

FY2015 Consolidated Financial Results

(Advantest's consolidated financial statements are prepared in accordance with U.S. GAAP)

(Year ended March 31, 2016)

(Unaudited)

April 27, 2016

Company name : **Advantest Corporation**
 (URL <http://www.advantest.com/US/investors>)

Stock exchange on which shares are listed : First section of the Tokyo Stock Exchange

Stock code number : 6857

Company representative : Shinichiro Kuroe, Representative Director, President and CEO

Contact person : Hiroshi Nakamura, Director, Managing Executive Officer and Executive Vice President, Corporate Administration Group
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Date of General Shareholders' Meeting (as planned) : June 28, 2016

Dividend Payable Date (as planned) : June 2, 2016

Annual Report Filing Date (as planned) : June 29, 2016

Financial Results Supplemental Materials : Yes

Financial Results Presentation Meeting : Yes

(Rounded to the nearest million yen)

1. Consolidated Results of FY2015 (April 1, 2015 through March 31, 2016)

(1) Consolidated Financial Results

(% changes as compared with the previous fiscal year)

	Net sales		Operating income		Income before income taxes		Net income	
	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)
FY2015	162,463	(0.5)	11,903	(18.6)	11,447	(39.3)	7,938	(38.7)
FY2014	163,329	46.0	14,619	—	18,859	—	12,948	—

(Note) Comprehensive income (loss): FY2015 (Y) (5,357) million -%; FY2014 (Y) 26,009 million -%

	Net income per share - basic	Net income per share - diluted	Net income to equity ratio	Ratio of income before taxes to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2015	45.47	41.09	5.8	4.4	7.3
FY2014	74.31	67.16	10.1	7.5	9.0

(2) Consolidated Financial Position

	Total assets	Net assets	Stockholders' Equity	Equity-to-assets ratio	Net assets per share
	Million yen	Million yen	Million yen	%	Yen
FY2015	249,469	132,122	132,122	53.0	756.83
FY2014	273,041	140,938	140,938	51.6	807.45

(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
FY2015	7,728	(2,395)	(13,531)	85,430
FY2014	24,481	(1,310)	(1,298)	97,574

2. Dividends

(Record Date)	Dividend per share					Total dividend paid (annual)	Payout ratio (consolidated)	Ratio of total amount of dividends to net assets (consolidated)
	First quarter end	Second quarter end	Third quarter end	Year end	Annual total			
	yen	yen	yen	yen	yen	Million yen	%	%
FY2014	—	5.00	—	10.00	15.00	2,616	20.2	2.0
FY2015	—	10.00	—	10.00	20.00	3,491	44.0	2.6
FY2016 (forecast)	—	—	—	—	—	N/A	—	N/A

3. Projected Results for FY2016 (April 1, 2016 through March 31, 2017)

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

	Net sales		Operating income		Income before income taxes		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2016	156,000	(4.0)	10,000	(16.0)	10,000	(12.6)	7,500	(5.5)	42.96

(Note) Projected Results for FY2016 is prepared in accordance with U.S. GAAP. Advantest plans to voluntarily apply International Financial Reporting Standards (“IFRS”) to the presentation of the consolidated financial statements starting with its annual securities report with respect to the fiscal year ended March 31, 2016.

4. Others

- (1) Material changes in subsidiaries during this period (changes in scope of consolidation resulting from changes in subsidiaries): No
- (2) Changes in accounting principles, procedures and the presentation of the consolidated financial statements
 - 1) Changes based on revisions of accounting standard : No
 - 2) Changes other than 1) above : No
- (3) Number of issued and outstanding stock (common stock):
 - 1) Number of issued and outstanding stock at the end of each fiscal period (including treasury stock):
FY2015 199,566,770 shares; FY2014 199,566,770 shares.
 - 2) Number of treasury stock at the end of each fiscal period:
FY2015 24,994,162 shares; FY2014 25,020,294 shares.
 - 3) Average number of outstanding stock for each period:
FY2015 174,569,193 shares; FY2014 174,244,799 shares.

(Reference) Non-Consolidated Results of FY2015 (April 1, 2015 through March 31, 2016)
(1) Non-Consolidated Financial Results

	Net sales		Operating income (loss)		Ordinary income		Net income	
	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)
FY2015	123,642	45.6	(6,818)	—	5,853	(52.4)	7,069	(44.0)
FY2014	84,916	72.4	(1,656)	—	12,286	—	12,621	—

	Net income per share - basic	Net income per share - diluted
	Yen	Yen
FY2015	40.50	36.52
FY2014	72.43	65.43

(2)Non-Consolidated Financial Position

	Total assets	Net assets	Equity-to-assets ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2015	247,307	114,662	45.7	647.20
FY2014	206,295	112,232	53.2	629.13

(Reference) Shareholders' Equity at the end of each fiscal period: FY2015 (Y) 112,984 million; FY2014 (Y) 109,812 million

Status of Audit Procedures

This consolidated financial results report is not subject to audit procedures by independent auditors under Japan's Financial Instruments and Exchange Law. At the time of release of this report, audit procedures under the Financial Instruments and Exchange Law have not been completed.

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. Business Results

(1) Analysis of Business Results

1) Consolidated Financial Results of FY2015 (April 1, 2015 through March 31, 2016)

(in billion yen)

	FY2014	FY2015	As compared to the previous fiscal year increase (decrease)
Orders received	176.3	151.5	(14.1%)
Net sales	163.3	162.5	(0.5%)
Operating income	14.6	11.9	(18.6%)
Income before income taxes	18.9	11.4	(39.3%)
Net income	12.9	7.9	(38.7%)

During Advantest's FY2015, the global economy maintained its trend of overall growth, supported by continued robust economic growth in the U.S. However, the slowdown in economies of China and other emerging nations also affected economic activity in developed countries, holding global growth to a moderate pace.

The semiconductor-related markets saw robust investment in leading-edge equipment, particularly for memory semiconductors, in the first half of FY2015. However, because the smartphone market slowed down due to macroeconomic deterioration, the semiconductor market is thought to have posted negative growth in 2015. Adjusting to the softening of the market, semiconductor manufacturers increasingly moved to adjust inventory and limit capital spending.

Amid this environment, Advantest's semiconductor and component test segment focused on stimulating customer's motivation to invest despite worsening market conditions by launching new products for memory and non-memory semiconductors. Our mechatronics and services segments also sought to increase net sales with strategies such as obtaining new customers in growth sectors.

As a result, for the fiscal year ended March 31, 2016, orders received were (Y) 151.5 billion (14.1% decrease in comparison to the previous fiscal year), which was not sufficient to counter the effect of inventory adjustments in the semiconductor market, but net sales were (Y) 162.5 billion (0.5% decrease in comparison to the previous fiscal year) –remaining at approximately the same level as in the previous fiscal year. Operating income was (Y) 11.9 billion (18.6% decrease in comparison to the previous fiscal year), income before income taxes was (Y) 11.4 billion (39.3% decrease in comparison to the previous fiscal year) and net income was (Y) 7.9 billion (38.7% decrease in comparison to the previous fiscal year). The percentage of net sales to overseas customers was (Y) 92.0% (92.0% in the previous fiscal year).

Conditions of business segments are described below.

<Semiconductor and Component Test System Segment>

(in billion yen)

	FY2014	FY2015	As compared to the previous fiscal year increase (decrease)
Orders received	116.1	94.8	(18.3%)
Net sales	108.3	101.0	(6.8%)
Operating income	14.6	10.1	(31.0%)

Despite market recovery that commenced in the third quarter after the latest round of customer inventory adjustments, the Semiconductor and Component Test System Segment saw sluggish overall demand for non-memory test systems because of weakening sales of major end-products of non-memory devices, such as smartphones and PCs. In memory test systems, demand for DRAM also decreased due to negative impact of the slowdown in the smartphone market. However, sales of NAND flash memory test systems remained steady.

As a result of the above, orders received were (Y) 94.8 billion (18.3% decrease in comparison to the previous fiscal year), net sales were (Y) 101.0 billion (6.8% decrease in comparison to the previous fiscal year), and operating income was (Y) 10.1 billion (31.0% decrease in comparison to the previous fiscal year).

< Mechatronics System Segment >

(in billion yen)

	FY2014	FY2015	As compared to the previous fiscal year increase (decrease)
Orders received	31.2	27.3	(12.5%)
Net sales	28.3	31.6	11.6%
Operating income	3.8	2.8	(25.0%)

The Mechatronics System Segment saw stagnant orders particularly in the second half of FY2015 due to limited capital expenditure of major semiconductor manufacturers. However, sales remained steady as a result of measures to increase sales in this segment undertaken from the beginning of the period, including growth in sales of high-performance test handlers and obtaining new customers in device interfaces for non-memory semiconductors. However, operating income declined compared to the previous fiscal year due to changes in the product mix.

As a result of the above, orders received were (Y) 27.3 billion (12.5% decrease in comparison to the previous fiscal year), net sales were (Y) 31.6 billion (11.6% increase in comparison to the previous fiscal year), and operating income was (Y) 2.8 billion (25.0% decrease in comparison to the previous fiscal year).

<Services, Support and Others Segment>

(in billion yen)

	FY2014	FY2015	As compared to the previous fiscal year increase (decrease)
Orders received	29.1	29.4	0.9%
Net sales	26.8	29.9	11.8%
Operating income	3.3	4.8	42.8%

In the Services, Support and Others Segment, initiatives to enhance the profitability of Advantest's field services, such as increasing the number of annual maintenance contracts, progressed. In addition, SSD test systems attracted growing customers' interest due to solid growth in the SSD market.

As a result of the above, orders received were (Y) 29.4 billion (0.9% increase in comparison to the previous fiscal year), net sales were (Y) 29.9 billion (11.8% increase in comparison to the previous fiscal year), and operating income was (Y) 4.8 billion (42.8% increase in comparison to the previous fiscal year).

2) Non-consolidated Financial Results of FY2015

Starting FY2015, Advantest consolidated commercial distribution of certain products from an overseas subsidiary to Advantest. As a result, net sales on a non-consolidated basis were (Y) 123.6 billion (45.6% increase in comparison to the previous fiscal year). However, due to contemporaneous increase in cost of sales and operating expenses, operating loss was (Y) 6.8 billion. Advantest recorded ordinary income and net income on a non-consolidated basis due to dividend income from consolidated subsidiaries.

3) Prospects for the Upcoming Fiscal Year

In terms of outlook for the semiconductor test equipment market, which is Advantest's primary profit base, due to the growth of smartphone sales in China and other emerging economies, as well as the development of high-speed communications infrastructure, Advantest expects steady growth in demand for logic semiconductors for smartphones and communications ICs. On the other hand, semiconductor test equipment for PC-related devices, which market continues to shrink, and for DRAM, which prices continue to decline, is expected to attract less new investment in the future. Taking these factors into consideration, Advantest expects that the semiconductor test equipment market in FY2016 will remain at approximately the same level year-on-year.

Taking into account the recent market forecast and foreign exchange trend, with respect to consolidated results for FY2016, Advantest forecasts net sales of (Y) 156.0 billion, operating income of (Y) 10.0 billion, and net income of (Y) 7.5 billion. These forecasts are based on foreign exchange rates of 110 JPY to 1 USD and 120 JPY to 1 Euro.

(2) Analysis of Financial Condition

Total assets at the end of FY2015 amounted to (Y) 249.5 billion, a decrease of (Y) 23.6 billion compared to the previous fiscal year, primarily due to decrease of (Y) 12.1 billion, (Y) 3.9 billion and (Y) 3.4 billion in cash and cash equivalents, inventories and goodwill, respectively. The amount of total liabilities was (Y) 117.3 billion, a decrease of (Y) 14.8 billion compared to the previous fiscal year, primarily due to a redemption of (Y) 10.0 billion in corporate bonds and a decrease of (Y) 6.3 billion in trade accounts payable. Stockholders' equity was (Y) 132.1 billion. Equity to assets ratio was 53.0%, an increase of 1.4 percentage points from March 31, 2015.

(Cash Flow Condition)

Cash and cash equivalents at the end of FY2015 were (Y) 85.4 billion, a decrease of (Y) 12.1 billion from the previous fiscal year.

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

Net cash provided by operating activities was (Y) 7.7 billion (net cash inflow of (Y) 24.5 billion in FY2014). This amount was primarily attributable to a decrease of (Y) 3.3 billion and (Y) 5.8 billion in inventories and trade accounts payable, respectively, and adjustments of non cash items such as depreciation and amortization in addition to the net income of (Y) 7.9 billion.

Net cash used in investing activities was (Y) 2.4 billion (net cash outflow of (Y) 1.3 billion in FY2014). This amount was primarily attributable to payments for acquisition of tangible fixed assets in the amount of (Y) 3.1 billion.

Net cash used in financing activities was (Y) 13.5 billion (net cash outflow of (Y) 1.3 billion in FY2014). This amount was primarily attributable to redemption of corporate bonds (Y) 10.0 billion and dividends paid of (Y) 3.5 billion.

The following table illustrates the historical movements of certain cash flow indexes:

	FY2011	FY2012	FY2013	FY2014	FY2015
Stockholders' equity ratio (%)	60.0	62.6	50.6	51.6	53.0
Stockholders' equity ratio based on market prices (%)	103.1	103.7	84.7	97.1	72.8
Debt to annual cash flow ratio (%)	203.2	-	-	225.7	584.2
Interest coverage ratio (times)	80.6	-	-	178.7	66.1

Stockholders' equity ratio: stockholders' equity / total assets

Stockholders' equity ratio based on market prices: market capitalization / total assets

Debt to annual cash flow ratio: interest-bearing liabilities / operating cash flows

Interest coverage ratio: operating cash flows / interest payments

(Notes) 1. These indexes are calculated using U.S. GAAP figures.

2. Market capitalization is calculated based on quoted market price as of fiscal year end, and issued and outstanding shares excluding treasury stock.

3. Operating cash flows are the cash flows provided by operating activities on the consolidated statements of cash flows.

4. Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interest.

5. Debt to annual cash flow ratio and interest coverage ratio of FY2012, FY2013 are not presented because of the net cash outflow incurred for these years.

(3) Basic Policy on Distribution of Profits and Distribution for FY2015

Based on the premise that long-term and continued growth in corporate value is fundamental to the creation of shareholder value, Advantest deems the consistent distribution of profits to be the most important management priority. Accordingly, Advantest engages in active distribution of profits based on consolidated business performance.

With respect to the distribution of retained earnings, Advantest makes payout decisions after taking into consideration consolidated business performance, financial conditions, as well as the need for strategic investment for mid-to-long-term business development. While aiming to make consistent distributions, because of the fluctuation of the market in which it operates, Advantest makes dividend payouts following a target payout ratio of 20% or more.

Retained earnings are devoted to research and development, streamlining efforts, overseas expansion, investments in new businesses and resources for M&A activities, with an aim to strengthen Advantest's business position and enhance its corporate value.

In order to maintain capital strategies responsive to changes in the operating environment, Advantest plans to repurchase its own shares from time to time through taking into account factors such as trends in stock price, capital efficiency and cash flow.

In this fiscal year, Advantest decided to distribute a year-end dividend of (Y) 10 consistent with the FY2015 forecast which was announced on January 27, 2016 based on the above-mentioned basic policy on distribution of profits, with a payment date of June 2, 2016. Since Advantest paid an interim dividend of (Y) 10 on December 1, 2015, the total dividend per share for the fiscal year will be (Y) 20.

2. Management Policy

(1) Advantest's Basic Management Policy

Advantest has established a corporate vision of “Technology Support on the Leading Edge”, and its corporate mission of “Quest for the Essence”. Guided by these principles, Advantest respects each of its stakeholders, strives to maintain harmony with society, and aims for the sustained development of the Company and the improvement of corporate value while contributing to the goal of a sustainable society.

(2) Target Financial Index

Advantest believes that improvement of profitability, financial soundness and efficient utilization of assets are source of corporate value. Therefore, Advantest sets ratio of operating income, return of equity (“ROE”) and cash flow as an important management indicator.

(3) Mid-to-Long-Term Business Strategy and Issues to be Addressed

With a core competence of measurement technologies developed over decades of R&D, Advantest aims to enhance corporate value through promoting two management policies.

The first policy is to continuously improve its cost structure such that it can generate stable profits even in the semiconductor test equipment market with high fluctuations in demand. Specifically, it will seek to hold down its break-even point by reducing its cost of sales, flexibly optimizing overall costs in response to changes in the business environment, and improving work efficiency, among other measures.

The second policy is to reinforce and diversify its profit sources to enable sustainable growth by implementing a two-pronged strategy of seeking deep demand in the test market that is expected to expand multidimensionally and creating new businesses that leverage its technological strengths. Development of technologies for advanced information society, including the spread of use of smartphones, 5G and other high-speed networks, IoT, ADAS (advanced driver assistance systems) and artificial intelligence will drive further utilization of semiconductors in every machined device and systems. Advantest believes this will increase the need for functional tests and reliability tests at every stage of manufacturing, from semiconductor chips to complicated high-end systems. It sees this market shift as a business opportunity and will continue to rapidly develop and provide products and services to meet these needs. It will also aim to identify promising markets of new applications for its measurement technologies, and create and grow businesses to serve these markets. To support this reinforcement and diversification of its profit sources, it is committed to R&D management from a medium- to long-term perspective, allowing for agile and strategic allocation of resources, while maintaining the company’s financial health and efficiency.

3. Basic Approach to the Selection of Accounting Standards

Advantest plans to voluntarily adopt International Financial Reporting Standards (“IFRS”) in place of accounting principles generally accepted in the U.S. (“U.S.GAAP”) starting with the Annual Securities Report with respect to the fiscal period ended March 31, 2016, due to its delisting from the NYSE and the scheduled termination of its reporting obligations under the Exchange Act, although Advantest has continued to use U.S. GAAP in this document and its consolidated financial statements under the Companies Act.

Advantest believes that IFRS contributes to 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets (Unaudited)

Assets	Yen (Millions)	
	March 31, 2015	March 31, 2016
Current assets:		
Cash and cash equivalents	¥ 97,574	85,430
Trade receivables, net	24,960	26,362
Inventories	37,210	33,315
Other current assets	5,057	5,591
Total current assets	164,801	150,698
Investment securities	2,249	1,292
Property, plant and equipment, net	38,480	35,561
Intangible assets, net	4,085	3,269
Goodwill	54,590	51,227
Other assets	8,836	7,422
Total assets	¥ 273,041	249,469

Liabilities and Stockholders' Equity	Yen (Millions)	
	March 31, 2015	March 31, 2016
Current liabilities:		
Trade accounts payable	¥ 18,101	11,809
Accrued expenses	10,482	9,190
Income taxes payable	2,106	1,533
Accrued warranty expenses	1,525	1,709
Corporate bonds - current portion	10,000	—
Customer prepayments	4,900	2,649
Other current liabilities	2,572	2,927
Total current liabilities	49,686	29,817
Corporate bonds	15,000	15,000
Convertible bonds	30,119	30,089
Accrued pension and severance costs	35,034	40,682
Other liabilities	2,264	1,759
Total liabilities	132,103	117,347
Commitments and contingent liabilities		
Stockholders' equity:		
Common stock	32,363	32,363
Capital surplus	43,770	43,761
Retained earnings	141,104	145,491
Accumulated other comprehensive income	18,387	5,092
Treasury stock	(94,686)	(94,585)
Total stockholders' equity	140,938	132,122
Total liabilities and stockholders' equity	¥ 273,041	249,469

(2) Consolidated Statements of Operations (Unaudited)

	Yen (Millions)	
	Year ended March 31, 2015	Year ended March 31, 2016
Net sales	¥ 163,329	162,463
Cost of sales	72,903	70,488
Gross profit	90,426	91,975
Research and development expenses	29,876	31,837
Selling, general and administrative expenses	45,720	48,235
Impairment charge	211	—
Operating income	14,619	11,903
Other income (expense):		
Interest and dividend income	203	301
Interest expense	(137)	(103)
Gain on sale of investment securities	750	174
Other, net	3,424	(828)
Total other income (expense)	4,240	(456)
Income before income taxes	18,859	11,447
Income taxes (benefit)	5,911	3,509
Net income	¥ 12,948	7,938

	Yen	
	Year ended March 31, 2015	Year ended March 31, 2016
Net income per share:		
Basic	¥ 74.31	45.47
Diluted	67.16	41.09

(3) Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

	Yen (Millions)	
	Year ended March 31, 2015	Year ended March 31, 2016
Comprehensive income (loss)		
Net income	¥ 12,948	7,938
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	17,474	(8,563)
Net unrealized gains (losses) on investment securities	(266)	(466)
Pension related adjustments	(4,147)	(4,266)
Total other comprehensive income (loss)	13,061	(13,295)
Total comprehensive income (loss)	¥ 26,009	(5,357)

(4) Consolidated Statements of Stockholders' Equity (Unaudited)

		Yen (Millions)	
		Year ended March 31, 2015	Year ended March 31, 2016
Common stock			
Balance at beginning of year	¥	32,363	32,363
Changes in the year		—	—
Balance at end of year		<u>32,363</u>	<u>32,363</u>
Capital surplus			
Balance at beginning of year		43,906	43,770
Changes in the year			
Exercise of stock options		(136)	(9)
Total changes in the year		<u>(136)</u>	<u>(9)</u>
Balance at end of year		<u>43,770</u>	<u>43,761</u>
Retained earnings			
Balance at beginning of year		130,740	141,104
Changes in the year			
Net income		12,948	7,938
Cash dividends		(1,742)	(3,491)
Reissuance of treasury stock		(842)	(60)
Total changes in the year		<u>10,364</u>	<u>4,387</u>
Balance at end of year		<u>141,104</u>	<u>145,491</u>
Accumulated other comprehensive income (loss)			
Balance at beginning of year		5,326	18,387
Changes in the year			
Other comprehensive income (loss) , net of tax		13,061	(13,295)
Balance at end of year		<u>18,387</u>	<u>5,092</u>
Treasury stock			
Balance at beginning of year		(96,083)	(94,686)
Changes in the year			
Purchases of treasury stock		(33)	(1)
Reissuance of treasury stock		1,430	102
Total changes in the year		<u>1,397</u>	<u>101</u>
Balance at end of year		<u>(94,686)</u>	<u>(94,585)</u>
Total stockholders' equity			
Balance at beginning of year		116,252	140,938
Changes in the year			
Net income		12,948	7,938
Other comprehensive income (loss) , net of tax		13,061	(13,295)
Cash dividends		(1,742)	(3,491)
Exercise of stock options		(136)	(9)
Purchases of treasury stock		(33)	(1)
Reissuance of treasury stock		588	42
Total changes in the year		<u>24,686</u>	<u>(8,816)</u>
Balance at end of year	¥	<u>140,938</u>	<u>132,122</u>

(5) Consolidated Statements of Cash Flows (Unaudited)

	Yen (Millions)	
	Year ended March 31, 2015	Year ended March 31, 2016
Cash flows from operating activities:		
Net income	¥ 12,948	7,938
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,059	5,325
Deferred income taxes	2,063	1,505
Gain on sale of investment securities	(750)	(174)
Changes in assets and liabilities:		
Trade receivables	(1,690)	(2,409)
Inventories	(5,094)	3,269
Trade accounts payable	4,372	(5,808)
Accrued expenses	3,484	(1,172)
Income taxes payable	995	(711)
Accrued warranty expenses	(135)	189
Customer prepayments	2,342	(2,221)
Accrued pension and severance costs	1,328	1,711
Other	(441)	286
Net cash provided by (used in) operating activities	<u>24,481</u>	<u>7,728</u>
Cash flows from investing activities:		
Proceeds from sale of available-for-sale securities	2,132	503
Proceeds from sale of property, plant and equipment	99	509
Purchases of property, plant and equipment	(3,230)	(3,116)
Purchases of intangible assets	(477)	(449)
Other	166	158
Net cash provided by (used in) investing activities	<u>(1,310)</u>	<u>(2,395)</u>
Cash flows from financing activities:		
Redemption of corporate bonds	-	(10,000)
Dividends paid	(1,742)	(3,488)
Other	444	(43)
Net cash provided by (used in) financing activities	<u>(1,298)</u>	<u>(13,531)</u>
Net effect of exchange rate changes on cash and cash equivalents	<u>6,704</u>	<u>(3,946)</u>
Net change in cash and cash equivalents	<u>28,577</u>	<u>(12,144)</u>
Cash and cash equivalents at beginning of year	<u>68,997</u>	<u>97,574</u>
Cash and cash equivalents at end of year	<u>¥ 97,574</u>	<u>85,430</u>

(6) Notes to the Consolidated Financial Statements

(Note 1) Accounting Principles, Procedures and the Presentation of the Consolidated Financial Statements

(a) Terminology, Form and Method of Preparation of the Consolidated Financial Statements

Advantest Corporation (or the “Company”) and its consolidated subsidiaries (collectively “Advantest”) prepared the consolidated financial statements in this document in accordance with generally accepted accounting principle in the United States of America (“U.S. GAAP”). U.S. GAAP is codified in the Accounting Standards Codification, which is the source of authoritative accounting principles recognized by the Financial Accounting Standards Board.

(b) Preparation of Consolidated Financial Statements and Registration with the U.S. Securities and Exchange Commission

Advantest Corporation became a listed company on the New York Stock Exchange on September 17, 2001 (local time) by means of an issuance of American Depository Shares. It had been filing a Form 20-F (equivalent to the Annual Securities Report in Japan) with the U.S. Securities and Exchange Commission (“SEC”) since FY2001, and had prepared consolidated financial statements in accordance with U.S. GAAP. As previously announced, Advantest Corporation applied for deregistration with the SEC and termination of its reporting obligations under the Exchange Act, and does not plan to file a Form 20-F for the fiscal period ended March 31, 2016. Advantest plans to voluntarily adopt International Financial Reporting Standards (“IFRS”) as the accounting standard for its consolidated financial statements in place of accounting principles generally accepted in the U.S. (“U.S.GAAP”) starting with the Annual Securities Report.

(c) Principles of Consolidation

Advantest’s consolidated financial statements include financial statements of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany balances and transactions have been eliminated in consolidation.

(Note 2) Notes on Going Concern: None

(Note 3) Reclassifications

Certain reclassifications have been made to the prior years’ consolidated financial statements to conform with the presentation used for the year ended March 31, 2016.

(Note 4) Segment Information

1. Business Segment Information

	Yen (Millions)				
	Year ended March 31, 2015				
	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Total
Net sales to unaffiliated customers	¥ 108,230	28,347	26,752	—	163,329
Inter-segment sales	90	—	—	(90)	—
Net sales	108,320	28,347	26,752	(90)	163,329
Impairment charge	—	—	—	211	211
Depreciation and amortization	1,817	748	2,249	245	5,059
Operating income (loss) before stock option compensation expense	14,588	3,768	3,348	(7,085)	14,619
Adjustment:					
Stock option compensation expense					—
Operating income				¥	<u>14,619</u>
Expenditures for additions to long-lived assets	2,051	716	1,428	51	4,246
Total assets	88,983	25,649	42,003	116,406	273,041

	Yen (Millions)				
	Year ended March 31, 2016				
	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Total
Net sales to unaffiliated customers	¥ 100,921	31,623	29,919	—	162,463
Inter-segment sales	56	—	—	(56)	—
Net sales	100,977	31,623	29,919	(56)	162,463
Depreciation and amortization	2,305	733	1,962	325	5,325
Operating income (loss) before stock option compensation expense	10,070	2,826	4,780	(5,773)	11,903
Adjustment:					
Stock option compensation expense					—
Operating income				¥	<u>11,903</u>
Expenditures for additions to long-lived assets	1,970	898	1,089	19	3,976
Total assets	82,706	24,452	40,815	101,496	249,469

(Notes)

- Adjustments to operating 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.
- Advantest uses the operating income (loss) before stock option compensation expense for management's analysis of business segment results.
- Additions to long-lived assets included in Corporate consist of purchases of software and fixed assets for general corporate use.
- Total assets included in Corporate consist of cash and cash equivalents, assets for general corporate use and assets used for fundamental research activities, which are not allocated to reportable segments.

2. Consolidated Net Sales by Geographical Areas

		Yen (Millions)	
		Year ended March 31, 2015	Year ended March 31, 2016
Japan	¥	13,120	12,979
Americas		27,695	29,639
Europe		9,076	6,182
Asia		113,438	113,663
Total	¥	163,329	162,463

(Notes)

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

(Note 5) Per Share Information

The following table sets forth the computation of basic and diluted net income per share for the years ended March 31:

		Yen (millions) except per share data	
		Year ended March 31, 2015	Year ended March 31, 2016
Numerator:			
Net income		12,948	7,938
Dilutive effect of exercise of exercise of convertible bonds		(16)	(17)
Diluted net income		12,932	7,921
Denominator			
Basic weighted average shares of common stock outstanding		174,244,799	174,569,193
Dilutive effect of exercise of stock options		163,433	61,173
Dilutive effect of exercise of exercise of convertible bonds		18,126,888	18,126,888
Diluted weighted average shares of common stock outstanding		192,535,120	192,757,254
Basic net income per share		74.31	45.47
Diluted net income per share		67.16	41.09

At March 31, 2015 and 2016, Advantest had outstanding stock options into 4,025,677 and 2,358,085 shares of common stock, respectively, which were anti-dilutive and excluded from the calculation of diluted net income per share but could potentially dilute net income per share in future periods.

(Note 6) Significant Subsequent Events: None

Changes in Directors and Executive Officers
(To be effective on June 28, 2016)

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

Director	Shinichiro Kuroe
Director	Osamu Karatsu
Director	Seiichi Yoshikawa
Director	Sae Bum Myung
Director	Yoshiaki Yoshida
Director	Hiroshi Nakamura

Mr. Kuroe is to be elected as Representative Director at the extraordinary meeting of the board of directors to be held on June 28, 2016 after the 74th ordinary general meeting of shareholders of Advantest Corporation.

2. Nominees for Executive Officers

President and CEO	Shinichiro Kuroe	
Senior Executive Officer	Sae Bum Myung	
Senior Executive Officer	Yoshiaki Yoshida	(to be promoted)
Managing Executive Officer	Hiroshi Nakamura	
Managing Executive Officer	Hans-Juergen Wagner	
Managing Executive Officer	Soichi Tsukakoshi	
Managing Executive Officer	Satoru Nagumo	
Managing Executive Officer	Koichi Tsukui	
Executive Officer	Takashi Sugiura	
Executive Officer	Takashi Sekino	
Executive Officer	Josef Schraetzenstaller	
Executive Officer	Makoto Nakahara	
Executive Officer	Toshiyuki Okayasu	
Executive Officer	CH Wu	
Executive Officer	Kazuhiro Yamashita	
Executive Officer	Wilhelm Radermacher	
Executive Officer	Masuhiko Yamada	
Executive Officer	Isao Sasaki	
Executive Officer	Keith Hardwick	
Executive Officer	Douglas Lefever	
Executive Officer	Syunsuke Kato	
Executive Officer	Kimiya Sakamoto	
Executive Officer	Atsushi Fujita	
Executive Officer	Yong Xu	(to be newly elected)

3. Expiration of term of office of Executive Officers

Takayuki Nakamura, Executive Officer ----- To be elected as Advisor

Nominees for New Executive Officers (Biography)

Yong Xu (Date of Birth: August 24, 1969)

- Mar. 1996 Completed the Graduate School of Engineering (Master's Course) , University of Fukui,
Master of Engineering in Information Science
- Apr. 1996 Joined Advantest Corporation
- May. 1999 Joined Advantest (Suzhou) Co., Ltd
- Jun. 2006 President(CEO), Advantest (Suzhou) Co., Ltd. (present position)
President(CEO), Advantest Shanghai Co., Ltd. (present position)
- Jun. 2011 Director, Advantest (Suzhou) Co., Ltd. (present position)
Director, Advantest Shanghai Co., Ltd. (present position)
- Apr. 2012 Director, Advantest (China) Co., Ltd. (present position)
President(CEO), Advantest (China) Co., Ltd. (present position)
Director, Advantest Technology (Shanghai) Co., Ltd. (present position)
President(CEO), Advantest Technology (Shanghai) Co., Ltd. (present position)