

FY2017 Second Quarter Consolidated Financial Results

(Advantest's consolidated financial statements are prepared in accordance with IFRS)
(Period ended September 30, 2017)

October 25, 2017

Company Name : **Advantest Corporation**
 (URL <https://www.advantest.com/investors>)
 Stock Exchange on which shares are listed : First section of the Tokyo Stock Exchange
 Stock Code Number : 6857
 Company Representative : Yoshiaki Yoshida, Representative Director, President and CEO
 Contact Person : Atsushi Fujita, Managing Executive Officer and Executive Vice President, Corporate Administration Group
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 Quarterly Report Filing Date (as planned) : November 13, 2017
 Dividend Payable Date (as planned) : December 1, 2017
 Quarterly Results Supplemental Materials : Yes
 Quarterly Results Presentation Meeting : Yes

(Rounded to the nearest million yen)

1. Consolidated Results of FY2017 Q2 (April 1, 2017 through September 30, 2017)

(1) Consolidated Financial Results (Accumulated)

(% changes as compared to the corresponding period of the previous fiscal year)

	Net sales		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent		Total comprehensive income for the period	
	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)
FY2017 Q2	88,412	16.0	7,412	(10.9)	6,372	(30.1)	4,926	(32.2)	4,926	(32.2)	5,570	—
FY2016 Q2	76,195	(11.8)	8,318	24.6	9,115	50.0	7,261	143.9	7,261	143.9	(2,939)	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2017 Q2	27.80	25.42
FY2016 Q2	41.56	37.96

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
FY2017 Q2	228,691	113,895	113,895	49.8
FY2016	231,603	109,517	109,517	47.3

2. Dividends

	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Annual total
	Yen	Yen	Yen	Yen	Yen
FY2016	—	13.00	—	12.00	25.00
FY2017	—	9.00	N/A	N/A	N/A
FY2017 (forecast)	N/A	N/A	—	17.00	26.00

(Note) Revision of dividends forecast for this period: **Yes**

3. Projected Results for FY2017 (April 1, 2017 through March 31, 2018)

(% changes as compared to the previous fiscal year)

	Net sales		Operating income		Income before income taxes		Net income		Net income attributable to Owners of the parent		Earning per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2017	180,000	15.4	18,000	29.4	17,000	13.2	14,500	2.1	14,500	2.1	81.77

(Note) Revision of projected results for this period: **Yes**

For details, please refer to the (4) Near-term Prospects, page 5.

4. Others

(1) Material changes in subsidiaries during this period (changes in scope of consolidation resulting from changes in subsidiaries): None

(2) Changes in accounting policies and accounting estimates
 1) Changes in accounting policies required by IFRS: None
 2) Changes arising from factors other than 1: None
 3) Changes in accounting estimates: None

(3) Number of issued and outstanding share (ordinary share):
 1) Number of issued and outstanding share at the end of each fiscal period (including treasury share):
 FY2017 Q2 199,566,770 shares; FY2016 199,566,770 shares.
 2) Number of treasury share at the end of each fiscal period:
 FY2017 Q2 22,121,656 shares; FY2016 22,736,166 shares.
 3) Average number of outstanding share for each period (cumulative term):
 FY2017 Q2 177,199,310 shares; FY2016 Q2 174,692,143 shares.

Status of Quarterly Review Procedures

This quarterly financial results report is not subject to quarterly review procedures by independent auditors.

Explanation on the Appropriate Use of Future Earnings Projections and Other Special Instructions

This document contains “forward-looking statements” that are based on Advantest’s current expectations, estimates and projections. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause Advantest’s actual results, levels of activities, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. These factors include: (i) changes in demand for the products and services produced and offered by Advantest’s customers, including semiconductors, communications services and electronic goods; (ii) circumstances relating to Advantest’s investment in technology, including its ability to timely develop products that meet the changing needs of semiconductor manufacturers, communications network equipment and components makers and service providers; (iii) significant changes in the competitive environment in the major markets where Advantest purchases materials, components and supplies for the production of its products or where its products are produced, distributed or sold; and (iv) changes in economic conditions, currency exchange rates or political stability in the major markets where Advantest procures materials, components and supplies for the production of its principal products or where its products are produced, distributed or sold.

Contents

1. Overview of Business Results	P. 2
(1) Overview of Business Results	P. 2
(2) Overview of Financial Condition	P. 4
(3) Overview of Cash Flows	P. 4
(4) Near-term Prospects	P. 5
2. Condensed Consolidated Financial Statements	P. 6
(1) Condensed Consolidated Statements of Financial Position	P. 6
(2) Condensed Consolidated Statements of Profit or Loss and Condensed Consolidated Statements of Comprehensive Income	P. 8
(3) Condensed Consolidated Statements of Changes in Equity	P. 11
(4) Condensed Consolidated Statements of Cash Flows	P. 12
(5) Notes to the Condensed Consolidated Financial Statements	P. 13
(Notes on Going Concern)	P. 13
(Segment Information)	P. 13
FY2017 Second Quarter Consolidated Financial Results Overview	P. 15

1. Overview of Business Results

(1) Overview of Business Results

Consolidated Financial Results of FY2017 Q2 (April 1, 2017 through September 30, 2017)

(in billion yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	72.3	105.6	46.1%
Net sales	76.2	88.4	16.0%
Operating income	8.3	7.4	(10.9%)
Income before income taxes	9.1	6.4	(30.1%)
Net income	7.3	4.9	(32.2%)

The global economy continued a gradual recovery overall in Advantest's first half of fiscal year 2017. In developed countries, the US economy was steady, and economic recovery was seen to accelerate in Europe, Japan. In emerging economies, such as China, economic growth continued.

In semiconductor-related markets, demand for automotive semiconductors and sensors grew due to developments such as advances in automotive electronics. Moreover, there was a significant increase in demand for memory semiconductors such as 3D NAND flash memory for data centers, and active investment was carried out to strengthen production capacity. However, due to prolonged production adjustments for Chinese smartphones, investment in production equipment for related semiconductors was sluggish.

Average currency exchange rates for this period were 1 USD to 111 JPY (107 JPY in the corresponding period of the previous fiscal year) and 1 Euro to 124 JPY (120 JPY in the corresponding period of the previous fiscal year).

In this business environment, Advantest made an effort to increase our share in the high-demand memory semiconductor and automotive semiconductor test equipment markets to limit the impact of the decline in capital expenditure in smartphone-related semiconductors.

As a result, orders received were (Y) 105.6 billion (46.1 % increase in comparison to the corresponding period in the previous fiscal year) and net sales were (Y) 88.4 billion (16.0% increase in comparison to the corresponding period in the previous fiscal year). In terms of profits, operating income fell 10.9 % to (Y) 7.4 billion due to the decrease of sales ratio of highly profitable smartphone-related semiconductor products in our product mix in comparison to the corresponding period in the previous fiscal year, and the result of investment in the expansion of capacity to supply products. Foreign exchange losses in dollar-denominated assets of Europe subsidiaries increased due to the appreciation of the Euro versus USD. Income before income taxes was (Y) 6.4 billion (30.1 % decrease in comparison to the corresponding period in the previous fiscal year), and net income was (Y) 4.9 billion (32.2 % decrease in comparison to the corresponding period in the previous fiscal year). The percentage of net sales to overseas customers was 92.3% (89.1% in comparison to the corresponding period in the previous fiscal year).

Conditions of business segments are described below.

<Semiconductor and Component Test System Segment>

(in billion yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	47.1	70.4	49.6%
Net sales	51.3	57.7	12.3%
Segment income	11.5	7.7	(33.2%)

Advantest's non-memory semiconductor test system business saw a slump in capital investment by semiconductor companies caused by the impact of Chinese smartphone inventory adjustments. Meanwhile, demand for automotive semiconductor test systems, along with OLED and LCD driver products continued to be strong. In the memory semiconductor test system sector, orders and sales increased significantly in comparison to the corresponding period in the previous fiscal year due to the execution of large-scale capital investments by semiconductor manufacturers.

As a result of the above, orders received were (Y) 70.4 billion (49.6% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 57.7 billion (12.3% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 7.7 billion (33.2% decrease in comparison to the corresponding period in the previous fiscal year).

< Mechatronics System Segment >

(in billion yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	11.4	22.0	92.7%
Net sales	10.9	16.8	54.7%
Segment income	(1.4)	0.7	—

The Mechatronics System Segment saw sales of device interface products, which correlate with memory semiconductor test system demand, increase as memory semiconductor manufacturers actively invested in enhancing production capacity. Furthermore, robust investment in automotive semiconductors supported demand for test handlers.

As a result of the above, orders received were (Y) 22.0 billion (92.7% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 16.8 billion (54.7% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 0.7 billion ((Y) 2.1 billion improvement in comparison to the corresponding period in the previous fiscal year).

<Services, Support and Others Segment>

(in billion yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	13.8	13.2	(4.4%)
Net sales	14.0	13.9	(0.5%)
Segment income	1.6	1.1	(28.9%)

In the Services, Support and Others Segment, there was stable demand for our field services in an environment of increased production in the semiconductor market overall. Moreover, the investment for future growth of sales in SSD Tester sector has been made.

As a result of the above, orders received were (Y) 13.2 billion (4.4% decrease in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 13.9 billion (0.5% decrease in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 1.1 billion (28.9% decrease in comparison to the corresponding period in the previous fiscal year).

(2) Overview of Financial Condition

Total assets at September 30, 2017 amounted to (Y) 228.7 billion, a decrease of (Y) 2.9 billion compared to March 31, 2017, primarily due to a decrease of (Y) 3.6 billion in cash and cash equivalents and (Y) 2.2 billion in trade and other receivables, respectively, offset by an increase of (Y) 3.6 billion in inventories. The amount of total liabilities was (Y) 114.8 billion, a decrease of (Y) 7.3 billion compared to March 31, 2017, primarily due to a decrease of (Y) 15.0 billion in redemption of corporate bonds, offset by an increase of (Y) 3.3 billion in trade and other payables and (Y) 2.5 billion in retirement benefit liabilities respectively. Total Equity was (Y) 113.9 billion. Ratio of equity attributable to owners of the parent was 49.8%, an increase of 2.5 percentage points from March 31, 2017.

(3) Overview of Cash Flows

Cash and cash equivalents held at September 30, 2017 were (Y) 91.7 billion, a decrease of (Y) 3.6 billion from March 31, 2017. Significant cash flows during the six-month period of this fiscal year and their causes are described below.

Net cash provided by operating activities was (Y) 11.0 billion (net cash inflow of (Y) 18.2 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to a decrease of (Y) 2.5 billion in trade and other receivables, an increase of (Y) 3.1 billion in trade and other payables and adjustments of non-cash items such as depreciation and amortization in addition to the income before income taxes of (Y) 6.4 billion.

Net cash provided by investing activities was (Y) 0.8 billion (net cash outflow of (Y) 1.4 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to proceeds from sale of property, plant and equipment in the amount of (Y) 1.8 billion and payments for acquisition of property, plant and equipment in the amount of (Y) 1.3 billion.

Net cash used in financing activities was (Y) 16.2 billion (net cash outflow of (Y) 1.1 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to redemption of corporate bonds of (Y) 15.0 billion and dividends paid of (Y) 2.1 billion.

(4) Near-term Prospects

The increased adoption of AI and the IoT, as well as data center growth to support these technologies, Advanced Driver Assistance Systems (ADAS) in the automotive industry, advanced smartphones, and fifth-generation mobile telecommunications systems (5G) argue that a growing social emphasis on safety and comfort will drive continued growth in the semiconductor industry and related markets.

The outlook for the semiconductor test equipment market, which is Advantest's primary profit base, is that the strong business environment is expected to continue for non-memory semiconductor test systems in automotive and display driver applications. The recovery in demand for test systems related to Chinese smartphones, which has been sluggish since the beginning of the fiscal year, has been delayed compared to initial estimates, and at present, the full-scale recovery is expected to begin in the fourth quarter.

In the memory sector, we anticipate memory semiconductor manufacturers' capital investment in test systems to further accelerate as demand for memory semiconductors grows.

Based on this outlook, Advantest will endeavor to maximize sales this fiscal year, expand our share of the semiconductor test equipment market, and continue to reinforce our semiconductor test equipment peripherals business. Furthermore, amid business conditions that are expected to continue to be favorable from next fiscal year onwards, Advantest will continuously strengthen investment in the expansion of capacity to supply products to meet rapidly increasing orders received from the second half of this fiscal year, in addition to the current strengthening of R&D investment in growth areas.

As a result, based on the progress in Advantest's first half of fiscal year 2017, the near-term outlook for each business segment, the execution of strategic investment for business expansion, and recent foreign exchange rates, Advantest's consolidated results forecast for FY2017 has been revised upwards from our forecast published in July 2017. Our new forecast calls for sales of (Y) 180.0 billion (formerly (Y) 172.0 billion) while the operating income of (Y) 18.0 billion remains unchanged, income before income taxes of (Y) 17.0 billion (formerly (Y) 18.2 billion), and net income of (Y) 14.5 billion (formerly (Y) 15.0 billion). These forecasts are based on foreign exchange rates of 1 USD to 110 JPY, which is unchanged, and 1 Euro to 130 JPY, which is a depreciation of 10 Yen against the Euro in comparison to the assumptions published in July 2017.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	Millions of Yen	
	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	95,324	91,747
Trade and other receivables	32,451	30,206
Inventories	39,093	42,671
Other current assets	2,976	3,893
Subtotal	169,844	168,517
Assets held for sale	1,295	—
Total current assets	171,139	168,517
Non-current assets		
Property, plant and equipment, net	29,915	29,408
Goodwill and intangible assets	16,479	16,683
Other financial assets	3,625	2,504
Deferred tax assets	10,282	11,095
Other non-current assets	163	484
Total non-current assets	60,464	60,174
Total assets	231,603	228,691

	Millions of Yen	
	As of March 31, 2017	As of September 30, 2017
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	28,489	31,819
Bonds	15,000	—
Income tax payables	1,927	2,193
Provisions	1,643	1,729
Other financial liabilities	626	498
Other current liabilities	3,749	5,495
Total current liabilities	<u>51,434</u>	<u>41,734</u>
Non-current liabilities		
Bonds	29,745	29,808
Other financial liabilities	39	—
Retirement benefit liabilities	38,865	41,326
Deferred tax liabilities	420	286
Other non-current liabilities	1,583	1,642
Total non-current liabilities	<u>70,652</u>	<u>73,062</u>
Total liabilities	<u>122,086</u>	<u>114,796</u>
Equity		
Share capital	32,363	32,363
Share premium	44,319	44,069
Treasury shares	(86,039)	(83,712)
Retained earnings	113,676	115,333
Other components of equity	5,198	5,842
Total equity attributable to owners of the parent	<u>109,517</u>	<u>113,895</u>
Total equity	<u>109,517</u>	<u>113,895</u>
Total liabilities and equity	<u><u>231,603</u></u>	<u><u>228,691</u></u>

(2) Condensed Consolidated Statements of Profit or Loss and Condensed Consolidated Statements of Comprehensive Income

Condensed Consolidated Statements of Profit or Loss

	Millions of Yen	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	76,195	88,412
Cost of sales	(29,850)	(42,956)
Gross profit	46,345	45,456
Selling, general and administrative expenses	(38,128)	(38,588)
Other income	231	580
Other expenses	(130)	(36)
Operating income	8,318	7,412
Financial income	908	561
Financial expenses	(111)	(1,601)
Income before income taxes	9,115	6,372
Income taxes	(1,854)	(1,446)
Net income	7,261	4,926
Net income attributable to:		
Owners of the parent	7,261	4,926
Earnings per share:		Yen
Basic	41.56	27.80
Diluted	37.96	25.42

Millions of Yen

	Three months ended September 30, 2016	Three months ended September 30, 2017
Net sales	35,526	47,715
Cost of sales	(14,459)	(22,839)
Gross profit	21,067	24,876
Selling, general and administrative expenses	(18,531)	(20,173)
Other income	93	499
Other expenses	(49)	(16)
Operating income	2,580	5,186
Financial income	411	107
Financial expenses	(55)	(488)
Income before income taxes	2,936	4,805
Income taxes	(650)	(870)
Net income	2,286	3,935
Net income attributable to:		
Owners of the parent	2,286	3,935
Earnings per share:		Yen
Basic	13.07	22.18
Diluted	12.00	20.20

Condensed Consolidated Statements of Comprehensive Income

	Millions of Yen	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Net income	7,261	4,926
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(10,013)	1,202
Net change in fair values of available-for-sale financial assets	(187)	(558)
Total other comprehensive income	(10,200)	644
Total comprehensive income for the period	<u>(2,939)</u>	<u>5,570</u>
Comprehensive income attributable to:		
Owners of the parent	(2,939)	5,570

	Millions of Yen	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Net income	2,286	3,935
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,111)	504
Net change in fair values of available-for-sale financial assets	(75)	14
Total other comprehensive income	(1,186)	518
Total comprehensive income for the period	<u>1,100</u>	<u>4,453</u>
Comprehensive income attributable to:		
Owners of the parent	1,100	4,453

(3) Condensed Consolidated Statements of Changes in Equity

Six months ended September 30, 2016

	Millions of Yen						
	Equity attributable to owners of the parent					Total	Total Equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity		
Balance at April 1, 2016	32,363	44,478	(94,585)	105,190	6,173	93,619	93,619
Net income				7,261		7,261	7,261
Other comprehensive income					(10,200)	(10,200)	(10,200)
Total comprehensive income for the period	—	—	—	7,261	(10,200)	(2,939)	(2,939)
Purchase of treasury shares			0			0	0
Disposal of treasury shares		(195)	2,119	(1,249)		675	675
Dividends				(1,746)		(1,746)	(1,746)
Share-based payments		175				175	175
Total transactions with the owners	—	(20)	2,119	(2,995)	—	(896)	(896)
Balance at September 30, 2016	32,363	44,458	(92,466)	109,456	(4,027)	89,784	89,784

Six months ended September 30, 2017

	Millions of Yen						
	Equity attributable to owners of the parent					Total	Total Equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity		
Balance at April 1, 2017	32,363	44,319	(86,039)	113,676	5,198	109,517	109,517
Net income				4,926		4,926	4,926
Other comprehensive income					644	644	644
Total comprehensive income for the period	—	—	—	4,926	644	5,570	5,570
Purchase of treasury shares			(1)			(1)	(1)
Disposal of treasury shares		(250)	2,328	(1,147)		931	931
Dividends				(2,122)		(2,122)	(2,122)
Total transactions with the owners	—	(250)	2,327	(3,269)	—	(1,192)	(1,192)
Balance at September 30, 2017	32,363	44,069	(83,712)	115,333	5,842	113,895	113,895

(4) Condensed Consolidated Statements of Cash Flows

	Millions of Yen	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities:		
Income before income taxes	9,115	6,372
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,351	2,373
Gain on sales of available-for-sale financial assets	(226)	(349)
Changes in assets and liabilities:		
Trade and other receivables	7,979	2,525
Inventories	(1,160)	(3,395)
Trade and other payables	1,067	3,083
Warranty provisions	32	87
Retirement benefit liabilities	941	983
Other	256	844
Subtotal	20,355	12,523
Interest and dividends received	167	245
Interest paid	(112)	(48)
Income taxes paid	(2,166)	(1,691)
Net cash provided by (used in) operating activities	18,244	11,029
Cash flows from investing activities:		
Proceeds from sale of available-for-sale financial assets	626	851
Purchases of available-for-sale financial assets	—	(216)
Proceeds from sale of property, plant and equipment	28	1,819
Purchases of property, plant and equipment	(1,972)	(1,289)
Purchases of intangible assets	(225)	(401)
Other	103	39
Net cash provided by (used in) investing activities	(1,440)	803
Cash flows from financing activities:		
Proceeds from disposal of treasury shares	675	936
Redemption of bonds	—	(15,000)
Dividends paid	(1,743)	(2,121)
Other	(32)	(8)
Net cash provided by (used in) financing activities	(1,100)	(16,193)
Net effect of exchange rate changes on cash and cash equivalents	(6,044)	784
Net change in cash and cash equivalents	9,660	(3,577)
Cash and cash equivalents at beginning of period	85,430	95,324
Cash and cash equivalents at end of period	95,090	91,747

(5) Notes to the Condensed Consolidated Financial Statements

(Notes on Going Concern): None

(Segment Information)

Six months ended September 30, 2016

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	51,334	10,857	14,004	—	76,195
Inter-segment sales	4	34	—	(38)	—
Total	51,338	10,891	14,004	(38)	76,195
Segment income (loss) (operating income (loss) before share option compensation expense)	11,507	(1,410)	1,594	(3,198)	8,493
Adjustment: Share option compensation expense	—	—	—	—	(175)
Operating income	—	—	—	—	8,318
Financial income	—	—	—	—	908
Financial expenses	—	—	—	—	(111)
Income before income taxes	—	—	—	—	9,115

Six months ended September 30, 2017

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	57,636	16,845	13,931	—	88,412
Inter-segment sales	26	—	—	(26)	—
Total	57,662	16,845	13,931	(26)	88,412
Segment income (loss) (operating income (loss) before share option compensation expense)	7,687	651	1,133	(2,059)	7,412
Adjustment: Share option compensation expense	—	—	—	—	—
Operating income	—	—	—	—	7,412
Financial income	—	—	—	—	561
Financial expenses	—	—	—	—	(1,601)
Income before income taxes	—	—	—	—	6,372

Three months ended September 30, 2016

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	22,651	5,734	7,141	—	35,526
Inter-segment sales	—	—	—	—	—
Total	22,651	5,734	7,141	—	35,526
Segment income (loss) (operating income (loss) before share option compensation expense)	3,468	(425)	960	(1,248)	2,755
Adjustment:					
Share option compensation expense	—	—	—	—	(175)
Operating income	—	—	—	—	2,580
Financial income	—	—	—	—	411
Financial expenses	—	—	—	—	(55)
Income before income taxes	—	—	—	—	2,936

Three months ended September 30, 2017

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	30,979	9,657	7,079	—	47,715
Inter-segment sales	26	—	—	(26)	—
Total	31,005	9,657	7,079	(26)	47,715
Segment income (loss) (operating income (loss) before share option compensation expense)	5,129	731	429	(1,103)	5,186
Adjustment:					
Share option compensation expense	—	—	—	—	—
Operating income	—	—	—	—	5,186
Financial income	—	—	—	—	107
Financial expenses	—	—	—	—	(488)
Income before income taxes	—	—	—	—	4,805

(Notes)

1. Advantest uses the operating income (loss) before share option compensation expense for management's analysis of business segment results.
2. Segment income (loss) is presented on the basis of operating income (loss) before share option compensation expense.
3. Inter-segment sales are based on market prices.
4. Adjustments to segment income in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments.

FY2017 Second Quarter Consolidated Financial Results Overview

1. Orders received • Backlog

(in billion yen)

	FY2016	FY2017					FY2017 Forecast	
		1Q	2Q	vs. FY2017 1Q increase (decrease)	1H	vs. FY2016 1H increase (decrease)	Annual total	vs. FY2016 increase (decrease)
Orders received	164.7	49.4	56.2	13.8%	105.6	46.1%	175.0 188.0	14.2%
Backlog	42.2	50.9	59.4	16.7%	59.4	101.1%	45.2 50.2	19.0%

Upper data is the forecast amount released on Jul 26, 2017.

2. Profit or Loss

(in billion yen)

	FY2016	FY2017					FY2017 Forecast	
		1Q	2Q	vs. FY2017 1Q increase (decrease)	1H	vs. FY2016 1H increase (decrease)	Annual total	vs. FY2016 increase (decrease)
Net sales	155.9	40.7	47.7	17.2%	88.4	16.0%	172.0 180.0	15.4%
Cost of sales	(66.2)	(20.1)	(22.8)	13.5%	(42.9)	43.9%	-	-
Selling, general and administrative expenses	(76.1)	(18.5)	(20.1)	9.5%	(38.6)	1.2%	-	-
Other income	0.5	0.1	0.4	516.0%	0.5	151.1%	-	-
Other expenses	(0.2)	(0.0)	(0.0)	(20.0%)	(0.0)	(72.3%)	-	-
Operating income	13.9	2.2	5.2	133.0%	7.4	(10.9%)	18.0 18.0	29.4%
Sales ratio	8.9%	5.5%	10.9%		8.4%		10.0%	
Financial income • expenses	1.1	(0.6)	(0.4)	(42.2%)	(1.0)	-	-	-
Income before income taxes	15.0	1.6	4.8	206.6%	6.4	(30.1%)	18.2 17.0	13.2%
Sales ratio	9.6%	3.9%	10.1%		7.2%		9.4%	
Income taxes	(0.8)	(0.6)	(0.9)	51.0%	(1.5)	(22.0%)	-	-
Net income	14.2	1.0	3.9	297.1%	4.9	(32.2%)	15.0 14.5	2.1%
Sales ratio	9.1%	2.4%	8.2%		5.6%		8.1%	

Upper data is the forecast amount released on Jul 26, 2017.

3. Financial Condition

(in billion yen)

	FY2016	FY2017		
	4Q End	1Q End	2Q End	vs. FY2017 1Q increase (decrease)
Total assets	231.6	217.5	228.7	5.1%
Equity attributable to owners of the parent	109.5	109.3	113.9	4.2%
Ratio of equity attributable to owners of the parent	47.3%	50.3%	49.8%	-

4. Dividends

(in yen)

(Record Date)	FY2016			FY2017		
	Interim	Year end	Annual total	Interim	Year end (Forecast)	Annual total (Forecast)
Dividend per share	13.00	12.00	25.00	9.00	17.00	26.00