

## FY2019 Second Quarter Consolidated Financial Results

(Advantest's consolidated financial statements are prepared in accordance with IFRS)  
(Period ended September 30, 2019)

**October 30, 2019**

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, Director and Managing Executive Officer  
 Executive Vice President, Corporate Administration Group  
 (03) 3214-7500  
 Quarterly Report Filing Date (as planned) : November 13, 2019  
 Dividend Payable Date (as planned) : December 2, 2019  
 Quarterly Results Supplemental Materials : Yes  
 Quarterly Results Presentation Meeting : Yes

(Rounded to the nearest million yen)

### 1. Consolidated Results of FY2019 Q2 (April 1, 2019 through September 30, 2019)

#### (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)
<b>FY2019 Q2</b>	<b>137,751</b>	<b>(4.1)</b>	<b>32,878</b>	<b>(2.6)</b>	<b>33,279</b>	<b>(5.2)</b>	<b>26,772</b>	<b>(11.2)</b>	<b>26,772</b>	<b>(11.2)</b>	<b>22,583</b>	<b>(35.5)</b>
FY2018 Q2	143,577	62.4	33,763	355.5	35,097	450.8	30,149	512.0	30,149	512.0	35,008	528.4

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
<b>FY2019 Q2</b>	<b>135.20</b>	<b>134.77</b>
FY2018 Q2	165.35	151.81

#### (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	%
<b>FY2019 Q2</b>	<b>323,619</b>	<b>213,599</b>	<b>213,599</b>	<b>66.0</b>
FY2018	304,580	198,731	198,731	65.2

### 2. Dividends

	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Annual total
	Yen	Yen	Yen	Yen	Yen
FY2018	—	50.00	—	42.00	92.00
FY2019	—	41.00	N/A	N/A	N/A
FY2019 (forecast)	N/A	N/A	—	—	—

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

### 3. Projected Results for FY2019 (April 1, 2019 through March 31, 2020)

(% 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	
	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)
FY2019	247,000	(12.6)	45,000	(30.4)	45,800	(30.8)	36,500	(36.0)	36,500	(36.0)

(Note) Revision of dividends forecast 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: Yes

2) Changes arising from factors other than 1: None

3) Changes in accounting estimates: None

For details, please refer to the (5) Notes to the Condensed Consolidated Financial Statements (Changes in Accounting Policies), page 13.

(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):

FY2019 Q2 199,566,770 shares; FY2018 199,566,770 shares.

2) Number of treasury share at the end of each fiscal period:

FY2019 Q2 1,294,673 shares; FY2018 1,732,515 shares.

3) Average number of outstanding share for each period (cumulative term):

FY2019 Q2 198,012,630 shares; FY2018 Q2 182,341,468 shares.

(Note) Advantest's share (FY2019 Q2 538,046 shares, FY2018 272,446 shares), which is being kept as performance share option compensation in trust account, is included in the number of treasury share at the end of each fiscal period. Moreover, the Advantest's share that mentioned above is also included in the treasury share which is deducted during the calculation of average number of outstanding share for each period.

### 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.

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## 1. Overview of Business Results

## (1) Overview of Business Results

Consolidated Financial Results of FY2019 Q2 (April 1, 2019 through September 30, 2019)

(in billion yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	146.8	124.2	(15.4%)
Net sales	143.6	137.8	(4.1%)
Operating income	33.8	32.9	(2.6%)
Income before income taxes	35.1	33.3	(5.2%)
Net income	30.1	26.8	(11.2%)

In Advantest's first half of fiscal year 2019, the worldwide economic slowdown was accentuated by the effects of prolonged and expanded trade friction caused by protectionist trade policies.

Under the uncertain economic circumstances, demand for end-products and capital investment declined in a wide range of fields including electronics, automobiles, and industrial equipment. The lack of visibility in smartphone-related markets, which are directly affected by trade disputes between the United States and China, grew more pronounced. Due to this softening of demand, the semiconductor market has exhibited negative growth in 2019, and many semiconductor manufacturers have adjusted production and reviewed their investment plans, especially in the memory sector, where there seems to be situations of excess inventory.

In other circumstances, the demand for semiconductor test equipment is influenced not only by fluctuations in device production volumes, but also by technological evolution trends in semiconductors. Advanced chip-making processes that enable the integration of more circuits on semiconductors also improve performance and reduce power consumption, resulting in increased test time and more complex functional tests, which expands demand for test equipment. During the first half of fiscal year 2019, demand for SoC test systems increased due to expanding production of high-end devices utilizing advanced processes such as 5G-related semiconductors. This compensated for a slowdown in demand for other applications.

As a result, orders received were (Y) 124.2 billion (15.4% decrease in comparison to the corresponding period in the previous fiscal year) and sales were (Y) 137.8 billion (4.1% decrease in comparison to the corresponding period in the previous fiscal year). In terms of profit, operating income was (Y) 32.9 billion (2.6% decrease in comparison to the corresponding period in the previous fiscal year), income before income taxes was (Y) 33.3 billion (5.2% decrease in comparison to the corresponding period in the previous fiscal year), and net income was (Y) 26.8 billion (11.2% decrease in comparison to the corresponding period in the previous fiscal year). Operating income for the same period of the previous fiscal year included a temporary gain of approximately (Y) 1.0 billion associated with the sale of fixed assets.

The average exchange rate for the first half of the current fiscal year was 1 USD to 109 JPY (109 JPY in the same period of the previous year), and 1 EUR to 123 JPY (130 JPY in the same period of the previous year). Our overseas sales ratio in the period was 95.8% (94.7% in the same period of the previous year).

Conditions of business segments are described below.

<Semiconductor and Component Test System Segment>

(in billion yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	111.9	93.0	(16.9%)
Net sales	105.1	102.9	(2.1%)
Segment income	32.2	36.4	12.7%

In this segment, many customers, including memory semiconductor manufacturers, reduced their tester investment as final demand remained broadly low. However, major semiconductor manufacturers producing application processors and baseband processors, which are core semiconductors for smartphones, have been actively developing high-end SoC devices for 5G and preparing them for mass production, which sustained SoC test system demand at a high level. Profitability improved as high-end SoC test systems became more prominent in our sales mix.

As a result of the above, orders received were (Y) 93.0 billion (16.9% decrease in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 102.9 billion (2.1% decrease in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 36.4 billion (12.7% increase in comparison to the corresponding period in the previous fiscal year).

< Mechatronics System Segment >

(in billion yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	21.7	14.0	(35.6%)
Net sales	21.8	16.0	(26.5%)
Segment income (loss)	0.5	(1.6)	—

In this segment, due to the impact of the deteriorating memory semiconductor market, overall demand lagged for peripheral devices such as device interface products, which are highly correlated with memory test.

As a result of the above, orders received were (Y) 14.0 billion (35.6% decrease in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 16.0 billion (26.5% decrease in comparison to the corresponding period in the previous fiscal year), and segment loss was (Y) 1.6 billion ((Y) 2.1 billion declines in comparison to the corresponding period in the previous fiscal year).

## &lt;Services, Support and Others Segment&gt;

(in billion yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	13.2	17.2	31.0%
Net sales	16.7	18.9	12.9%
Segment income	3.6	2.1	(42.0%)

In this segment, business grew due to the consolidated effect of Advantest's acquisition of the system-level test business of Astronics in February 2019. However, this acquisition also caused amortization of intangible assets to increase temporarily. Sales of SSD test systems and second-hand products were sluggish.

As a result of the above, orders received were (Y) 17.2 billion (31.0% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 18.9 billion (12.9% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 2.1 billion (42.0% decrease in comparison to the corresponding period in the previous fiscal year).

## (2) Overview of Financial Condition

Total assets at September 30, 2019 amounted to (Y) 323.6 billion, an increase of (Y) 19.0 billion compared to the fiscal year ended March 31, 2019, primarily due to an increase of (Y) 14.9 billion in cash and cash equivalents, and (Y) 9.2 billion in right-of-use-assets, offsetting by a decrease of (Y) 1.6 billion in trade and other receivables, and (Y) 1.4 billion in inventories. The amount of total liabilities was (Y) 110.0 billion, an increase of (Y) 4.2 billion compared to the fiscal year ended March 31, 2019, primarily due to an increase of (Y) 9.2 billion in lease liabilities, and (Y) 1.4 billion in other current liabilities primarily due to an increase of advance receipt, offsetting by a decrease of (Y) 5.8 billion in trade and other payables. Total equity was (Y) 213.6 billion. Ratio of equity attributable to owners of the parent was 66.0%, an increase of 0.8 percentage points from March 31, 2019.

## (3) Overview of Cash Flows

Cash and cash equivalents held at September 30, 2019 were (Y) 134.8 billion, an increase of (Y) 14.9 billion from March 31, 2019. Significant cash flows during the six-month period of this fiscal year and details are described below.

Net cash provided by operating activities was (Y) 29.9 billion (net cash inflow of (Y) 19.2 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to a decrease of (Y) 5.4 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) 33.3 billion.

Net cash used in investing activities was (Y) 3.1 billion (net cash outflow of (Y) 1.1 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to purchases of property, plant and equipment in the amount of (Y) 3.1 billion.

Net cash used in financing activities was (Y) 9.1 billion (net cash outflow of (Y) 4.6 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to dividends paid of (Y) 8.3 billion.

#### (4) Near-term Prospects

Looking at our business environment going forward, Advantest expects 5G-related demand, which drove performance in the first half, to be sustained over the medium to long term amidst the spread of base stations and the adoption of 5G smartphones. However, as 5G-related tester investments by major semiconductor manufacturers are expanding more rapidly than Advantest had anticipated, a reaction is expected in this arena in the short term. On the other hand, demand for memory testers, which remained weak this period, shows signs of picking up in the second half due to increasing demand related to faster DRAM and higher device reliability.

Based on these industry trends and our business results so far, Advantest are revising our full-year consolidated business forecast for the current fiscal year as follows.

Orders received (Y) 235.0 billion (formerly (Y) 230.0 billion in our forecast announced in July 2019); sales (Y) 247.0 billion (formerly (Y) 230.0 billion); operating income (Y) 45.0 billion (formerly (Y) 30.0 billion); income before income taxes (Y) 45.8 billion (formerly (Y) 31.0 billion); net income (Y) 36.5 billion (formerly (Y) 26.0 billion). Our forecast for the second half of the fiscal year assumes exchange rates of 1 USD to 105 JPY and 1 EUR to 120 JPY. Advantest has revised these exchange rate assumptions upwards from those contained in the full-year forecast announced in July by 5 yen to the US dollar and 10 yen to the euro.

Although Advantest sees the possibility of market adjustments in the short term as described above, there is no change in our view that the semiconductor test equipment market will grow in step with the expansion of the semiconductor market despite short-term demand fluctuations. The digital transformation, including the adoption of 5G technology, requires the development of technology to provide semiconductors with higher performance, lower power consumption, and better reliability. As technology advances, the importance of semiconductor test will also increase.

Based on this outlook, Advantest will continue to seek to realize our corporate Vision Statement of “adding customer value in an evolving semiconductor value chain” and maintain a foundation for growth, improve periodic profitability, and use capital efficiently, to achieve the targets set forth in our mid-term management plan launched in FY2018.

## 2. Condensed Consolidated Financial Statements

## (1) Condensed Consolidated Statement of Financial Position

	Millions of Yen	
	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	119,943	134,793
Trade and other receivables	51,786	50,230
Inventories	57,099	55,719
Other current assets	4,423	4,298
Total current assets	233,251	245,040
Non-current assets		
Property, plant and equipment, net	30,786	30,657
Right-of-use assets	—	9,208
Goodwill and intangible assets, net	26,119	25,136
Other financial assets	2,861	2,627
Deferred tax assets	11,209	10,634
Other non-current assets	354	317
Total non-current assets	71,329	78,579
Total assets	304,580	323,619



	As of March 31, 2019	As of September 30, 2019
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	43,942	38,190
Income tax payables	8,650	7,644
Provisions	2,886	3,008
Lease liabilities	—	2,036
Other financial liabilities	905	1,176
Other current liabilities	6,465	7,901
Total current liabilities	<u>62,848</u>	<u>59,955</u>
Non-current liabilities		
Lease liabilities	—	7,202
Retirement benefit liabilities	37,528	37,223
Deferred tax liabilities	1,680	1,338
Other non-current liabilities	3,793	4,302
Total non-current liabilities	<u>43,001</u>	<u>50,065</u>
Total liabilities	<u>105,849</u>	<u>110,020</u>
Equity		
Share capital	32,363	32,363
Share premium	43,018	43,093
Treasury shares	(6,262)	(4,718)
Retained earnings	125,927	143,476
Other components of equity	3,685	(615)
Total equity attributable to owners of the parent	<u>198,731</u>	<u>213,599</u>
Total equity	<u>198,731</u>	<u>213,599</u>
Total liabilities and equity	<u><u>304,580</u></u>	<u><u>323,619</u></u>

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

Condensed Consolidated Statement of Profit or Loss

	Millions of Yen	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	143,577	137,751
Cost of sales	<u>(66,472)</u>	<u>(57,380)</u>
Gross profit	77,105	80,371
Selling, general and administrative expenses	(44,396)	(47,569)
Other income	1,109	117
Other expenses	<u>(55)</u>	<u>(41)</u>
Operating income	33,763	32,878
Financial income	1,392	476
Financial expenses	<u>(58)</u>	<u>(75)</u>
Income before income taxes	35,097	33,279
Income taxes	<u>(4,948)</u>	<u>(6,507)</u>
Net income	<u><u>30,149</u></u>	<u><u>26,772</u></u>
Net income attributable to:		
Owners of the parent	30,149	26,772
Earnings per share:	Yen	Yen
Basic	<u>165.35</u>	<u>135.20</u>
Diluted	151.81	134.77

	Three months ended September 30, 2018	Three months ended September 30, 2019
Net sales	72,646	71,586
Cost of sales	(33,739)	(30,566)
Gross profit	38,907	41,020
Selling, general and administrative expenses	(21,946)	(23,354)
Other income	1,016	74
Other expenses	(32)	(22)
Operating income	17,945	17,718
Financial income	640	650
Financial expenses	(25)	(38)
Income before income taxes	18,560	18,330
Income taxes	(2,303)	(3,642)
Net income	16,257	14,688
Net income attributable to:		
Owners of the parent	16,257	14,688
Earnings per share:	Yen	Yen
Basic	88.25	74.13
Diluted	81.61	73.84

## Condensed Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Net income	30,149	26,772
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	37	(17)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	4,822	(4,172)
Total other comprehensive income (loss)	4,859	(4,189)
Total comprehensive income for the period	<u>35,008</u>	<u>22,583</u>
Comprehensive income attributable to:		
Owners of the parent	35,008	22,583

	Millions of Yen	
	Three months ended September 30, 2018	Three months ended September 30, 2019
Net income	16,257	14,688
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	—	1
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	2,979	(808)
Total other comprehensive income (loss)	2,979	(807)
Total comprehensive income for the period	<u>19,236</u>	<u>13,881</u>
Comprehensive income attributable to:		
Owners of the parent	19,236	13,881

## (3) Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 2018

	Millions of Yen						
	Equity attributable to owners of the parent						Total Equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	
Balance as of April 1, 2018	32,363	43,466	(77,724)	125,204	1,301	124,610	124,610
Impact of change in accounting policy				788		788	788
Beginning balance as of April 1, 2018 (restated)	32,363	43,466	(77,724)	125,992	1,301	125,398	125,398
Net income				30,149		30,149	30,149
Other comprehensive income					4,859	4,859	4,859
Total comprehensive income for the period	—	—	—	30,149	4,859	35,008	35,008
Purchase of treasury shares			(737)			(737)	(737)
Disposal of treasury shares		(74)	776	(417)		285	285
Conversion of convertible bonds		(575)	56,032	(31,433)		24,024	24,024
Dividends				(4,118)		(4,118)	(4,118)
Share-based payments		175				175	175
Total transactions with the owners	—	(474)	56,071	(35,968)	—	19,629	19,629
Balance as of September 30, 2018	<u>32,363</u>	<u>42,992</u>	<u>(21,653)</u>	<u>120,173</u>	<u>6,160</u>	<u>180,035</u>	<u>180,035</u>

Six months ended September 30, 2019

	Millions of Yen						
	Equity attributable to owners of the parent						Total Equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	
Balance as of April 1, 2019	32,363	43,018	(6,262)	125,927	3,685	198,731	198,731
Net income				26,772		26,772	26,772
Other comprehensive income					(4,189)	(4,189)	(4,189)
Total comprehensive income for the period	—	—	—	26,772	(4,189)	22,583	22,583
Purchase of treasury shares			(1,120)			(1,120)	(1,120)
Disposal of treasury shares		(261)	2,664	(1,025)		1,378	1,378
Dividends				(8,309)		(8,309)	(8,309)
Share-based payments		336				336	336
Transfer from other components of equity to retained earnings				111	(111)	—	—
Total transactions with the owners	—	75	1,544	(9,223)	(111)	(7,715)	(7,715)
Balance as of September 30, 2019	<u>32,363</u>	<u>43,093</u>	<u>(4,718)</u>	<u>143,476</u>	<u>(615)</u>	<u>213,599</u>	<u>213,599</u>

## (4) Condensed Consolidated Statement of Cash Flows

	Millions of Yen	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities:		
Income before income taxes	35,097	33,279
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,457	4,548
Changes in assets and liabilities:		
Trade and other receivables	(12,840)	390
Inventories	(3,037)	684
Trade and other payables	526	(5,437)
Warranty provisions	(452)	132
Retirement benefit liabilities	863	648
Other	(142)	2,530
Subtotal	22,472	36,774
Interest and dividends received	445	470
Interest paid	(3)	(76)
Income taxes paid	(3,716)	(7,289)
Net cash provided by (used in) operating activities	19,198	29,879
Cash flows from investing activities:		
Proceeds from sale of equity instruments	—	111
Proceeds from sale of property, plant and equipment	1,855	49
Purchases of property, plant and equipment	(2,718)	(3,054)
Purchases of intangible assets	(182)	(227)
Other	(6)	(5)
Net cash provided by (used in) investing activities	(1,051)	(3,126)
Cash flows from financing activities:		
Proceeds from disposal of treasury shares	283	1,378
Purchases of treasury shares	(737)	(1,120)
Dividends paid	(4,111)	(8,302)
Payments for lease liabilities	—	(1,038)
Other	(0)	—
Net cash provided by (used in) financing activities	(4,565)	(9,082)
Net effect of exchange rate changes on cash and cash equivalents	3,433	(2,821)
Net change in cash and cash equivalents	17,015	14,850
Cash and cash equivalents at the beginning of period	103,973	119,943
Cash and cash equivalents at the end of period	120,988	134,793

(5) Notes to the Condensed Consolidated Financial Statements

(Notes on Going Concern): None

(Changes in Accounting Policies)

IFRS 16: Leases

Advantest has adopted IFRS 16 “Leases” from the first quarter of the fiscal year ending March 31, 2020.

To apply IFRS 16, Advantest used the cumulative effect transition method which is recognizing the cumulative effect of applying the new standard at the beginning of the year of initial application.

In transitioning to IFRS16, Advantest has chosen the practical expedient detailed in paragraph C3 of IFRS 16 and grandfathered its assessments of whether contracts contain leases under IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement contains a Lease.”

Advantest, as a lessee, recognized right-of-use assets and lease liabilities at the date of initial application for leases previously classified as an operation leases applying IAS 17. These lease liabilities have been measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application.

Right-of-use assets recognized at the date of initial application in the condensed consolidated statement of financial position amount to (Y) 10,344 million.

## (Segment Information)

Six months ended September 30, 2018

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	105,129	21,756	16,692	—	143,577
Inter-segment sales	—	—	—	—	—
Total	105,129	21,756	16,692	—	143,577
Segment income (loss) (operating income (loss) before share-based compensation expense)	32,248	546	3,647	(2,500)	33,941
Adjustment: Share-based compensation expense	—	—	—	—	(178)
Operating income	—	—	—	—	33,763
Financial income	—	—	—	—	1,392
Financial expenses	—	—	—	—	(58)
Income before income taxes	—	—	—	—	35,097

Six months ended September 30, 2019

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	102,916	15,986	18,849	—	137,751
Inter-segment sales	10	—	1	(11)	—
Total	102,926	15,986	18,850	(11)	137,751
Segment income (loss) (operating income (loss) before share-based compensation expense)	36,356	(1,553)	2,117	(3,643)	33,277
Adjustment: Share-based compensation expense	—	—	—	—	(399)
Operating income	—	—	—	—	32,878
Financial income	—	—	—	—	476
Financial expenses	—	—	—	—	(75)
Income before income taxes	—	—	—	—	33,279



Three months ended September 30, 2018

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	54,150	10,678	7,818	—	72,646
Inter-segment sales	—	—	—	—	—
Total	54,150	10,678	7,818	—	72,646
Segment income (loss) (operating income (loss) before share-based compensation expense)	16,751	105	1,745	(542)	18,059
Adjustment:					
Share-based compensation expense	—	—	—	—	(114)
Operating income	—	—	—	—	17,945
Financial income	—	—	—	—	640
Financial expenses	—	—	—	—	(25)
Income before income taxes	—	—	—	—	18,560

Three months ended September 30, 2019

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	52,007	9,341	10,238	—	71,586
Inter-segment sales	—	—	1	(1)	—
Total	52,007	9,341	10,239	(1)	71,586
Segment income (loss) (operating income (loss) before share-based compensation expense)	18,697	(601)	1,604	(1,732)	17,968
Adjustment:					
Share-based compensation expense	—	—	—	—	(250)
Operating income	—	—	—	—	17,718
Financial income	—	—	—	—	650
Financial expenses	—	—	—	—	(38)
Income before income taxes	—	—	—	—	18,330

(Notes)

1. Advantest uses the operating income (loss) before share-based compensation expense for management's analysis of business segment results.
2. Share-based compensation expense represents expenses for stock options and performance-based stock remuneration expense.
3. Segment income (loss) is presented on the basis of operating income (loss) before share-based compensation expense.
4. Inter-segment sales are based on market prices.
5. Adjustments to segment income (loss) 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.

## FY2019 Second Quarter Consolidated Financial Results Overview

### 1. Orders received • Backlog

(in billion yen)

	FY2018	FY2019				
		1Q	2Q	vs. FY2019 1Q increase (decrease)	1H	vs. FY2018 1H increase (decrease)
Orders received	<b>275.2</b>	<b>65.9</b>	<b>58.3</b>	<b>(11.5%)</b>	<b>124.2</b>	<b>(15.4%)</b>
Backlog	<b>74.9</b>	<b>74.6</b>	<b>61.3</b>	<b>(17.8%)</b>	<b>61.3</b>	<b>(26.1%)</b>

Upper data is the forecast amount released on Jul 24, 2019.

FY2019 Forecast	
Annual total	vs. FY2018 increase (decrease)
230.0	
<b>235.0</b>	<b>(14.6%)</b>
74.9	
<b>62.9</b>	<b>(16.0%)</b>

### 2. Profit or Loss

(in billion yen)

	FY2018	FY2019				
		1Q	2Q	vs. FY2019 1Q increase (decrease)	1H	vs. FY2018 1H increase (decrease)
Net sales	<b>282.5</b>	<b>66.2</b>	<b>71.6</b>	<b>8.2%</b>	<b>137.8</b>	<b>(4.1%)</b>
Cost of sales	(128.5)	(26.8)	(30.6)	14.0%	(57.4)	(13.7%)
Selling, general and administrative expenses	(93.0)	(24.2)	(23.4)	(3.6%)	(47.6)	7.1%
Other income - expenses	3.7	0.0	0.1	116.7%	0.1	(92.8%)
Operating income	<b>64.7</b>	<b>15.2</b>	<b>17.7</b>	<b>16.9%</b>	<b>32.9</b>	<b>(2.6%)</b>
Sales ratio	22.9%	22.9%	24.8%		23.9%	
Financial income - expenses	1.5	(0.3)	0.7	-	0.4	(69.9%)
Income before income taxes	66.2	14.9	18.4	22.6%	33.3	(5.2%)
Sales ratio	23.4%	22.6%	25.6%		24.2%	
Income taxes	(9.2)	(2.8)	(3.7)	27.1%	(6.5)	31.5%
Net income	<b>57.0</b>	<b>12.1</b>	<b>14.7</b>	<b>21.5%</b>	<b>26.8</b>	<b>(11.2%)</b>
Sales ratio	20.2%	18.3%	20.5%		19.4%	

Upper data is the forecast amount released on Jul 24, 2019.

FY2019 Forecast	
Annual total	vs. FY2018 increase (decrease)
230.0	
<b>247.0</b>	<b>(12.6%)</b>
-	-
-	-
-	-
30.0	
<b>45.0</b>	<b>(30.4%)</b>
18.2%	
-	-
31.0	
45.8	(30.8%)
18.5%	
-	-
26.0	
<b>36.5</b>	<b>(36.0%)</b>
14.8%	

### 3. Financial Condition

(in billion yen)

	FY2018	FY2019		
	4Q End	1Q End	2Q End	vs. FY2019 1Q increase (decrease)
Total assets	<b>304.6</b>	<b>310.8</b>	<b>323.6</b>	<b>4.1%</b>
Equity attributable to owners of the parent	<b>198.7</b>	<b>199.4</b>	<b>213.6</b>	<b>7.1%</b>
Ratio of equity attributable to owners of the parent	<b>65.2%</b>	<b>64.2%</b>	<b>66.0%</b>	-

### 4. Dividends

(in yen)

(Record Date)	FY2018			FY2019		
	Interim	Year end	Annual total	Interim	Year end (Forecast)	Annual total (Forecast)
Dividend per share	<b>50.00</b>	<b>42.00</b>	<b>92.00</b>	<b>41.00</b>	N/A	N/A

The dividends forecast for FY2019 Year end hasn't been decided. We will disclose promptly after considering the results based on the business performance.

Dividend payouts are based on semi-annual business performance with a target semi-annual payout ratio of 30%.