and the end of the current fiscal year (March 31, 2022), 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

	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Current tax expense:		
Current fiscal year	¥3,885	**¥3,739**
Adjustment for prior years	276	**(110)**
Total	¥4,161	**¥3,629**
Deferred tax expense:		
Origination and reversal of temporary differences	(476)	**527**
Change in tax rate	(129)	**—**
Recognition of previously unrecognized tax loss carried forward and temporary differences	140	**151**
Total	(465)	**679**
Total Income tax expense	¥3,695	**¥4,309**

Reconciliations of the average effective tax rate and the effective statutory tax rate are as follows:

%

	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Effective Statutory Tax Rate	30.6%	**30.6%**
Non-deductible expenses	(0.0)	**0.2**
Effect of the different tax rates at foreign subsidiaries	1.3	**(1.1)**
Effect of unrecognized tax loss carried forward or temporary differences	0.8	**1.1**
The amount of impact due to the change in tax rate	(0.6)	**—**
Tax credit	(9.4)	**(5.4)**
Uncertain tax position on income taxes for U.S. subsidiaries	(3.8)	**(2.9)**
Others	(0.3)	**2.8**
Average actual tax rate	18.6%	**25.1%**

The Company is mainly subject to income tax, inhabitant tax and business tax. The effective statutory tax rate based on these taxes was 30.6% and 30.6% for the previous and current fiscal years, respectively. Foreign subsidiaries, however, are subject to income taxes where they are located.

18. Trade and Other Payables

Details of trade and other payables are as follows:

Millions of yen

	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Accounts payable - trade	¥4,531	**¥6,269**
Accounts payable - others	1,068	**1,054**
Accrued expenses	173	**250**
Others	1,280	**1,265**
Total	¥7,053	**¥8,840**
Current liabilities	¥6,671	**¥8,426**
Non-current liabilities	382	**414**
Total	¥7,053	**¥8,840**

19. Bonds and Borrowings

Details of bonds and borrowings are as follows:

	Millions of yen		%	
	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**	**Average interest rate**	**repayment year**
Short-term borrowings	¥1,134	**¥1,133**	**0.41%**	**—**
Long-term borrowings to be repaid within one year	2,996	**—**	**—**	**—**
Long-term borrowings	—	**2,990**	**0.29%**	**2024**
Total	¥4,131	**¥4,124**	**—**	**—**
Current liabilities	¥4,131	**¥1,133**	**—**	**—**
Non-current liabilities	—	**2,990**	**—**	**—**
Total	¥4,131	**¥4,124**	**—**	**—**

Notes: 1. The average interest rate represents the weighted-average rate applicable to the ending balance.
2. Bonds and borrowings are classified as financial liabilities measured at amortized cost.

20. 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 FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Lease liabilities (Financial liabilities measured at amortized cost)	¥793	**¥907**
Derivative liabilities (Financial liabilities measured at FVTPL)	51	**56**
Total	¥844	**¥964**

Non-current liabilities

	Millions of yen	
	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Lease liabilities (Financial liabilities measured at amortized cost)	¥923	**¥1,489**
Total	¥923	**¥1,489**

21. 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 FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Within 1 year	¥ 835	**¥ 944**	¥ 793	**¥ 907**
Between 1 and 5 years	949	**1,136**	923	**1,073**
Over 5 years	0	**431**	0	**416**
Total	¥1,785	**¥2,512**	¥1,717	**¥2,397**
Less: financial costs	(67)	**(114)**		
Present value of lease liabilities	¥1,717	**¥2,397**	¥1,717	**¥2,397**

22. Employee Benefits

(1) Postemployment Benefits

1. Defined Benefit Plans

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

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

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
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Present value of defined benefit pension plan obligations at the beginning of current period	¥29,519	**¥29,359**
Service cost	913	**946**
Interest expense	147	**117**
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	—	**697**
Actuarial gains and losses arising from changes in financial assumptions	343	**(73)**
Actuarial gains and losses arising from changes in experience adjustment	(59)	**(167)**
Benefit payments	(1,503)	**(1,652)**
Acquisition of subsidiaries	—	**1,220**
Present value of defined benefit pension plan obligations at the end of current period	29,359	**30,448**

Fair value of the plan assets

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

		Millions of yen
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Fair value of plan assets at the beginning of current period	¥(29,987)	**¥(33,672)**
Interest income	(149)	**(134)**
Remeasurements:		
Return on plan assets	(3,020)	**(547)**
Contributions by employer	(1,718)	**(2,103)**
Benefit payments	1,204	**1,295**
Acquisition of subsidiaries	—	**(1,292)**
Fair value of plan assets at the end of current period	(33,672)	**(36,454)**

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 yen, within the limits of potential risk of shortfall in pension assets, evenly over 5 years.

The Anritsu Group plans to contribute 2,048 million yen in the fiscal year ending March 31, 2023. (Of the above, standard contribution and risk reserve contribution amount to 448 million yen and 1,600 million yen, respectively.)

Details of plan assets are as follows:

	FY2020 as of March 31, 2021			**FY2021 as of March 31, 2022**		
	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	¥ 674	¥ —	¥ 674	**¥ 987**	**¥ —**	**¥ 987**
Equity instruments	8,375	—	8,375	**9,209**	**—**	**9,209**
Japanese equity securities	4,395	—	4,395	**4,608**	**—**	**4,608**
Foreign equity securities	3,980	—	3,980	**4,600**	**—**	**4,600**
Debt instruments	14,011	—	14,011	**14,635**	**—**	**14,635**
Japanese bonds	11,756	—	11,756	**12,167**	**—**	**12,167**
Foreign bonds	2,255	—	2,255	**2,468**	**—**	**2,468**
Life insurance company general accounts	—	1,729	1,729	**—**	**1,747**	**1,747**
Insurance	—	2,343	2,343	**—**	**2,341**	**2,341**
Others	—	6,536	6,536	**—**	**7,532**	**7,532**
Total	¥23,062	¥10,609	¥33,672	**¥24,831**	**¥11,622**	**¥36,454**

Millions of yen

The principal actuarial assumptions are as follows:

	FY2020 as of March 31, 2021	**FY2021 as of March 31, 2022**
Financial assumptions		
Discount rate	0.4%	**0.4%**

%

The weighted average durations of the defined benefit pension plan obligations are 11.5 years and 10.9 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.

	FY2021 as of March 31, 2022	
	0.2% increase	0.2% decrease
Financial assumptions		
Discount rate	**¥(622)**	**¥646**

Millions of yen

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 expense are as follows:

	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Amount of expenses	¥414	**¥360**

Millions of yen

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

	FY2020 as of March 31, 2021	**FY2021 as of March 31, 2022**
Employee benefits (current liabilities)	¥8,007	**¥8,181**
Employee benefits (non-current liabilities)	¥ 737	**¥ 783**

23. Provisions

Details of and changes in provisions are as follows:

Millions of yen

	Provision for decommissioning, restoration and rehabilitation costs	Provision for product warranties	Total
Balance at April 1, 2021	¥114	¥393	¥508
Increase during the year	**4**	**164**	**169**
Decrease due to intended use	**(5)**	**(147)**	**(153)**
Increase due to passage of time	**1**	**—**	**1**
Exchange differences on translation	**0**	**25**	**26**
Balance at March 31, 2022	**¥115**	**¥436**	**¥551**

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

Millions of yen

	FY2020 as of March 31, 2021	**FY2021 as of March 31, 2022**
Current liabilities	¥396	**¥438**
Provision for decommissioning, restoration and rehabilitation costs	2	**1**
Provision for product warranties	393	**436**
Non-current liabilities	112	**113**
Provision for decommissioning, restoration and rehabilitation costs	112	**113**
Total	¥508	**¥551**

Provision for decommissioning, restoration and rehabilitation costs is estimated amount for the costs of removing hazardous substances related to property, plant and equipment and restoring rented offices to the original condition. Although these expenses are expected to be paid after the estimated usage period has lapsed, it will be impacted by future plans and other factors.

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. Almost all of these expenses are expected to be incurred within one year.

24. Government Grants

Details of government grants are as follows:

	Millions of yen	
	FY2020 as of March 31, 2021	**FY2021 as of March 31, 2022**
Government grants for Koriyama 2nd Business Office (Note 1)		
Other liabilities – Current	¥ 49	**¥ 49**
Other liabilities – Non-current	791	**742**
Total	841	**791**
Other government grants		
Other liabilities – Current	10	**9**
Other liabilities – Non-current	73	**63**
Total	¥ 83	**¥ 73**

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.

25. Total Equity and Other Capital Items

(1) Number of Issued Shares and Treasury Shares

	Balance at March 31, 2021	**Balance at March 31, 2022**
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 the beginning of the fiscal year	138,257,294	**138,282,494**
Increase due to exercise of employee share options	25,200	**26,000**
Balance at the end of the fiscal year	138,282,494	**138,308,494**
Treasury shares		
Balance at the beginning of the fiscal year	830,188	**830,502**
Purchase of treasury shares (Note 1)	329	**2,519,086**
Issuance of treasury shares (Note 2)	15	**—**
Balance at the end of the fiscal year	830,502	**3,349,588**

Notes: 1. Out of the increase in purchase of treasury shares during the fiscal year ended March 31, 2022, 2,478,900 shares are due to acquisition in accordance with Article 156 of the Companies Act, which was resolved at the Board of Directors meeting held on July 30, 2021, 40,000 shares are due to acquisition by the trust account associated with the trust for distribution of shares to officers in accordance with the performance-linked stock compensation program. The remaining 186 shares are the increase due to additional purchase of shares less than one unit.

The increase in purchase of treasury shares during the fiscal year ended March 31, 2021, is due to purchase of shares less than one unit.

2. The decrease in Distribution of treasury shares is due to purchase of shares less than one unit.

(2) Capital Surplus

The main components of capital surplus are as follows:

1. Legal Capital Surplus

Japan's Company Law requires at least a half of contributions for the issuance of shares be classified as share capital, with the remaining portion to be classified as legal capital surplus. According to the Company Law, legal capital surplus may be incorporated into share capital by a resolution of the general meeting of shareholders.

(3) Retained Earnings

Retained earnings comprise the following categories.

1. Legal Retained Earnings

The Company Law provides that a 10% of dividend of retained earnings shall be appropriated as legal capital surplus or legal retained earnings until an aggregate amount of legal capital surplus and legal retained earnings equals 25% of share capital. Legal retained earnings may be appropriated to compensate for deficits. Legal retained earnings may also be reversed by a resolution of the general meeting of shareholders.

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
	FY2020 as of March 31, 2021	**FY2021 as of March 31, 2022**
Balance at the beginning of the fiscal year	¥3,635	**¥5,290**
Balance at the end of the fiscal year	5,290	**8,777**

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
	FY2020 as of March 31, 2021	**FY2021 as of March 31, 2022**
Balance at the beginning of the fiscal year	¥1,045	**¥1,123**
Balance at the end of the fiscal year	1,123	**789**

26. Dividends

Year ended March 31, 2021

(1) Amount of dividend paid

		Millions of yen	Yen		
Resolution	Classes of shares	Total dividends	Dividends per share	Record date	Effective date
June 25, 2020 Ordinary general meeting of shareholders	Ordinary shares	¥2,752	¥20.00	March 31, 2020	June 26, 2020
October 29, 2020 Board of Directors meeting	Ordinary shares	¥2,133	¥15.50	September 30, 2020	December 4, 2020

Note: Dividends approved at the ordinary general meeting of shareholders held on June 25, 2020, included dividends of 3 million yen paid to the treasury shares held by the trust account for distribution of shares to officers.
Dividends approved at the Board of Directors meeting held on October 29, 2020, included dividends of 2 million yen paid to the treasury shares 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, 2021, 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 24, 2021 Ordinary general meeting of shareholders	Ordinary shares	¥3,372	Retained earnings	¥24.50	March 31, 2021	June 25, 2021

Note: Dividends approved at the ordinary general meeting of shareholders held on June 24, 2021, included dividends of 4 million yen paid to the treasury shares held by the trust account for distribution of shares to officers.

Year ended March 31, 2022

(1) Amount of dividend paid

Resolution	Classes of shares	Millions of yen Total dividends	Yen Dividends per share	Record date	Effective date
June 24, 2021 Ordinary general meeting of shareholders	**Ordinary shares**	**¥3,372**	**¥24.50**	**March 31, 2021**	**June 25, 2021**
October 28, 2021 Board of Directors meeting	**Ordinary shares**	**2,714**	**20.00**	**September 30, 2021**	**December 3, 2021**

Note: Dividends approved at the ordinary general meeting of shareholders held on June 24, 2021, included dividends of 4 million yen paid to the treasury shares held by the trust account for distribution of shares to officers.
Dividends approved at the Board of Directors meeting held on October 28, 2021, included dividends of 3 million yen paid to the treasury shares 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, 2022, 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 28, 2022 Ordinary general meeting of shareholders	**Ordinary shares**	**¥2,703**	**Retained earnings**	**¥20.00**	**March 31, 2022**	**June 29, 2022**

Note: Dividends approved at the ordinary general meeting of shareholders held on June 28, 2022, included dividends of 4 million yen paid to the treasury shares held by the trust account for distribution of shares to officers.

27. Revenue

(1) Revenue Decomposition

Revenue Decomposition and its relationship to reportable segments are as follows:

FY2020 (From April 1, 2020 to March 31, 2021) — Millions of yen

	Reportable Segment			
	Test and Measurement	PQA	Others	Total
Revenue recognized from contracts with customers	¥74,809	¥21,419	¥7,676	¥103,905
Product revenue	62,450	18,881	7,150	88,483
Service revenue	12,359	2,537	525	15,422
Revenue recognized from other sources	—	—	2,033	2,033
Total	¥74,809	¥21,419	¥9,709	¥105,939

Notes: 1. There is no revenue recognized from performance obligation satisfied in past periods.
2. Revenue recognized from other sources represents lease income under IFRS 16.

FY2021 (From April 1, 2021 to March 31, 2022) — Millions of yen

	Reportable Segment			
	Test and Measurement	PQA	Others	Total
Revenue recognized from contracts with customers	**¥73,320**	**¥21,978**	**¥8,056**	**¥103,355**
Product revenue	**59,436**	**19,222**	**7,320**	**85,979**
Service revenue	**13,883**	**2,755**	**735**	**17,375**
Revenue recognized from other sources	**—**	**—**	**2,032**	**2,032**
Total	**¥73,320**	**¥21,978**	**¥10,089**	**¥105,387**

Notes: 1. There is no revenue recognized from performance obligation satisfied in past periods.
2. Revenue recognized from other sources represents lease income under IFRS 16.

(2) Contract Balance

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

		Millions of yen
	Beginning of FY2020 as of April 1, 2020	End of FY2020 as of March 31, 2021
Contract liabilities	¥4,623	¥5,740

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, 2021, 3,878 million yen were included in the balance of contract liabilities at the beginning of the fiscal year.
3. Contract liabilities mainly arose from advances received from customers related to support services.

		Millions of yen
	Beginning of FY2021 as of April 1, 2021	**End of FY2021 as of March 31, 2022**
Contract liabilities	¥5,740	**¥7,192**

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, 2022, 4,747 million yen were included in the balance of contract liabilities at the beginning of the fiscal year.
3. Contract liabilities mainly arose from advances received from customers related to support services.

(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 FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Within 1 year	¥4,747	**¥6,192**
Over 1 year	1,481	**1,794**
Total	¥6,229	**¥7,987**

Note: Practical expedients have not been applied. Additionally, the consideration from contracts with customers does not contain material amounts not included in the transaction price.

28. Selling, General and Administrative Expenses

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

		Millions of yen
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Personnel expenses	¥18,620	**¥19,465**
Travel and transportation expenses	325	**510**
Advertising expenses	1,458	**1,527**
Depreciation and amortization	1,684	**1,713**
Others	4,706	**4,695**
Total	¥26,793	**¥27,913**

29. Research and Development Expense

Details of research and development expense are as follows:

		Millions of yen
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Material expenses	¥ 3,016	**¥ 2,514**
Personnel expenses	7,093	**7,559**
Others	798	**906**
Total	¥10,908	**¥10,980**

30. Personnel Expenses

Details of personnel expenses are as follows:

		Millions of yen
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Salaries and wages	¥33,040	**¥34,974**
Welfare expenses	5,868	**6,384**
Retirement benefit expenses	1,324	**1,289**
Others	1,657	**886**
Total	¥41,891	**¥43,534**

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

31. Other Income and Other Expenses

Details of other income and other expenses are as follows:

		Millions of yen
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Other income		
Insurance claim income	¥ 54	**¥ —**
Others	211	**309**
Total	¥266	**¥309**
Other expenses		
Loss on retirement of non-current assets	—	**336**
Others	117	**51**
Total	¥117	**¥388**

32. 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
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Interest income:		
Financial assets measured at amortized cost	¥ 91	**¥ 81**
Dividend income:		
Financial assets measured at FVTOCI	37	**22**
Foreign exchange gains	220	**835**
Other financial revenue	23	**31**
Total	¥372	**¥970**

Details of finance costs are as follows:

		Millions of yen
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Interest expenses:		
Financial liabilities measured at amortized cost	¥ 70	**¥ 65**
Other financial expenses	114	**253**
Total	¥184	**¥318**

Notes to the Consolidated Financial Statements

33. 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

	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Items that will not be reclassified to profit or loss		
Changes in financial assets measured at FVTOCI		
Increase during the fiscal year	¥ 186	**¥ (318)**
Total changes in financial assets measured at FVTOCI	186	**(318)**
Remeasurements of defined benefit plans		
Increase during the fiscal year	1,882	**69**
Total remeasurements of defined benefit plans	1,882	**69**
Total	2,069	**(248)**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Increase during the fiscal year	1,654	**3,487**
Total exchange differences on translation of foreign operations	1,654	**3,487**
Total	1,654	**3,487**
Total other comprehensive income	¥3,724	**¥3,238**

Note: The Anritsu Group classifies investments in equity instruments that are not held for trading or contingent consideration in a business combination as 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.

Components of each item of other comprehensive income and their tax effects are as follows:

Millions of yen

	FY2020 (From April 1, 2020 to March 31, 2021)			**FY2021 (From April 1, 2021 to March 31, 2022)**		
	Before taxes	Tax effects	After taxes	Before taxes	Tax effects	After taxes
Items that will not be reclassified to profit or loss						
Changes in financial assets measured at FVTOCI	¥ 270	¥ (83)	¥ 186	**¥ (456)**	**¥137**	**¥ (318)**
Remeasurements of defined benefit plans	2,736	(853)	1,882	**91**	**(21)**	**69**
Total	3,006	(937)	2,069	**(364)**	**116**	**(248)**
Items that may be reclassified to profit or loss						
Exchange differences on translation of foreign operations	1,654	—	1,654	**3,487**	**—**	**3,487**
Total	1,654	—	1,654	**3,487**	**—**	**3,487**
Total other comprehensive income	¥4,661	¥(937)	¥3,724	**¥3,122**	**¥116**	**¥3,238**

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

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)
		Millions of yen
Profit attributable to owners of parent	¥16,105	**¥12,796**
Profit used in calculation of diluted earnings per share	16,105	**12,796**
		Shares
Weighted average number of issued and outstanding shares	137,443,859	**136,159,510**
Increase in number of shares used in the calculation of diluted earnings per share		
Increase due to employee share options	65,905	**39,149**
Weighted average number of issued and outstanding shares used in the calculation of diluted earnings per share	137,509,764	**136,198,659**
		Yen
Basic earnings per share	¥117.18	**¥ 93.98**
Diluted earnings per share	117.12	**93.95**

35. Cash Flow Information

(1) Changes in Liabilities arising from Financial Activities

Millions of yen

Year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	April 1, 2020	Changes come with Cash Flow	Changes come without Cash Flow: Change in scope of consolidation	Changes come without Cash Flow: Changes in Fair Value	Others	March 31, 2021
Short-term borrowings	¥ 1,885	¥ (753)	¥ —	¥ —	¥ 2	¥1,134
Long-term borrowings	2,994	—	—	3	—	2,997
Bonds	7,997	(8,000)	—	2	—	—
Lease liabilities	1,717	(857)	—	—	856	1,717
Total	¥14,594	¥(9,610)	¥ —	¥ 5	¥859	¥5,848

Millions of yen

Year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	April 1, 2021	Changes come with Cash Flow	Changes come without Cash Flow: Change in scope of consolidation	Changes come without Cash Flow: Changes in Fair Value	Othxrs	March 31, 2022
Short-term borrowings	¥1,134	**¥(1,361)**	**¥1,361**	**¥ —**	**¥ (0)**	**¥1,133**
Long-term borrowings	2,997	**—**	**—**	**(6)**	**—**	**2,990**
Lease liabilities	1,717	**(904)**	**—**	**—**	**1,585**	**2,397**
Total	¥5,848	**¥(2,265)**	**¥1,361**	**¥(6)**	**¥1,584**	**¥6,521**

(2) Non-cash Transactions

Details of non-cash transactions are as follows:

Millions of yen

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)
Acquisition of right-of-use assets through leases	¥872	**¥1,476**
Total	¥872	**¥1,476**

36. 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:

	Number of shares granted	Grant date	Exercise period	Yen 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 year are as follows:

	Number of shares	Yen Weighted average exercise price	Number of shares	Yen Weighted average exercise price
	FY2020 (From April 1, 2020 to March 31, 2021)		**FY2021** **(From April 1, 2021 to March 31, 2022)**	
Outstanding at the beginning of the period	156,500	¥1,205	**124,500**	**¥1,189**
Granted during the period	—	—	**—**	**—**
Cancelled during the period	6,800	1,295	**4,000**	**1,125**
Exercised during the period	25,200	1,261	**26,000**	**1,112**
Expired during the period	—	—	**—**	**—**
Outstanding at the end of period	124,500	1,189	**94,500**	**1,212**
Exercisable at the end of the period	124,500	1,189	**94,500**	**1,212**

The exercise prices of stock options unexercised at the end of the previous fiscal year ranged from 956 yen to 1,295 yen. The weighted average remaining contractual period was 1.7 years. The weighted average share price as of the exercise dates for stock options exercised during the previous fiscal year was 2,305 yen.

The exercise prices of stock options unexercised at the end of the current fiscal year ranged from 956 yen to 1,295 yen. The weighted average remaining contractual period was 0.6 years. The weighted average share price as of the exercise dates for stock options exercised during the current fiscal year was 2,100 yen.

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 FY2021 to FY2023)

Under the program from FY2021 to FY2023, 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 FY2021 to FY2023 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 104 million yen in the previous fiscal year (From April 1, 2020 to March 31, 2021), and 31 million yen in the current fiscal year (From April 1, 2021 to March 31, 2022). (Of the amount recognized as expenses in the fiscal year ended March 31, 2021, -3 million yen is for stocks granted in FY2020, while the remaining 107 million yen is for stocks granted in FY2021. Of the amount recognized as expenses in the fiscal year ended March 31, 2022, -12 million yen is an adjustment for stocks granted in FY2021, while the remaining 44 million yen is for stocks to be granted in FY2022.)

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

	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Balance at the beginning of the period	34,386	**73,440**
Granted during the period	39,054	**60,902**
Exercised during the period	—	**—**
Cancelled during the period	—	**—**
Balance at the end of the period	73,440	**134,342**

There were no stock issuances in the previous and current fiscal years.

Notes to the Consolidated Financial Statements

37. 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 prioritizes the following capital management benchmarks.

- Return On Equity
- Free cash flow
- Equity attributable to owners of the parent (%)
- Debt-to-equity ratio

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

The Anritsu Group's business activities are exposed to various interest rate fluctuation risks, and interest rate fluctuations especially impact borrowing costs.

- 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 comprehensive income in case of a 1% increase or decrease in interest rates.

		Millions of yen
End of FY2020 as of March 31, 2021	1% increase	1% decrease
Profit (loss) before tax	¥(41)	¥41

		Millions of yen
End of FY2021 as of March 31, 2022	1% increase	1% decrease
Profit (loss) before tax	**¥(41)**	**¥41**

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 FY2020 as of March 31, 2021	Japanese yen	U.S. dollar	Euro
Net exposure	¥(185)	¥6,089	¥1,640
[in thousands of units of relevant currency]	[—]	[US$55,007 thousand]	[€12,645 thousand]

			Millions of yen
End of FY2021 as of March 31, 2022	Japanese yen	U.S. dollar	Euro
Net exposure	**¥561**	**¥6,711**	**¥876**
[in thousands of units of relevant currency]	**[—]**	**[US$54,830 thousand]**	**[€6,405 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 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 FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Japanese yen	¥ (1)	**¥ 5**
U.S. dollar	(60)	**(67)**
Euro	(16)	**(8)**

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 comprehensive income.

	Millions of yen	
	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Other comprehensive income	¥(6)	**¥(5)**

(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 financial statements is the maximum exposure to credit risk of the financial assets of the Anritsu Group. As for guarantee obligations, the balance of guarantee obligations recorded in Note "41. Contingencies" is the maximum exposure to credit risk of the Anritsu Group. Additionally, the Anritsu Group determines that a credit impairment has occurred when the reason for late payment is not due to any temporary capital demand but due to the obligor having fallen into serious financial difficulty, and there are concerns for the loan's recoverability.

Notes to the Consolidated Financial Statements

1. Credit Risk Exposure

The aging analyses of trade and other receivables at the end of FY2020 as of March 31, 2021, and FY2021 as of March 31, 2022 are as follows:

	Millions of yen		
	End of FY2020 as of March 31, 2021		
	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	¥22,996	¥ —	¥22,996
Within 30 days past due	1,814	—	1,814
Within 6 months past due	1,597	15	1,613
Over 6 months past due	174	139	313
Total	¥26,582	¥155	¥26,738

Note: The above shows the carrying value before allowance for doubtful accounts. There are certain deposits 377 million yen, received as credit enhancements.

	Millions of yen		
	End of FY2021 as of March 31, 2022		
	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	**¥22,339**	**¥ —**	**¥22,339**
Within 30 days past due	**2,301**	**5**	**2,307**
Within 6 months past due	**2,054**	**31**	**2,086**
Over 6 months past due	**493**	**72**	**565**
Total	**¥27,189**	**¥110**	**¥27,299**

Note: The above shows the carrying value before allowance for doubtful accounts. There are certain deposits 414 million yen, 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, 2020	**¥ 58**	**¥122**	**¥180**
Increase	**57**	**102**	**160**
Decrease	**(23)**	**(123)**	**(146)**
Others (Exchange differences on translation of foreign operations etc.)	**1**	**2**	**3**
Balance at March 31, 2021	**93**	**104**	**198**
Increase	**83**	**32**	**116**
Decrease	**(40)**	**(102)**	**(142)**
Others (Exchange differences on translation of foreign operations etc.)	**9**	**2**	**11**
Balance at March 31, 2022	**¥147**	**¥ 36**	**¥184**

(4) Liquidity Risk

Liquidity risk is the risk that, in performing the obligations to repay financial liabilities that have become due, the Anritsu Group will not be able to execute payment on the due date.

The Anritsu Group manages liquidity risk by adopting a cash management system and appropriately prepares funds required for repayment by efficiently utilizing funds within the Group, while securing credit lines from financial institutions, which can be utilized when necessary, and continuously monitoring cash flow plans and actual results.

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 FY2020 as of March 31, 2021	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	¥ 7,053	¥ 7,053	¥ 6,671	¥ 0	¥ —	¥ —	¥ —	¥382
Bonds and borrowings	4,131	4,131	4,131	—	—	—	—	—
Other financial liabilities	1,717	2,522	1,129	918	306	113	55	0
Guarantee obligations	—	339	303	4	4	4	4	18
Derivative financial liabilities:								
Other financial liabilities	51	51	51	—	—	—	—	—
Total	¥13,004	¥14,099	¥12,286	¥923	¥310	¥117	¥60	¥400

Millions of yen

End of FY2021 as of March 31, 2022	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	**¥ 8,840**	**¥ 8,840**	**¥ 8,426**	**¥ 0**	**¥ —**	**¥ —**	**¥ —**	**¥414**
Bonds and borrowings	**4,124**	**4,124**	**1,133**	**—**	**2,990**	**—**	**—**	**—**
Other financial liabilities	**2,397**	**2,512**	**944**	**531**	**296**	**187**	**121**	**431**
Guarantee obligations	**—**	**629**	**603**	**4**	**4**	**4**	**2**	**10**
Derivative financial liabilities:								
Other financial liabilities	**56**	**56**	**56**	**—**	**—**	**—**	**—**	**—**
Total	**¥15,418**	**¥16,163**	**¥11,164**	**¥536**	**¥3,291**	**¥191**	**¥123**	**¥856**

(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 are measured as financial assets or liabilities measured at FVTPL based on observable market data such as forward foreign exchange rates at the fiscal year-end provided by correspondent financial institutions, etc.

• 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.

Notes to the Consolidated Financial Statements

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 FY2020 as of March 31, 2021		**End of FY2021 as of March 31, 2022**	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Liabilities measured at amortized cost:				
Borrowings	¥4,131	¥4,131	**¥4,124**	**¥4,123**
Total	¥4,131	¥4,131	**¥4,124**	**¥4,123**

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 FY2020 as of March 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTOCI:				
Other financial assets	¥88	¥—	¥1,737	¥1,826
Financial assets measured at FVTPL:				
Other financial assets	—	6	—	6
Total assets	¥88	¥ 6	¥1,737	¥1,832
Financial liabilities measured at FVTPL:				
Other financial liabilities	¥—	¥51	¥ —	¥ 51
Total liabilities	¥—	¥51	¥ —	¥ 51

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 FY2021 as of March 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTOCI:				
Other financial assets	**¥78**	**¥—**	**¥1,300**	**¥1,378**
Financial assets measured at FVTPL:				
Other financial assets	**—**	**—**	**—**	**—**
Total assets	**¥78**	**¥—**	**¥1,300**	**¥1,378**
Financial liabilities measured at FVTPL:				
Other financial liabilities	**¥—**	**¥56**	**¥ —**	**¥ 56**
Total liabilities	**¥—**	**¥56**	**¥ —**	**¥ 56**

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
FY2020 (From April 1, 2020 to March 31, 2021)	Financial assets measured at FVTOCI
Balance at the beginning of the fiscal year	¥1,538
Other comprehensive income	¥ 216
Acquisition	25
Disposal	(42)
Balance at the end of the fiscal year	¥1,737

FY2021 (From April 1, 2021 to March 31, 2022)	Millions of yen Financial assets measured at FVTOCI
Balance at the beginning of the fiscal year	**¥1,737**
Other comprehensive income	**¥ (458)**
Acquisition	**26**
Disposal	**(4)**
Balance at the end of the fiscal year	**¥1,300**

The Anritsu Group uses comparable company valuation multiples to measure the fair values of unlisted shares. In the calculation, 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 FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Listed shares		
Sumitomo Mitsui Financial Group, Incorporated	¥ 43	**¥ 42**
Others	45	**36**
Listed shares subtotal	88	**78**
Unlisted shares		
Communication equipment industry	919	**853**
Leasing industry	282	**157**
Others	535	**290**
Unlisted shares subtotal	1,737	**1,300**
Total	¥1,826	**¥1,378**

Dividends on investments held as of the fiscal year end were 30 million yen and 21 million yen in the previous fiscal year and current fiscal year, respectively.

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

	Millions of yen			
	End of FY2020 as of March 31, 2021		**End of FY2021 as of March 31, 2022**	
	Beneficial impact	Adverse impact	Beneficial impact	Adverse impact
Other comprehensive income	¥169	¥(169)	**¥123**	**¥(123)**

(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:

	Millions of yen		
FY2020 (From April 1, 2020 to March 31, 2021)	Fair value at the time of derecognition	Cumulative gains or losses	Dividend income
	¥256	¥176	¥6

Note: During the previous fiscal year, the cumulative gain (after tax) of 119 million yen was reclassified from other components of equity to retained earnings.

	Millions of yen		
FY2021 (From April 1, 2021 to March 31, 2022)	Fair value at the time of derecognition	Cumulative gains or losses	Dividend income
	¥57	**¥24**	**¥0**

Note: During the current fiscal year, the cumulative gain (after tax) of 16 million yen was reclassified from other components of equity to retained earnings.

Notes to the Consolidated Financial Statements

38. Leases

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

	Millions of yen	
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Lease payments of short-term leases or leases of low-value assets	¥ 267	**¥ 278**
Cash outflow of leases	¥1,129	**¥1,187**

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 "21. Lease Liabilities."

39. Related Parties

(1) Major Subsidiaries

			Percentage ownership (%)	
Name	Business	Location	End of FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
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 GmbH	Test and Measurement	Vienna, Austria	—	**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

- FY2020 (From April 1, 2020, to March 31, 2021)

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

- FY2021 (From April 1, 2021, to March 31, 2022)

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	
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**
Short-term employee benefit	¥268	**¥259**
Share-based payments	40	**14**
Total	¥309	**¥274**

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 FY2020 as of March 31, 2021	**End of FY2021 as of March 31, 2022**
Operationally contracted guarantees	¥294	**¥598**
Guarantees for employees	45	**31**
Total	¥339	**¥629**

(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 CY2022. 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

(1) Purchase of Treasury Shares

Anritsu Corporation is resolved to purchase treasury stock as follows, at the Board of Directors meeting held on May 31, 2022, in accordance with the provisions of Article 156 of the Companies Act as applied by replacing the term and phrase pursuant to the provisions of Article 165, Paragraph 3 of the said Act.

Overview of the purchase

• Class of the shares to be purchased: Common stock
• Number of shares that can be purchased: 5,000,000 shares (upper limit)
  (Ratio to the number of issued and outstanding shares (excluding treasury stock): 3.7%)
• Total amount of purchase in yen: 5,000,000,000 yen (upper limit)
• Purchase period: From June 1, 2022 to July 29, 2022
• Market purchase on the Tokyo Stock Exchange

(2) Cancellation of Treasury Shares

Anritsu Corporation resolved to cancel the treasury shares as below at the Board of Directors meeting held on May 31, 2022, in accordance with the provisions of Article 178 of the Companies Act.

Overview of the cancellation

• Class of the shares to be cancelled: Common stock
• Number of shares to be cancelled: 2,478,900 shares
  (Ratio to the number of the total issued shares before cancellation: 1.79%)
• Date of cancellation: June 30, 2022

(Reference Information)

Consolidated quarterly information for the current fiscal year

Millions of yen

	1st Quarter	2nd Quarter	3rd Quarter	FY2021
Cumulative period				
Revenue	¥23,788	¥51,231	¥75,864	¥105,387
Quarterly (annual) profit before tax	3,085	7,513	11,097	17,150
Quarterly (annual) profit attributable to owners of parent	2,083	5,464	8,168	12,796
Quarterly (annual) basic earnings per share (yen)	15.16	39.83	59.83	93.98

Yen

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Accounting period				
Quarterly earnings per share: Basic (yen)	¥15.16	¥24.68	¥20.02	¥34.29

Non-consolidated Balance Sheet

March 31, 2021 and 2022

		Millions of yen	Thousands of U.S. dollars*
	FY2020 as of March 31, 2021	**FY2021 as of March 31, 2022**	**FY2021 as of March 31, 2022**
Assets			
Current assets			
Cash and deposits	¥ 24,894	**¥ 20,930**	**$ 170,983**
Notes receivable–trade	876	**2,205**	**18,013**
Accounts receivable–trade	16,719	**18,431**	**150,568**
Finished goods	1,821	**2,190**	**17,891**
Work in process	61	**1,125**	**9,190**
Raw materials	3,715	**7,628**	**62,315**
Prepaid expenses	147	**286**	**2,336**
Other current assets	5,889	**8,291**	**67,731**
Allowance for doubtful accounts	(71)	**(70)**	**(572)**
Total current assets	54,054	**61,017**	**498,464**
Non-current assets			
Property, plant and equipment			
Buildings	12,346	**12,005**	**98,072**
Structures	241	**213**	**1,740**
Machinery and equipment	277	**321**	**2,622**
Vehicles	2	**5**	**41**
Tools, furniture and fixtures	2,554	**2,955**	**24,140**
Land	1,973	**1,913**	**15,628**
Construction in progress	—	**596**	**4,869**
Total property, plant and equipment	17,395	**18,011**	**147,137**
Intangible assets			
Software	591	**1,363**	**11,135**
Other intangible assets	1	**0**	**0**
Total intangible assets	592	**1,364**	**11,143**
Investments and other assets			
Investment securities	100	**121**	**988**
Shares of subsidiaries and associates	42,705	**45,225**	**369,455**
Long-term loans receivable	5,501	**5,541**	**45,266**
Prepaid pension costs	4,436	**5,648**	**46,140**
Deferred tax assets	4,057	**4,346**	**35,504**
Others	84	**138**	**1,127**
Allowance for doubtful accounts	(26)	**(1)**	**(8)**
Total investments and other assets	56,859	**61,019**	**498,481**
Total non-current assets	74,847	**80,395**	**656,768**
Total	¥128,902	**¥141,413**	**$1,155,241**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥122.41 to U.S. $1.00, the approximate exchange rate on March 31, 2022.

March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars*
	FY2020 as of March 31, 2021	**FY2021 as of March 31, 2022**	**FY2021 as of March 31, 2022**
Liabilities			
Current liabilities			
Accounts payable–trade	¥ 4,087	**¥ 7,575**	**$ 61,882**
Short-term borrowings	1,090	**1,090**	**8,905**
Current portion of long-term borrowings	3,000	**—**	**—**
Lease liabilities	22	**22**	**180**
Accounts payable–other	1,586	**2,114**	**17,270**
Accrued expenses	3,221	**3,868**	**31,599**
Income taxes payable	2,044	**1,595**	**13,030**
Advances received	2,072	**2,604**	**21,273**
Deposits received	14,730	**14,378**	**117,458**
Provision for product warranties	38	**83**	**678**
Provision for bonuses for directors	75	**65**	**531**
Other current liabilities	274	**382**	**3,121**
Total current liabilities	32,242	**33,780**	**275,958**
Non-current liabilities			
Long-term borrowings	—	**3,000**	**24,508**
Lease liabilities	37	**24**	**196**
Other non-current liabilities	202	**469**	**3,831**
Total non-current liabilities	239	**3,493**	**28,535**
Total liabilities	32,481	**37,274**	**304,501**
Net assets			
Shareholders' equity			
Share capital	19,171	**19,189**	**156,760**
Capital surplus			
Legal capital surplus	28,121	**28,139**	**229,875**
Other capital surplus	0	**0**	**0**
Total capital surplus	28,121	**28,139**	**229,875**
Retained earnings			
Legal retained earnings	2,468	**2,468**	**20,162**
Other retained earnings	47,721	**60,492**	**494,175**
General reserve	21,719	**21,719**	**177,428**
Retained earnings brought forward	26,002	**38,773**	**316,747**
Total retained earnings	50,189	**62,960**	**514,337**
Treasury shares	(1,120)	**(6,199)**	**(50,641)**
Total shareholders' equity	96,362	**104,089**	**850,331**
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	20	**19**	**155**
Total valuation and translation adjustments	20	**19**	**155**
Subscription rights to shares	37	**29**	**237**
Total net assets	96,420	**104,139**	**850,739**
Total	¥128,902	**¥141,413**	**$1,155,241**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥122.41 to U.S. $1.00, the approximate exchange rate on March 31, 2022.

Non-consolidated Statement of Income

Years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars*
	FY2020 (From April 1, 2020 to March 31, 2021)	**FY2021 (From April 1, 2021 to March 31, 2022)**	**FY2021 (From April 1, 2021 to March 31, 2022)**
Net sales	¥59,622	**¥73,580**	**$601,095**
Cost of sales	28,662	**39,676**	**324,124**
Gross profit	30,960	**33,903**	**276,963**
Selling, general and administrative expenses	18,653	**22,545**	**184,176**
Operating income (loss)	12,306	**11,358**	**92,787**
Interest and dividend income	2,351	**3,439**	**28,094**
Other non-operating income	533	**725**	**5,923**
Non-operating income	2,884	**4,164**	**34,017**
Interest expenses	26	**20**	**163**
Other non-operating expenses	65	**108**	**882**
Non-operating expenses	92	**128**	**1,046**
Ordinary income (loss)	15,098	**15,394**	**125,758**
Gain on sales of investment securities	95	**—**	**—**
Insurance claim income	44	**—**	**—**
Gain on sales of noncurrent assets	—	**12**	**98**
Gain on extinguishment of tie-in shares	1,927	**6,387**	**52,177**
Gain on reversal of share acquisition rights	2	**1**	**8**
Extraordinary income	2,070	**6,401**	**52,291**
Loss on disaster	38	**—**	**—**
Impairment loss	8	**—**	**—**
Extraordinary loss	47	**—**	**—**
Income (loss) before income taxes	17,121	**21,795**	**178,049**
Income taxes–current	3,344	**2,698**	**22,041**
Income taxes–deferred	49	**492**	**4,019**
Net income (loss)	¥13,727	**¥18,604**	**$151,981**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥122.41 to U.S. $1.00, the approximate exchange rate on March 31, 2022.

This Annual Report is prepared for investors as supplementary information of "2022 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.

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