

(English translation and a part of summary of the Quarterly Report for the fiscal first quarter ended June 30, 2017, pursuant to the Japanese Financial Instrument and Exchange Law.)

# **Quarterly Financial Report**

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For the fiscal first quarter ended June 30, 2017

**Advantest Corporation**

# 1. Condensed Consolidated Financial Statements

## (1) Condensed Consolidated Statements of Financial Position

		Millions of Yen	
	Note	As of March 31, 2017	As of June 30, 2017
<b>Assets</b>			
Current assets			
Cash and cash equivalents		95,324	82,847
Trade and other receivables		32,451	30,255
Inventories		39,093	39,397
Other current assets		2,976	4,010
Subtotal		<u>169,844</u>	<u>156,509</u>
Assets held for sale		1,295	1,295
Total current assets		<u>171,139</u>	<u>157,804</u>
Non-current assets			
Property, plant and equipment, net		29,915	29,544
Goodwill and intangible assets		16,479	16,473
Other financial assets	8	3,625	2,310
Deferred tax assets		10,282	10,841
Other non-current assets		163	532
Total non-current assets		<u>60,464</u>	<u>59,700</u>
Total assets		<u>231,603</u>	<u>217,504</u>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Current liabilities			
Trade and other payables		28,489	26,472
Bonds	8	15,000	—
Income tax payables		1,927	1,480
Provisions		1,643	1,624
Other financial liabilities		626	1,722
Other current liabilities		3,749	4,602
Total current liabilities		<u>51,434</u>	<u>35,900</u>
Non-current liabilities			
Bonds	8	29,745	29,777
Other financial liabilities		39	—
Retirement benefit liabilities		38,865	40,355
Deferred tax liabilities		420	540
Other non-current liabilities		1,583	1,615
Total non-current liabilities		<u>70,652</u>	<u>72,287</u>
Total liabilities		<u>122,086</u>	<u>108,187</u>
<b>Equity</b>			
Share capital		32,363	32,363
Share premium		44,319	44,103
Treasury shares		(86,039)	(84,007)
Retained earnings		113,676	111,534
Other components of equity		5,198	5,324
Total equity attributable to owners of the parent		<u>109,517</u>	<u>109,317</u>
Total equity		<u>109,517</u>	<u>109,317</u>
Total liabilities and equity		<u>231,603</u>	<u>217,504</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	
	Note	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	5	40,669	40,697
Cost of sales		(15,391)	(20,117)
Gross profit		25,278	20,580
Selling, general and administrative expenses		(19,597)	(18,415)
Other income		138	81
Other expenses		(81)	(20)
Operating income	5	5,738	2,226
Financial income		497	454
Financial expenses		(56)	(1,113)
Income before income taxes		6,179	1,567
Income taxes		(1,204)	(576)
Net income		4,975	991
Net income attributable to:			
Owners of the parent		4,975	991
Earnings per share:	7		Yen
Basic		28.50	5.60
Diluted		25.97	5.21

**Condensed Consolidated Statements of Comprehensive Income**

		Millions of Yen	
	Note	Three months ended June 30, 2016	Three months ended June 30, 2017
Net income		4,975	991
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		(8,902)	698
Net change in fair values of available-for-sale financial assets		(112)	(572)
Total other comprehensive income		(9,014)	126
Total comprehensive income for the period		(4,039)	1,117
Comprehensive income attributable to:			
Owners of the parent		(4,039)	1,117

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

Three months ended June 30, 2016

Millions of Yen

	Note	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					4,975		4,975	4,975
Other comprehensive income						(9,014)	(9,014)	(9,014)
Total comprehensive income for the period		—	—	—	4,975	(9,014)	(4,039)	(4,039)
Purchase of treasury shares				0			0	0
Disposal of treasury shares								
Dividends	6				(1,746)		(1,746)	(1,746)
Total transactions with the owners		—	—	0	(1,746)	—	(1,746)	(1,746)
Balance at June 30, 2016		<u>32,363</u>	<u>44,478</u>	<u>(94,585)</u>	<u>108,419</u>	<u>(2,841)</u>	<u>87,834</u>	<u>87,834</u>

Three months ended June 30, 2017

Millions of Yen

	Note	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					991		991	991
Other comprehensive income						126	126	126
Total comprehensive income for the period		—	—	—	991	126	1,117	1,117
Purchase of treasury shares				(1)			(1)	(1)
Disposal of treasury shares			(216)	2,033	(1,011)		806	806
Dividends	6				(2,122)		(2,122)	(2,122)
Total transactions with the owners		—	(216)	2,032	(3,133)	—	(1,317)	(1,317)
Balance at June 30, 2017		<u>32,363</u>	<u>44,103</u>	<u>(84,007)</u>	<u>111,534</u>	<u>5,324</u>	<u>109,317</u>	<u>109,317</u>

**(4) Condensed Consolidated Statements of Cash Flows**

Millions of Yen

	Note	Three months ended June 30, 2016	Three months ended June 30, 2017
Cash flows from operating activities:			
Income before income taxes		6,179	1,567
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization		1,036	1,166
Gain on sales of available-for-sale financial assets		—	(349)
Changes in assets and liabilities:			
Trade and other receivables		1,837	2,314
Inventories		(1,761)	(192)
Trade and other payables		321	(2,145)
Warranty provisions		44	(18)
Retirement benefit liabilities		835	581
Other		343	876
Subtotal		8,834	3,800
Interest and dividends received		97	110
Interest paid		(80)	(48)
Income taxes paid		(1,120)	(800)
Net cash provided by (used in) operating activities		7,731	3,062
Cash flows from investing activities:			
Proceeds from sale of available-for-sale financial assets		—	851
Purchases of property, plant and equipment		(1,214)	(556)
Purchases of intangible assets		(30)	(106)
Other		33	53
Net cash provided by (used in) investing activities		(1,211)	242
Cash flows from financing activities:			
Proceeds from disposal of treasury shares		—	811
Redemption of bonds		—	(15,000)
Dividends paid	6	(1,601)	(1,977)
Other		(18)	(4)
Net cash provided by (used in) financing activities		(1,619)	(16,170)
Net effect of exchange rate changes on cash and cash equivalents		(5,187)	389
Net change in cash and cash equivalents		(286)	(12,477)
Cash and cash equivalents at beginning of period		85,430	95,324
Cash and cash equivalents at end of period		85,144	82,847

## **Notes to the Condensed Consolidated Financial Statements**

### **1. Reporting Entity**

Advantest Corporation (the “Company”) is a public company located in Japan.

The Company’s condensed consolidated financial statements consist of the Company and its subsidiaries (collectively, “Advantest”).

Advantest manufactures and sells semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. Advantest also engages in research and development activities and provides maintenance and support services associated with these products.

### **2. Basis of Preparation**

#### **(1) Compliance with IFRS**

As the Company meets the requirements of a “Specified Companies applying Designated IFRS” pursuant to Article 1-2 of the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements”, Advantest prepares the condensed consolidated financial statements in accordance with IAS 34 under Article 93 of the same ordinance.

As the condensed consolidated financial statements do not contain all the information required in annual consolidated financial statements, it should be read in combination with the consolidated financial statements for the fiscal year ended March 31, 2017.

The condensed consolidated financial statements were approved on August 10, 2017 by Representative Director, Yoshiaki Yoshida, and Chief Financial Officer, Atsushi Fujita, of the Company.

#### **(2) Basis of Measurement**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities measured at their fair values.

#### **(3) Functional Currency and Presentation Currency**

The condensed consolidated financial statements are presented in Japanese Yen, which is the Company’s functional currency.

### **3. Significant Accounting Policies**

The condensed consolidated financial statements are prepared based on the same accounting policies as those applied in the Advantest’s consolidated financial statements for the fiscal year ended March 31, 2017.

### **4. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the condensed consolidated financial statements requires Advantest to make judgments, accounting estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable according to the situation. However, given their nature, actual results may differ from those estimates and assumptions.

The estimates and underlying assumptions are continuously reviewed. The effects of a change in these estimates and assumptions are recognized in the period of the change and subsequent periods.

The estimates and assumptions that could have a material effect on the amounts recognized in its condensed consolidated financial statements are equivalent to those estimates and assumptions in Advantest’s consolidated financial statements for the fiscal year ended March 31, 2017.

## **5. Segment Information**

### **(1) Overview of Reporting Segments**

Advantest manufactures and sells semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. Advantest also engages in research and development activities and provides maintenance and support services associated with these products. Advantest's organizational structure consists of three reportable operating segments, which are the design, manufacturing, and sale of semiconductor and component test systems, mechatronics systems and services, support and others. These reportable operating segments are determined based on the nature of the products and the markets. Segment information is prepared on the same basis that management reviews financial information for operational decision making purposes.

The semiconductor and component test system segment provides customers with test system products for the semiconductor industry and the electronic parts industry. Product lines provided in the semiconductor and component test system segment include test systems for SoC semiconductors for non memory semiconductor devices and test systems for memory semiconductors for memory semiconductor devices.

The mechatronics system segment provides product lines such as test handlers, mechatronic-applied products, for handling semiconductor devices, device interfaces that serve as interfaces with the devices that are measured and operations related to nano-technology products.

The services, support and others segment consists of comprehensive customer solutions provided in connection with the above segments, support services, equipment lease business and others.

### **(2) Information of Reporting Segments**

Accounting treatment applied to operating segments is the same as in the note "3. Significant Accounting Policies."

Advantest uses the operating income (loss) before share option compensation expense for management's analysis of operating segment results.

Segment income (loss) is presented on the basis of operating income (loss) before share option compensation expense.

Inter-segment sales are based on market prices.

Three months ended June 30, 2016

Millions of Yen

	Semiconduct or and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	28,683	5,123	6,863	—	40,669
Inter-segment sales	4	34	—	(38)	—
Total	28,687	5,157	6,863	(38)	40,669
Segment income (loss) (operating income (loss) before share option compensation expense)	8,039	(985)	634	(1,950)	5,738
Adjustment: Share option compensation expense	—	—	—	—	—
Operating income	—	—	—	—	5,738
Financial income	—	—	—	—	497
Financial expenses	—	—	—	—	(56)
Income before income taxes	—	—	—	—	6,179

Three months ended June 30, 2017

Millions of Yen

	Semiconduct or and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	26,657	7,188	6,852	—	40,697
Inter-segment sales	—	—	—	—	—
Total	26,657	7,188	6,852	—	40,697
Segment income (loss) (operating income (loss) before share option compensation expense)	2,558	(80)	704	(956)	2,226
Adjustment: Share option compensation expense	—	—	—	—	—
Operating income	—	—	—	—	2,226
Financial income	—	—	—	—	454
Financial expenses	—	—	—	—	(1,113)
Income before income taxes	—	—	—	—	1,567

(Notes)

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.



## 6. Dividends

### Dividends Paid

Three months ended June 30, 2016

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 25, 2016	Ordinary shares	1,746	10	March 31, 2016	June 2, 2016

Three months ended June 30, 2017

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 22, 2017	Ordinary shares	2,122	12	March 31, 2017	June 2, 2017

## 7. Earnings per Share

The basis of calculation of basic earnings per share and diluted earnings per share were as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net income attributable to owners of the parent (Millions of Yen)	4,975	991
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	4,975	991
Dilutive effect of exercise of convertible bonds (Millions of Yen)	32	32
Net income to calculate diluted earnings per share (Millions of Yen)	5,007	1,023
Weighted average number of ordinary shares—basic	174,572,523	177,012,805
Dilutive effect of exercise of share options	—	860,117
Dilutive effect of exercise of convertible bonds	18,213,830	18,304,961
Weighted average number of ordinary shares—diluted	192,786,353	196,177,883
Basic earnings per share (Yen)	28.50	5.60
Diluted earnings per share (Yen)	25.97	5.21
Financial Instruments not included in the calculation of diluted earnings per share because they have anti-dilutive effect	Share options	—————

## 8. Financial Instruments

### (1) Carrying Amounts and Fair Value of Financial Instruments

The carrying amounts and the fair values of the financial instruments were as follows:

Millions of Yen

	As of March 31, 2017		As of June 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost				
Bonds <sup>(Note)</sup>	44,745	44,965	29,777	29,946

<sup>(Note)</sup>Bonds include balances redeemable or repayable within one year.

#### (Bonds)

Fair values of corporate bonds are calculated based on market prices. Fair values of convertible bonds are calculated based on resembling bonds without the option to convert to shares.

#### (Other)

Financial instruments other than above mentioned are settled mainly on a short-term basis, and their fair values approximate their carrying amounts.

### (2) Fair Value Hierarchy of Financial Instruments

Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three levels of the fair value hierarchy based on the measurement inputs' observability and materiality as follows:

Level 1: Fair value measured at quoted prices for identical assets or liabilities in active markets

Level 2: Fair value measured by direct or indirect observable inputs other than Level 1

Level 3: Fair value measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input with the lowest level in the fair value measurement as a whole.

The transfers between levels in the fair value hierarchy are deemed at the beginning of each quarter period.

Transfer from Level 2 to Level 1 during the year ended March 31, 2017 was the result of a conversion of preferred shares into ordinary shares measured at fair value by market prices, and all the shares transferred were sold during the year ended March 31, 2017. There were no transfers of financial instruments between Level 1 and Level 2 for the three months ended June 30, 2017.

The assets measured at fair value on a recurring basis were classified by hierarchy as follows:

As of March 31, 2017

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	1,416	—	399	1,815
Total	1,416	—	399	1,815

As of June 30, 2017

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets	236	—	407	643
Total	236	—	407	643

The movement of financial instruments categorized within Level 3 of the fair value hierarchy was as follows:

Millions of Yen

	Three months ended June 30, 2016	Three months ended June 30, 2017
Balance at beginning of period	367	399
Gains(losses) recognized in other comprehensive income	(15)	8
Balance at end of period	352	407

Gains or losses recognized in other comprehensive income are presented in net change in fair values of available-for-sale financial assets of the condensed consolidated statements of comprehensive income.