

FY2019 Consolidated Financial Results

(Advantest's consolidated financial statements are prepared in accordance with IFRS)
(Year ended March 31, 2020)

April 24, 2020

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
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Date of General Shareholders' Meeting (as planned) : June 25, 2020

Dividend Payable Date (as planned) : June 2, 2020

Annual Report Filing Date (as planned) : June 26, 2020

Financial Results Supplemental Materials : Yes

Financial Results Presentation Meeting : Yes

(Rounded to the nearest million yen)

1. Consolidated Results of FY2019 (April 1, 2019 through March 31, 2020)

(1) Consolidated Financial Results

(% 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		Total comprehensive income for the year	
	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)
FY2019	275,894	(2.3)	58,708	(9.2)	58,574	(11.5)	53,532	(6.1)	53,532	(6.1)	47,729	(15.7)
FY2018	282,456	36.3	64,662	164.1	66,211	172.7	56,993	214.8	56,993	214.8	56,645	271.9

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Ratio of income before taxes to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2019	270.12	268.96	24.9	17.7	21.3
FY2018	302.35	287.37	35.3	23.7	22.9

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Million yen	Million yen	Million yen	%	Yen
FY2019	355,777	231,452	231,452	65.1	1,166.51
FY2018	304,580	198,731	198,731	65.2	1,004.53

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY2019	66,475	(38,819)	(17,916)	127,703
FY2018	44,792	(15,915)	(13,724)	119,943

2. Dividends

	Dividend per share					Total dividend paid (annual)	Payout ratio (consolidated)	Cash dividend rate for equity attributable to owners of the parent (consolidated)
	First quarter end	Second quarter end	Third quarter end	Year end	Annual total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2018	—	50.00	—	42.00	92.00	18,022	30.4	10.8
FY2019	—	41.00	—	41.00	82.00	16,308	30.4	7.6
FY2020 (forecast)	—	—	—	—	—	N/A	—	N/A

(Note) The dividend forecast for FY2020 hasn't been decided yet.

3. Projected Results for FY2020 (April 1, 2020 through March 31, 2021)

(% 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2020 First quarter	70,000	5.8	13,000	(14.2)	13,000	(13.0)	10,500	(13.1)	10,500	(13.1)

(Note) It is difficult to forecast projected results for FY2020 due to considerable uncertainties in the present environment. The first quarter of the fiscal year ending March 2021 is presented.

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 Consolidated Financial Statements (Changes in Accounting Policies), page 12.

(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 199,566,770 shares; FY2018 199,566,770 shares.
- 2) Number of treasury share at the end of each fiscal period:
FY2019 1,152,069 shares; FY2018 1,732,515 shares.
- 3) Average number of outstanding share for each period:
FY2019 198,180,901 shares; FY2018 188,501,951 shares.

(Note) Advantest's share (FY2019 537,830 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.

(Reference) Non-Consolidated Results of FY2019 (April 1, 2019 through March 31, 2020)

(1) Non-Consolidated Financial Results

(% changes as compared to the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)
FY2019	253,795	(2.8)	52,193	9.9	59,096	11.2	55,066	14.0
FY2018	261,120	43.6	47,500	372.3	53,164	99.1	48,310	83.7

	Net income per share - basic	Net income per share - diluted
	Yen	Yen
FY2019	277.86	276.78
FY2018	256.28	243.13

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity-to-assets ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2019	372,821	260,243	69.6	1,308.66
FY2018	329,537	220,826	66.8	1,112.87

(Reference) Shareholders' Equity at the end of each fiscal period: FY2019 (Y) 259,658 million; FY2018 (Y) 220,164 million

Status of Audit Procedures

This consolidated financial results report is not subject to audit 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 statements include, among other things, the discussion of Advantest's business strategy, outlook and expectations as to market and business developments, production and capacity plans. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate," "believe," "estimate," "expect," "intend," "project," "should" and similar expressions. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause Advantest's actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements.

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1. Overview of Business Results

(1) Overview of Business Results for FY2019

1) Consolidated Financial Results of FY2019 (April 1, 2019 through March 31, 2020)

(in billion yen)

	FY2018	FY2019	As compared to the previous fiscal year increase (decrease)
Orders received	275.2	287.8	4.6%
Net sales	282.5	275.9	(2.3%)
Operating income	64.7	58.7	(9.2%)
Income before income taxes	66.2	58.6	(11.5%)
Net income	57.0	53.5	(6.1%)

During the consolidated fiscal year of 2019, the global economy was affected by the extended concern over the prolonged trade friction of protectionist trade policies and the global epidemic of the new coronavirus (COVID-19) since the beginning of 2020 which has increased further uncertainties.

Amidst this economic uncertainty, end-product demand and capital investment in a wide range of industries including electronics, automobiles, and industrial equipment slumped, and semiconductor demand suffered the impact of these declines. The semiconductor market in 2019 resulted in negative growth, opposing to the strong growth of 2018. As a result, many semiconductor manufacturers, especially in the memory sector, which has become more sensitive to inventory excesses, have been making production adjustments and reviewing their capital investment plans.

On the other hand, demand for semiconductor test equipment is influenced by not only device production volumes but also semiconductor technological evolution. As advanced processes enable the integration of more circuits on semiconductors, the performance of chips is improving and the importance of semiconductor reliability is increasing. As a result, the complexity of functional test and semiconductor test time are also increasing and stimulating test equipment demand.

Thus, the current consolidated fiscal year, major semiconductor manufacturers have actively made efforts to improve semiconductor performance, stimulating demand for semiconductor test equipment. In particular, with full-scale commercialization of 5G communications approaching in countries around the world, demand for test equipment for 5G smartphone semiconductors manufactured with advanced processes remained at a high level throughout the period.

As a result, orders received amounted to (Y) 287.8 billion yen (4.6% increase in comparison to the previous fiscal year), setting a new record. Net sales were (Y) 275.9 billion (2.3% decrease in comparison to the previous fiscal year). In terms of profit, operating income was (Y) 58.7 billion (9.2% decrease in comparison to the previous fiscal year), income before income taxes was (Y) 58.6 billion (11.5% decrease in comparison to the previous fiscal year), and net income was (Y) 53.5 billion (6.1% decrease in comparison to the previous fiscal year). The declines were due to increased SG&A expenses as a result of Advantest's aggressive moves to reinforce R&D and support resources as a part of strengthening the Company's foundation for future growth. Operating income in the previous fiscal year included a one-time profit of approximately (Y) 3.5 billion due to the sale of fixed assets and the transition of a part of Advantest's pension system to a defined contribution pension plan. The average currency exchange rates in the current fiscal year were 1 USD to 109 JPY (110 JPY in the previous fiscal year) and 1 EUR to 121 JPY (129 JPY in the previous fiscal year). The percentage of net sales to overseas customers was 94.6% (94.7% in the previous fiscal year).

Conditions of business segments are described below.

<Semiconductor and Component Test System Segment>

(in billion yen)

	FY2018	FY2019	As compared to the previous fiscal year increase (decrease)
Orders received	206.8	192.6	(6.9%)
Net sales	211.7	197.2	(6.9%)
Segment income	65.1	65.2	0.1%

In this segment, orders and net sales were sluggish overall as a result of lower end-product demand. In particular, orders for display-related test equipment decreased significantly. On the other hand, a number of major manufacturers of application processors and baseband processors, the core semiconductors used in smartphones, are aggressively developing next-generation products for 5G and preparing for mass production of these devices, which sustained strong demand for smartphone SoC test equipment. Additionally, as data center investment began to recover, orders for test systems for HPC (high performance computing) SoCs, mainly logic semiconductors, increased, and in the second half of the year, customers also recovered their appetite for investment in memory test systems.

As a result of the above, orders received were (Y) 192.6 billion (6.9% decrease in comparison to the previous fiscal year), net sales were (Y) 197.2 billion (6.9% decrease in comparison to the previous fiscal year), and segment income was (Y) 65.2 billion (0.1% increase in comparison to the previous fiscal year).

< Mechatronics System Segment >

(in billion yen)

	FY2018	FY2019	As compared to the previous fiscal year increase (decrease)
Orders received	37.7	36.2	(4.0%)
Net sales	39.2	36.3	(7.5%)
Segment income	(0.7)	(0.5)	—

In this segment, orders for nanotechnology products were sluggish due to lumpiness in customer investment schedules. Additionally, the prolonged slowdown in the memory semiconductor market impacted sales of test equipment peripherals, which are highly correlated to the memory test business.

As a result of the above, orders received were (Y) 36.2 billion (4.0% decrease in comparison to the previous fiscal year), net sales were (Y) 36.3 billion (7.5% decrease in comparison to the previous fiscal year), and segment loss was (Y) 0.5 billion ((Y) 0.2 billion improvement in comparison to the previous fiscal year).

<Services, Support and Others Segment>

(in billion yen)

	FY2018	FY2019	As compared to the previous fiscal year increase (decrease)
Orders received	30.7	59.1	92.6%
Net sales	31.5	42.5	34.9%
Segment income	4.2	3.0	(30.1%)

In this segment, in addition to stable demand for services, the system level test business that Advantest acquired from US company Astronics Corporation in February 2019 delivered strong orders. Essai, Inc., another US company acquired in January 2020, also contributed to robust expansion of this segment's business. Furthermore, as SSDs (Solid State Drives) gained popularity, demand for SSD test systems also increased. On the other hand, amortization of intangible assets in this segment increased in the form of one-time expenses related to the acquisition of Essai and the transfer of Astronics' business.

As a result of the above, orders received were (Y) 59.1 billion (92.6% increase in comparison to the previous fiscal year), net sales were (Y) 42.5 billion (34.9% increase in comparison to the previous fiscal year), and segment income was (Y) 3.0 billion (30.1% decrease in comparison to the previous fiscal year).

2) Overview of Non-Consolidated Financial Results for FY2019

During FY2019, due to the needs for higher performance of semiconductors and reliability assurance, demand for semiconductor test equipment remained at high level. As a result, net sales were (Y) 253.8 billion (2.8% decrease in comparison to the previous fiscal year), operating income was (Y) 52.2 billion (9.9% increase in comparison to the previous fiscal year). As a result of dividend income from subsidiaries, ordinary income was (Y) 59.1 billion (11.2% increase in comparison to the previous fiscal year). Net income was (Y) 55.1 billion (14.0% increase in comparison to the previous fiscal year).

(2) Overview of Financial Condition for FY2019

Total assets at the end of FY2019 were (Y) 355.8 billion, an increase of (Y) 51.2 billion compared to the previous fiscal year, primarily due to an increase of (Y) 24.9 billion in goodwill and intangible assets, net, (Y) 11.2 billion in right-of-use assets, (Y) 7.8 billion in cash and cash equivalents, and (Y) 4.3 billion in property, plant and equipment, net.

The total liabilities were (Y) 124.3 billion, an increase of (Y) 18.5 billion compared to the previous fiscal year, primarily due to an increase of (Y) 11.3 billion in lease liabilities and (Y) 3.1 billion in retirement benefit liabilities. Total equity was (Y) 231.5 billion. Ratio of equity attributable to owners of the parent was 65.1%, a decrease of 0.1 percentage points from March 31, 2019.

(3) Overview of Cash Flows for FY2019

Cash and cash equivalents held at the end of FY2019 were (Y) 127.7 billion, an increase of (Y) 7.8 billion from the previous fiscal year.

Significant cash flows during this fiscal year and details are described below.

Net cash provided by operating activities was (Y) 66.5 billion ((Y) 44.8 billion inflow in the previous fiscal year). This amount was primarily attributable to a decrease of (Y) 6.1 billion in trade and other receivables, an increase of (Y) 1.9 billion in inventories and adjustments of non-cash items such as depreciation and amortization in addition to the income before income taxes of (Y) 58.6 billion.

Net cash used in investing activities was (Y) 38.8 billion (net cash outflow of (Y) 15.9 billion in the previous fiscal year). This amount was primarily attributable to acquisition of subsidiary in the amount of (Y) 29.7 billion and purchases of property, plant and equipment in the amount of (Y) 8.1 billion.

Net cash used in financing activities was (Y) 17.9 billion (net cash outflow of (Y) 13.7 billion in the previous fiscal year). This amount was primarily attributable to dividends paid of (Y) 16.4 billion.

(4) Near-term Prospects

In addition to prolonged trade friction, the global spread of the COVID-19 pandemic has spurred, growing concern that the global economy will slow down. At the moment, no major changes have been seen in semiconductor capital investment trends, but it is difficult to predict how the semiconductor and semiconductor manufacturing equipment markets will shift as a result of future changes in the global economy. This also makes it difficult to forecast Advantest's business results in FY2020. The Company's forecast of consolidated financial results for the first quarter of the fiscal year ending March 2021 is as follows: Orders received of (Y) 62.0 billion, net sales of (Y) 70.0 billion, operating income of (Y) 13.0 billion, income before income taxes of (Y) 13.0 billion, net income of (Y) 10.5 billion. Exchange rate assumptions for this forecast are 1USD to 105 JPY and 1 EUR to 120 JPY.

Advantest foresees five major categories of business risk resulting from the COVID-19 pandemic:

- (1) Interruptions to business / reduced efficiency due to possible infection of employees of the Advantest Group, customers, and/or suppliers
- (2) Problems caused by long-term restrictions on movement and lockdowns around the world
 - i) Declines in product supply capacity due to shortages of manufacturing personnel at the Advantest Group / subcontractors
 - ii) Decreased ability to provide customer support due to restrictions on movement
 - iii) Declines in product supply capacity due to global supply chain disruptions causing difficulties in procurement of materials and components
- (3) Decreases in end-product demand due to the rapid deterioration of the world economy and the spread of the impact to the electronics industry as a whole, and a slowdown in the semiconductor and semiconductor manufacturing equipment markets
- (4) Potential significant mid-term changes in the structure of the semiconductor industry resulting from changes in customer supply chains
- (5) Changes in Advantest's business environment due to changes in human behavior and society in the post-COVID-19 period

At present, not all of these risks have yet materialized, but given the considerable uncertainty in the global economy, Advantest has set flexible response to change in the Company's external environment as a top priority for FY2020, aiming to ensure business continuity and achieve the goals of the 3-year mid-term management plan that concludes this fiscal year.

However, despite considerable uncertainties in the present environment, Advantest has not changed the long-term market outlook and growth strategy set out in the Company's "Grand Design" mid- to long-term management policy. The progress of the digital transformation spearheaded by the commercialization of 5G will continue to drive the trend towards higher semiconductor performance and greater reliability. In response to this trend, device manufacturers are starting to strengthen reliability assurance not only through wafer-level and package-level test, but also by introducing system / module level test for high-end semiconductors and automotive semiconductors.

Advantest will continue to promote investment for long-term growth and strive to realize its corporate vision of adding customer value in an evolving semiconductor value chain.

2. Basic Approach to the Selection of Accounting Standards

Advantest adopted International Financial Reporting Standards ("IFRS") for the improvement of international comparability of its financial information in the capital markets as well as homogenization and efficiency of its financial information of its group companies.

3. Consolidated Financial Statements and Main Notes
 (1) Consolidated Statement of Financial Position

	Millions of Yen	
	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	119,943	127,703
Trade and other receivables	51,786	46,426
Inventories	57,099	58,943
Other current assets	4,423	6,871
Subtotal	233,251	239,943
Assets held for sale	—	199
Total current assets	233,251	240,142
Non-current assets		
Property, plant and equipment, net	30,786	35,072
Right-of-use assets	—	11,184
Goodwill and intangible assets, net	26,119	51,025
Other financial assets	2,861	2,867
Deferred tax assets	11,209	15,351
Other non-current assets	354	136
Total non-current assets	71,329	115,635
Total assets	304,580	355,777

	Millions of Yen	
	As of March 31, 2019	As of March 31, 2020
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	43,942	46,660
Income tax payables	8,650	7,793
Provisions	2,886	3,335
Lease liabilities	—	2,275
Other financial liabilities	905	1,892
Other current liabilities	6,465	8,582
Total current liabilities	<u>62,848</u>	<u>70,537</u>
Non-current liabilities		
Lease liabilities	—	9,013
Retirement benefit liabilities	37,528	40,622
Deferred tax liabilities	1,680	1,563
Other non-current liabilities	3,793	2,590
Total non-current liabilities	<u>43,001</u>	<u>53,788</u>
Total liabilities	<u>105,849</u>	<u>124,325</u>
Equity		
Share capital	32,363	32,363
Share premium	43,018	43,550
Treasury shares	(6,262)	(4,179)
Retained earnings	125,927	159,803
Other components of equity	3,685	(85)
Total equity attributable to owners of the parent	<u>198,731</u>	<u>231,452</u>
Total equity	<u>198,731</u>	<u>231,452</u>
Total liabilities and equity	<u><u>304,580</u></u>	<u><u>355,777</u></u>

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

Consolidated Statement of Profit or Loss

	Millions of Yen	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	282,456	275,894
Cost of sales	(128,417)	(119,397)
Gross profit	154,039	156,497
Selling, general and administrative expenses	(93,100)	(97,751)
Other income	3,818	335
Other expenses	(95)	(373)
Operating income	64,662	58,708
Financial income	1,626	1,045
Financial expenses	(77)	(1,179)
Income before income taxes	66,211	58,574
Income taxes	(9,218)	(5,042)
Net income	<u>56,993</u>	<u>53,532</u>
Net income attributable to:		
Owners of the parent	56,993	53,532
Earnings per share:	Yen	Yen
Basic	<u>302.35</u>	<u>270.12</u>
Diluted	287.37	268.96

Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income	56,993	53,532
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plan	(2,732)	(2,144)
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	175	(169)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	2,209	(3,490)
Total other comprehensive income (loss)	<u>(348)</u>	<u>(5,803)</u>
Total comprehensive income for the year	<u>56,645</u>	<u>47,729</u>
Comprehensive income attributable to:		
Owners of the parent	56,645	47,729

(3) Consolidated Statement of Changes in Equity

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 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				56,993		56,993	56,993
Other comprehensive income (loss), net of tax					(348)	(348)	(348)
Total comprehensive income for the year	—	—	—	56,993	(348)	56,645	56,645
Purchase of treasury shares			(738)			(738)	(738)
Disposal of treasury shares		(211)	2,203	(1,187)		805	805
Conversion of convertible bonds		(717)	69,997	(39,333)		29,947	29,947
Dividends				(13,806)		(13,806)	(13,806)
Share-based payments		470				470	470
Other		10				10	10
Transfer from other components of equity to retained earnings				(2,732)	2,732	—	—
Total transactions with the owners	—	(448)	71,462	(57,058)	2,732	16,688	16,688
Balance as of March 31, 2019	32,363	43,018	(6,262)	125,927	3,685	198,731	198,731
Net income				53,532		53,532	53,532
Other comprehensive income (loss), net of tax					(5,803)	(5,803)	(5,803)
Total comprehensive income for the year	—	—	—	53,532	(5,803)	47,729	47,729
Purchase of treasury shares			(1,124)			(1,124)	(1,124)
Disposal of treasury shares		(315)	3,207	(1,185)		1,707	1,707
Dividends				(16,438)		(16,438)	(16,438)
Share-based payments		772				772	772
Other		75				75	75
Transfer from other components of equity to retained earnings				(2,033)	2,033	—	—
Total transactions with the owners	—	532	2,083	(19,656)	2,033	(15,008)	(15,008)
Balance as of March 31, 2020	32,363	43,550	(4,179)	159,803	(85)	231,452	231,452

(4) Consolidated Statement of Cash Flows

	Millions of Yen	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities:		
Income before income taxes	66,211	58,574
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,967	10,892
Share-based payment expense	481	882
Changes in assets and liabilities:		
Trade and other receivables	(14,130)	6,125
Inventories	(6,901)	(1,907)
Trade and other payables	632	1,444
Warranty provisions	(155)	460
Retirement benefit liabilities	(4,828)	1,665
Other	2,255	(831)
Subtotal	48,532	77,304
Interest and dividends received	1,007	836
Interest paid	(3)	(155)
Income taxes paid	(4,744)	(11,510)
Net cash provided by (used in) operating activities	44,792	66,475
Cash flows from investing activities:		
Proceeds from sale of equity instruments	—	111
Purchases of equity instruments	(384)	—
Purchases of debt instruments	—	(548)
Proceeds from sale of property, plant and equipment	1,927	234
Purchases of property, plant and equipment	(5,891)	(8,141)
Purchases of intangible assets	(512)	(741)
Payments for acquisition of business	(11,098)	—
Acquisition of subsidiary	—	(29,665)
Other	43	(69)
Net cash provided by (used in) investing activities	(15,915)	(38,819)
Cash flows from financing activities:		
Proceeds from disposal of treasury shares	805	1,708
Purchases of treasury shares	(738)	(1,124)
Dividends paid	(13,786)	(16,427)
Payments for lease liabilities	—	(2,073)
Other	(5)	—
Net cash provided by (used in) financing activities	(13,724)	(17,916)
Net effect of exchange rate changes on cash and cash equivalents	817	(1,980)
Net change in cash and cash equivalents	15,970	7,760
Cash and cash equivalents at the beginning of year	103,973	119,943
Cash and cash equivalents at the end of year	119,943	127,703

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern): None

(Changes in Accounting Policies)

IFRS 16: Leases

Advantest has adopted IFRS 16 “Leases” from the fiscal year ended 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 consolidated statement of financial position amount to (Y) 10,344 million.

(Segment Information)

1. Operating Segment Information

Fiscal year ended March 31, 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	211,713	39,229	31,514	—	282,456
Inter-segment sales	4	—	—	(4)	—
Total	211,717	39,229	31,514	(4)	282,456
Segment income (loss) (operating income (loss) before share-based compensation expense)	65,058	(712)	4,242	(3,445)	65,143
Adjustment:					
Share-based compensation expense	—	—	—	—	(481)
Operating income	—	—	—	—	64,662
Financial income	—	—	—	—	1,626
Financial expenses	—	—	—	—	(77)
Income before income taxes	—	—	—	—	66,211

Fiscal year ended March 31, 2020					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	197,084	36,293	42,517	—	275,894
Inter-segment sales	70	—	9	(79)	—
Total	197,154	36,293	42,526	(79)	275,894
Segment income (loss) (operating income (loss) before share-based compensation expense)	65,155	(497)	2,966	(8,034)	59,590
Adjustment:					
Share-based compensation expense	—	—	—	—	(882)
Operating income	—	—	—	—	58,708
Financial income	—	—	—	—	1,045
Financial expenses	—	—	—	—	(1,179)
Income before income taxes	—	—	—	—	58,574

(Notes)

- Advantest uses the operating income (loss) before share-based compensation expense for management's analysis of business segment results.
- Share-based compensation expense represents expenses for stock options and performance-based stock remuneration expense.
- Segment income (loss) is presented on the basis of operating income (loss) before share-based compensation expense.
- Inter-segment sales are based on market prices.
- 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. Due to the revision of post-employment benefits plan, (Y) 2,530 million income is included for the fiscal year ended March 31, 2019.

2. Consolidated Net Sales by Geographical Areas

	Millions of Yen	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Japan	14,881	14,789
Americas	13,579	18,521
Europe	7,124	6,064
Asia	246,872	236,520
Total	282,456	275,894

(Notes)

1. Net sales to unaffiliated customers are based on the customer's location.
2. Each of the segment includes primarily the following countries or regions:
 - (1) Americas U.S.A., Costa Rica etc.
 - (2) Europe Germany, France etc.
 - (3) Asia Taiwan, South Korea, China, Malaysia etc.

(Per Share Information)

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income attributable to owners of the parent (Millions of Yen)	56,993	53,532
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	56,993	53,532
Dilutive effect of convertible bonds (Millions of Yen)	74	—
Net income to calculate diluted earnings per share (Millions of Yen)	57,067	53,532
Weighted average number of ordinary shares—basic	188,501,951	198,180,901
Dilutive effect of stock options	450,684	770,946
Dilutive effect of convertible bonds	9,625,514	—
Dilutive effect of performance-based stock remuneration	9,078	77,264
Weighted average number of ordinary shares—diluted	198,587,227	199,029,111
Basic earnings per share (Yen)	302.35	270.12
Diluted earnings per share (Yen)	287.37	268.96
Financial Instruments not included in the calculation of diluted earnings per share because they have anti-dilutive effect	Certain stock options	—

(Significant Subsequent Events): None

Change in Directors and Executive Officers
(To be effective on June 25, 2020)

1. Nominees for Directors (excluding Directors who are Audit and Supervisory Committee members)

Director	Yoshiaki Yoshida	
Director	Osamu Karatsu	
Director	Toshimitsu Urabe	
Director	Nicholas Benes	
Director	Soichi Tsukakoshi	
Director	Atsushi Fujita	
Director	Koichi Tsukui	(to be newly elected)
Director	Douglas Lefever	(to be newly elected)

Mr. Yoshida is to be elected as Representative Director at the extraordinary meeting of the board of directors meeting to be held on June 25, 2020 after the 78th ordinary general meeting of shareholders of Advantest Corporation.

2. Nominee for Director who is an Audit and Supervisory Committee member

Director who is an Audit and Supervisory Committee member	Sayaka Sumida (to be newly elected)
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3. Nominees for Executive Officers

President and CEO	Yoshiaki Yoshida	
Senior Executive Officer	Soichi Tsukakoshi	(to be promoted)
Managing Executive Officer	Atsushi Fujita	
Managing Executive Officer	Koichi Tsukui	
Managing Executive Officer	Douglas Lefever	
Managing Executive Officer	Keith Hardwick	
Managing Executive Officer	Kazuhiro Yamashita	
Managing Executive Officer	Isao Sasaki	
Managing Executive Officer	Kimiya Sakamoto	
Managing Executive Officer	Yasuo Mihashi	
Managing Executive Officer	Juergen Serrer	(to be promoted)
Executive Officer	Toshiyuki Okayasu	
Executive Officer	CH Wu	
Executive Officer	Yong Xu	
Executive Officer	Michael Stichlmair	
Executive Officer	Toshio Goto	
Executive Officer	Jinhee Lee	
Executive Officer	Suan Seng Sim (Ricky Sim)	
Executive Officer	Akira Ono	
Executive Officer	Sanjeev Mohan	
Executive Officer	Makoto Nakahara	
Executive Officer	Masayuki Suzuki	
Executive Officer	Naruo Tanaka	
Executive Officer	Richard Junger	(to be newly elected)

4. Expiration of term of office

Director, Managing Executive Officer Hans-Juergen Wagner
(to be appointed as Advisor of Advantest Europe GmbH)
Director who is an Audit and Supervisory Committee member Tsuneko Murata

Nominees for New Director (excluding Directors who are Audit and Supervisory Committee members) [Biography]

Koichi Tsukui (Date of Birth: December 11, 1964)

Mar. 1987 Graduated from Faculty of Engineering, Gunma University
Apr. 1987 Joined Advantest Corporation
Jun. 2011 Division manager, Sales Division 2
Jun. 2013 Leader, New Business Enabling Division, New Concept Product Initiative
Jun. 2014 Executive Officer,
Senior Vice President (Officer), New Concept Product Initiative
Jun. 2015 Managing Executive Officer (Present Position)
Jun. 2016 Executive Vice President, Corporate Relations Group
Jun. 2017 Executive Vice President, New Concept Product Initiative
Jun. 2018 Sub-Leader, ATE Business Group (Present Position)
Executive Vice President, T2000 Business Unit
Executive Vice President, Memory Test Business Unit
(Present Position)
Applied Research & Venture Team (Present Position)
Jun. 2019 In Charge of DH Business Group (Present Position)

Douglas Lefever (Date of Birth: December 10, 1970)

Sep. 1993 Graduated from The University of Michigan at Ann Arbor, Bachelor of
Science in Mechanical Engineering
May 1995 Graduated from The University of Texas at Austin, Master of Science
in Mechanical Engineering
Jun. 1998 Joined Advantest America, Inc.
Sep. 2004 Director, Strategic Planning, Advantest America, Inc.
Sep. 2008 Vice President, Business Development, Advantest America, Inc.
Aug. 2014 Executive Officer, Advantest Corporation
Sep. 2014 Director, President and CEO, Advantest America, Inc. (Present Position)
Jun. 2017 Managing Executive Officer, Advantest Corporation (Present Position)
Jun. 2018 Applied Research & Venture Team (Present Position)
Jun. 2019 US Lab Leader, Applied Research & Venture Team (Present Position)
Executive Vice President, System Test Business Unit
(Present Position)

Nominee for New Director who is an Audit and Supervisory Committee member [Biography]

Sayaka Sumida (Date of Birth: January 28, 1961)

- Mar. 1983 Graduated from Faculty of Arts and Sciences, Tokyo Woman's Christian University, Bachelor of Social Science
- Oct. 1984 Joined Asahi Accounting Company (current KPMG Azusa LLC)
- Apr. 1988 Moved to London Office, ArthurYoung (current Ernst & Young)
- May 1993 Moved to London Office, ArthurAndersen
- Aug. 1994 Moved to Tokyo Office, Asahi Audit Firm (current KPMG Azusa LLC)
- May 1999 Member, Asahi Audit Firm (current KPMG Azusa LLC)
- May 2006 Partner, Azusa Audit Firm (current KPMG Azusa LLC)
* resigned in March, 2020
- Aug. 2007 Chairperson of Audit Standards Committee, The Japanese Institute of Certified Public Accountants * resigned in July, 2010
- Jul. 2010 Managing Director (in charge of Quality Control Standards and Audit Standards), The Japanese Institute of Certified Public Accountants
* resigned in July, 2019
- Jan. 2015 Board Member, The International Auditing and Assurance Standards Board (IAASB), The International Federation of Accountants (IFAC)
* resigned in December, 2017

Nominees for New Executive Officers [Biography]

Richard Junger (Date of Birth: September 29, 1965)

- Feb. 1992 Graduated from Reutlingen University of Applied Sciences, Diploma in Automation Engineering
- Feb. 2006 Joined Agilent Technologies, Director Support Operations, Logistics and Trade Compliance
- Sep. 2009 Senior Director Operations, Verigy Germany GmbH
- Jun. 2013 Vice President of SoC Delivery, Advantest Europe GmbH (present position)
- Aug. 2019 Sub-Leader, Software and service Business Research, Applied Research & Venture Team (present position)

FY2019 Consolidated Financial Results Overview

1. Orders received and Backlog

(in billion yen)

	FY2018	FY2019					vs. FY2018 increase (decrease)		FY2020 Forecast	
		1Q	2Q	3Q	4Q			1Q	vs. FY2019 1Q increase (decrease)	
Orders received	275.2	65.9	58.3	72.9	90.7	270.0 287.8	12.7	4.6%	62.0	(5.9%)
Backlog	74.9	74.6	61.3	64.3	4.2 (Note 2) 91.0	74.9 91.0	16.1	21.6%	83.0	11.3%

Note 1. Upper data is the forecast amount released on Jan 29, 2020.

Note 2. 4Q Back log has been adjusted 4.2 billion yen due to the United States of America base Essai, Inc. acquisition.

2. Profit or Loss

(in billion yen)

	FY2018	FY2019					vs. FY2018 increase (decrease)		FY2020 Forecast	
		1Q	2Q	3Q	4Q			1Q	vs. FY2019 1Q increase (decrease)	
Net sales	282.5	66.2	71.6	69.9	68.2	270.0 275.9	(6.6)	(2.3%)	70.0	5.8%
Cost of sales	(128.5)	(26.8)	(30.6)	(30.5)	(31.5)	(119.4)	9.0	(7.0%)	-	-
Selling, general and administrative expenses	(93.0)	(24.2)	(23.4)	(25.0)	(25.2)	(97.8)	(4.7)	5.0%	-	-
Other expenses	3.7	0.0	0.1	(0.2)	0.1	0.0	(3.8)	-	-	-
Operating income	64.7	15.2	17.7	14.2	11.6	56.0 58.7	(6.0)	(9.2%)	13.0	(14.2%)
Sales ratio	22.9%	22.9%	24.8%	20.4%	17.0%	21.3%			18.6%	
Financial income - expenses	1.5	(0.3)	0.7	0.3	(0.8)	(0.1)	(1.7)	-	-	-
Income before income taxes	66.2	14.9	18.4	14.5	10.8	56.7 58.6	(7.6)	(11.5%)	13.0	(13.0%)
Sales ratio	23.4%	22.6%	25.6%	20.7%	15.9%	21.2%			18.6%	
Income taxes	(9.2)	(2.8)	(3.7)	(2.6)	4.0	(5.1)	4.2	(45.3%)	-	-
Net income	57.0	12.1	14.7	11.9	14.8	49.0 53.5	(3.5)	(6.1%)	10.5	(13.1%)
Sales ratio	20.2%	18.3%	20.5%	17.1%	21.7%	19.4%			15.0%	

Note 1. Upper data is the forecast amount released on Jan 29, 2020.

3. Financial Condition

(in billion yen)

	FY2018	FY2019					vs. FY2018 increase (decrease)
		4Q End	1Q End	2Q End	3Q End	4Q End	
Total assets	304.6	310.8	323.6	329.8	355.8	16.8%	
Equity attributable to owners of the parent	198.7	199.4	213.6	220.3	231.5	16.5%	
Ratio of equity attributable to owners of the parent	65.2%	64.2%	66.0%	66.8%	65.1%	-	

4. Dividends

(in yen)

(Record Date)	FY2019			FY2020 Forecast		
	Interim	Year end	Annual total	Interim	Year end	Annual total
Dividend per share	41.00	34.00 41.00	75.00 82.00	N/A	N/A	N/A

Note 1. Upper data is the forecast amount released on Jan 29, 2020.

Note 2. Dividend payouts are based on semi-annual business performance with a target semi-annual payout ratio of 30%.

Note 3. The dividend forecast for FY2020 hasn't been decided yet. We will disclose promptly after considering the results based on the business performance.