

(The following is an unofficial English translation of the Convocation Notice of the 76th Ordinary General Meeting of Shareholders of Advantest Corporation (the “Company”). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.)

(Stock Code Number: 6857)

**CONVOCATION NOTICE OF
THE 76th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and time: June 27, 2018 (Wednesday) at 10:00 a.m.
(The reception desk will open at 9:10 a.m.)

Place: Narimasu ACT Hall
3-11-3-405, Narimasu, Itabashi-ku, Tokyo

Message to Shareholders

To Our Shareholders

We are pleased to send you this Convocation Notice for the 76th Ordinary General Meeting of Shareholders.

In semiconductor-related markets, there was generally a slump in capex for semiconductors used in smartphones due to prolonged Chinese smartphone inventory adjustments. However, there was solid growth in demand for automotive semiconductors and sensors amid the development of advances in automotive electronics. Moreover, vigorous growth in demand for data center-related semiconductors continued, especially for 3D NAND flash memory and DRAM, causing memory semiconductor manufacturers to actively invest in expanding production capacity.

In this business environment, the Company worked to capture demand for test equipment for memory semiconductors and automotive semiconductors, both of which have shown remarkable growth, as well as to boost sales of peripheral devices for semiconductor testing. The Company also took steps to increase production capacity in order to keep up with the steep increase in demand.

As a result, orders received were ¥247.8 billion and net sales were ¥207.2 billion. Both showed their highest level of performance in 11 years, since FY2006. Operating income was ¥24.5 billion, income before income taxes was ¥24.3 billion and net income was ¥18.1 billion.

With respect to the year-end dividend distribution to the shareholders, we resolved at the meeting of the Board of Directors held on May 22, 2018 to distribute a year-end dividend of ¥23 per share, with a payment date of June 4, 2018.

Since Advantest has paid an interim dividend of ¥9 per share, the total dividend per share for the fiscal year will be ¥32 per share (an increase of ¥7 compared with FY2016).

The Company has formulated Grand Design and Mid-Term Management Plan, which lay out the next decade of the Company's growth policies. For detail, please refer to the Business Report "Issues to be Addressed" on page 29 onward.

We hope that we may rely on you for your continued support and guidance in the future.

June 2018

Yoshiaki Yoshida
Representative Director,
President and CEO

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(Stock Code Number: 6857)
June 1, 2018

To Our Shareholders

Yoshiaki Yoshida
Representative Director
President and CEO
ADVANTEST CORPORATION
32-1, Asahi-cho 1-chome,
Nerima-ku, Tokyo

CONVOCATION NOTICE OF THE 76th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

Notice is hereby given that the 76th Ordinary General Meeting of Shareholders of ADVANTEST CORPORATION (the “Company”) will be held as set forth below. Your attendance thereat is respectfully requested.

If you are not able to attend the meeting, the Company request that you exercise your voting rights in writing or by means of an electromagnetic method (via the Internet, etc.) by 5:00 p.m. of June 26, 2018 (Tuesday) after carefully reading the reference documents as set forth below.

1. Date and time: June 27, 2018 (Wednesday) at 10:00 a.m.
(The reception desk will open at 9:10 a.m.)
2. Place: Narimasu ACT Hall
3-11-3-405, Narimasu Itabashi-ku, Tokyo
3. Subject matters of the general meeting of shareholders:

Matters to be reported:

- Item No.1: Matters concerning the business report, consolidated financial statements and non-consolidated financial statements reporting for the 76th Fiscal Year (from April 1, 2017 to March 31, 2018)
- Item No.2: Matters concerning the results of audit of the Company’s consolidated financial statements by the Independent Auditors and the Audit and Supervisory Committee

Matters to be resolved:

Agenda Items:

- Agenda Item No. 1: Partial amendment of the Articles of Incorporation
- Agenda Item No. 2: Election of 6 directors (excluding directors who are audit and supervisory committee members)
- Agenda Item No. 3: Election of 1 director who is an audit and supervisory committee member
- Agenda Item No. 4: Determination of the amount and details of performance-based stock remuneration plan, etc. for directors (excluding outside directors and directors who are audit and supervisory committee members)

Agenda Item No. 5: Change of the amount and details of remuneration as stock options to directors (excluding outside directors and directors who are audit and supervisory committee members)

4. Instructions for the Exercise of Voting Rights:

[Exercise of voting rights in writing by submitting the enclosed voting right exercise form]

Please indicate your intention to vote “for” or “against” each agenda item on the enclosed voting right exercise form, and then return the form to us to be delivered by 5:00 p.m. of June 26, 2018 (Tuesday).

[Exercise of voting rights by means of an electromagnetic method (via the Internet, etc.)]

Please access the website for casting votes (<https://evote.tr.mufg.jp/>) and indicate your intention to vote “for” or “against” each agenda item by following the on-screen instructions by the time limit set forth above. For details, please refer to “Instructions for the Exercise of Voting Rights via the Internet, etc.” as set forth on page 5.

[Handling of the duplicated votes]

If the voting rights are exercised by means of both the voting right exercise form and an electromagnetic method, the exercise of voting rights by means of the electromagnetic method shall be deemed valid.

If the voting rights are exercised by means of an electromagnetic method multiple times, the last exercise of voting rights shall be deemed valid.

.....
When you arrive at the meeting, please submit the enclosed voting right exercise form to the reception desk at the site of the meeting.

As the following information is available on the Company’s website in accordance with laws and regulations and Article 13 of the Articles of Incorporation, it is not included in this convocation notice. Materials attached to this convocation notice and the matters posted on the Company’s website are documents audited by the Independent Auditors and the Audit and Supervisory Committee when preparing the Report of Independent Auditors and the Audit Report, respectively.

1. Notes to Consolidated Financial Statements
2. Notes to Non-Consolidated Financial Statements

Amendments to the reference documents for the general meeting of shareholders and/or attached materials, if any, will be posted on the Company’s website.

The Company cordially invite you to attend a reception to be held after the meeting for shareholders. From now on, beverage will be served by pet bottle.

For shareholders who will be unable to attend the meeting, presentation materials concerning matters to be reported will be posted on the Company’s website on the day of the meeting.

The resolutions adopted at the meeting will be posted on the Company’s website (<https://www.advantest.com/investors>) instead of issuing a written notice of the resolutions.

<<Instructions for the Exercise of Voting Rights via the Internet, etc.>>

If you choose to exercise your voting rights via the Internet, please read the instructions below before doing so. If you attend the meeting, you do not need to mail the voting right exercise form or vote via the Internet.

1. About the website for casting votes

(1) Voting rights may be exercised online only by accessing the website designated by the Company (<https://www.evotet.tr.mufg.jp/>) on a personal computer, smartphone or mobile phone. (This website is out of service from 2:00 a.m. to 5:00 a.m. every day.)

(2) In some cases, you may not be able to use the website for casting votes due to your Internet environment, network service, or communication device model.

(3) Although exercise of Voting Rights via the Internet is available until 5:00 p.m. on June 26, 2018 (Tuesday), please exercise your voting rights early. Please contact the helpdesk below if you have any questions.

2. About the exercise of voting rights via the Internet

(1) Please use your “login ID” and “temporary password” indicated on the enclosed voting rights exercise form to access the voting website (<https://www.evotet.tr.mufg.jp/>), and then vote “for” or “against” by following the on-screen instructions.

(2) Please note that you will be asked to change your “temporary password” on the website for casting votes in order to avoid unauthorized access by any third person (spoofing) or alteration of the details of your vote.

3. Handling of votes cast more than one time

(1) If voting rights are exercised both by mail and via the Internet, the exercise of voting rights via the Internet shall be deemed valid.

(2) If voting rights are exercised via the Internet multiple times, the last exercise of voting rights shall be deemed valid. Also, if the voting rights are exercised through the use of more than one electronic device, such as a personal computer, a smartphone or a mobile phone, the voting right exercised last in time shall be deemed valid.

4. Charges and fees incurred by accessing the website for casting votes

Any connection charges due to Internet service providers and communication charges due to communication carriers incurred as a result of using the voting website shall be the responsibility of each shareholder.

[Contact for inquiry regarding IT system, etc.]

Corporate Agency Division (Helpdesk) , Mitsubishi UFJ Trust and Banking Corporation

Phone number: 0120-173-027 (toll-free number within Japan)

Business hours: 9 a.m. to 9 p.m. (Japan time)

[About the electronic voting platform]

Nominee shareholders (including standing proxies) such as trust banks can use the electronic voting platform operated by ICJ, Inc. by submitting an application in advance.

Reference Documents for the General Meeting of Shareholders

Agenda Items and Reference Matters:

Agenda Item No. 1: Partial amendment of the Articles of Incorporation

1. Reason for Amendments

In order to further enhance management efficiency, the Company will relocate its head office to Chiyoda-ku, Tokyo where the Company's head office functions are located. In line with this relocation, the location of the Company's head office specified in Article 3 of the current Articles of Incorporation will be changed from Nerima-ku , Tokyo to Chiyoda-ku, Tokyo.

2. Details of the amendment

Details of the amendment are as follows:

(Changes (including deletions) are underlined.)


Current Articles of Incorporation	Proposed Amendment
Article 3. (<i>Location of Head Office</i>) The Company shall have its head office in <u>Nerima-ku</u> , Tokyo.	Article 3. (<i>Location of Head Office</i>) The Company shall have its head office in <u>Chiyoda-ku</u> , Tokyo.


Agenda Item No. 2: Election of 6 directors (excluding directors who are audit and supervisory committee members)


The term of office of all six current directors (excluding directors who are audit and supervisory committee members) will expire upon the closing of this ordinary general meeting of shareholders. The Company therefore requests that you elect six directors (excluding directors who are audit and supervisory committee members). The Company has received a report from the Audit and Supervisory Committee stating that this agenda item was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee, taking into consideration the career, capabilities, personalities, and other attributes of each candidate in a comprehensive manner, and that the candidate nomination procedure was appropriate and there were no specific findings.


The profiles of the director candidates (excluding directors who are audit and supervisory committee members) are set forth below.


Candidate No.	Name	Present position and assignment	Number of attendances at the meetings of the Board of Directors
1	<input type="checkbox"/> Reappointed Yoshiaki Yoshida	Representative Director, President and CEO	13/13
2	<input type="checkbox"/> Reappointed <input checked="" type="checkbox"/> Independent Osamu Karatsu	Outside Director	13/13
3	<input type="checkbox"/> Reappointed <input checked="" type="checkbox"/> Independent Seichi Yoshikawa	Outside Director	13/13
4	<input type="checkbox"/> Reappointed Sae Bum Myung	Director, Corporate Vice President, Customer Relations	13/13
5	<input type="checkbox"/> Reappointed Hans-Juergen Wagner	Director, Managing Executive Officer, Test Technology	10/10
6	<input type="checkbox"/> Reappointed Soichi Tsukakoshi	Director, Managing Executive Officer, Supply Chain	10/10


	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
1	 <p>Yoshiaki Yoshida (February 8, 1958)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-left: 20px;">Reappointed</div>	<p>April 1999 Joined Advantest Corporation June 2006 Executive Officer June 2009 Managing Executive Officer June 2013 Director, Managing Executive Officer June 2016 Director, Senior Executive Officer</p> <p>January 2017 Representative Director, President and CEO (present position)</p>	46,165
<p>The reasons for nomination as a candidate for director</p> <p>■After his duties as the representative director of a subsidiary of the Company, Executive Vice President of the Corporate Planning Group, Executive Vice President of the Corporate Relations Group, and Executive Vice President, Nanotechnology Business Group, Mr. Yoshiaki Yoshida has been serving as Representative Director, President and CEO of the Company since January 2017. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
2	 <p data-bbox="268 539 459 600">Osamu Karatsu (April 25, 1947)</p> <div data-bbox="292 618 440 651" style="border: 1px solid black; padding: 2px; width: fit-content; margin: 2px;">Reappointed</div> <div data-bbox="292 678 440 712" style="border: 1px solid black; padding: 2px; width: fit-content; margin: 2px;">Independent</div>	<p data-bbox="507 259 1252 320">April 1975 Joined Nippon Telegraph and Telephone Public Corporation</p> <p data-bbox="507 327 1189 427">June 1991 Executive Manager, LSI Laboratories, Nippon Telegraph and Telephone Corporation</p> <p data-bbox="507 434 1204 562">June 1997 Vice President and Director, Advanced Telecommunications Research Institute International (Resigned June 1999)</p> <p data-bbox="507 568 1252 629">April 1999 Principal Consultant, SRI Consulting K.K.</p> <p data-bbox="507 636 1252 696">April 2000 Chief Executive Director, SRI International Japan (Resigned January 2012)</p> <p data-bbox="507 703 1252 757">June 2012 Outside Director of Advantest Corporation (present position)</p>	2,536
<p data-bbox="240 763 1374 797">The reasons for nomination as a candidate for outside director and the number of years in office</p> <ul style="list-style-type: none"> <li data-bbox="240 801 903 835">■Mr. Osamu Karatsu is a candidate for outside director. <li data-bbox="240 840 1461 965">■In addition to his management experience at R&D institutions in Japan and overseas, Mr. Osamu Karatsu has a wealth of knowledge and experience as a semiconductor specialist. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for outside director. <li data-bbox="240 969 1222 1003">■Mr. Osamu Karatsu has served as an outside director of the Company for 6 years. <p data-bbox="240 1037 408 1070">Independence</p> <ul style="list-style-type: none"> <li data-bbox="240 1075 1461 1234">■The Company has no special transactions with Mr. Osamu Karatsu and the Company judges that he is sufficiently independent in light of the “Independence Criteria of Independent Outside Directors” (page 16) specified by the Company. And since he also satisfies the requirements for independent directors/auditors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director with the said exchange. 			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
	 <p>Seiichi Yoshikawa (March 22, 1946)</p> <p>Reappointed</p> <p>Independent</p>	<p>July 1969 Joined Fujitsu Limited</p> <p>June 2000 Director, Fujitsu Laboratories Ltd.</p> <p>June 2004 Managing Director, Fujitsu Laboratories Ltd. (Resigned June 2009)</p> <p>March 2011 Chairman, QD Laser, Inc. (Resigned December 2012)</p> <p>September 2012 Principal Fellow, Center for Research and Development Strategy, Japan Science and Technology Agency (Resigned March 2015)</p> <p>June 2013 Outside Director of Advantest Corporation (present position)</p>	3,443
3	<p>The reasons for nomination as a candidate for outside director and the number of years in office</p> <ul style="list-style-type: none"> ■Mr. Seiichi Yoshikawa is a candidate for outside director. ■Mr. Seiichi Yoshikawa has a wealth of knowledge and experience as a research and development strategy specialist as well as experience in management of R&D companies in Japan. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for outside director. ■Mr. Seiichi Yoshikawa has served as an outside director of the Company for 5 years. <p>Independence</p> <ul style="list-style-type: none"> ■Mr. Seiichi Yoshikawa does not have any special interest in the Company. The Company has transactions with Fujitsu Limited, where Mr. Seiichi Yoshikawa used to work, including sales of products. The amount of the Company's sales to Fujitsu in FY2017 accounted for less than 1% of the Company's consolidated net sales. The Company's transactions with Fujitsu also include purchases of raw materials and contracting of services. The amount of such transactions with Fujitsu in FY2017 accounted for less than 1% of the sum of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis. <p>Therefore, the Company judges that he is sufficiently independent in light of the Independence Criteria of Independent Outside Directors (page 16) specified by the Company. And since he also satisfies the requirements for independent directors/auditors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director with the said exchange.</p>		

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
4	 Sae Bum Myung (September 16, 1954) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Reappointed</div>	April 1989 Joined Advantest Corporation June 2008 Executive Officer June 2011 Director, Managing Executive Officer Sales and Marketing Executive Vice President, Sales Group (present position) June 2015 Director, Senior Executive Officer June 2017 Director, Corporate Vice President (present position) Customer Relations (present position)	5,077
<p>The reasons for nomination as a candidate for director</p> <p>■ Mr. Sae Bum Myung has been engaged in sales and marketing operations of the Company for many years. He serves as the Representative Director and Chairman of Advantest Korea Co., Ltd. and Executive Vice President of the Sales Group of the Company and has a wealth of knowledge and experience concerning sales and marketing. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value through strengthening of relationships with customers around the world and, therefore, has nominated him again as a candidate for director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
5	 <p>Hans-Juergen Wagner (January 19, 1960)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-left: 20px;">Reappointed</div>	<p>January 1985 Joined Hewlett-Packard GmbH July 2011 Executive Officer of Advantest Corporation October 2011 Chairman of the Board, President and CEO, Verigy Ltd. (currently Advantest (Singapore) Pte. Ltd.) April 2012 Managing Director (R&D, CTO), Advantest Europe GmbH August 2012 SoC Test Business Groups, Advantest Corporation June 2013 Managing Executive Officer June 2017 Director, Managing Executive Officer (present position) Test Technology (present position) Managing Director(CEO), Advantest Europe GmbH (present position) SoC Test Business Group, Advantest Corporation (present position)</p>	0
<p>The reasons for nomination as a candidate for director</p> <p>■Mr. Hans-Juergen Wagner is responsible for the SoC Test Business Groups that handle V93000 SoC test systems, the Company's mainstay products, and also serves as CEO of Advantest Europe GmbH. He has profound knowledge about the market trend of semiconductor testers, the Company's core business, and about technological development. He also has strong relationships with customers around the world. Thus, the Company believes that he is a suitable person for further globalization of the Board of Directors and, therefore, has nominated him again as a candidate for director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
6	 Soichi Tsukakoshi (February 1, 1960) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Reappointed</div>	April 1983 Joined Advantest Corporation June 2008 Executive Officer June 2013 Executive Vice President, Production Group (present position) June 2015 Managing Executive Officer June 2017 Director, Managing Executive Officer (present position) Supply Chain (present position)	4,335
<p>The reasons for nomination as a candidate for director</p> <p>■Mr. Soichi Tsukakoshi has been engaged in sales and marketing operations. After his duties as Senior Vice President of the Sales Group, he currently serves as Executive Vice President of the Production Group. He has a wealth of knowledge and experience concerning sales and marketing as well as production. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value through enhancement of efficiency of manufacturing and supply chain optimization and, therefore, has nominated him again as a candidate for director.</p>			

Notes:

1. These candidates do not have any special interest in the Company.
2. The Company has entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act with each of Messrs. Osamu Karatsu and Seiichi Yoshikawa. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.

Agenda Item No. 3: Election of 1 director who is an audit and supervisory committee member

Mr. Yasushige Hagio will resign the director who is an audit and supervisory committee member upon the closing of this ordinary general meeting of shareholders. The Company therefore requests the election of one director who is an audit and supervisory committee member. The director who is an audit and supervisory committee member to be elected based on this agenda item is not to be elected as a substitute of Mr. Yasushige Hagio, a current director who is an audit and supervisory committee member, and therefore her term of office will expire at the close of the ordinary general meeting of shareholders pertaining to the last fiscal year ending within two (2) years after her appointment. The Company has obtained the consent of the Audit and Supervisory Committee with respect to this agenda item.

The profile of the director candidate who is an audit and supervisory committee member is set forth below.

Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
 Tsuneko Murata (September 27, 1958) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">New Candidate</div>	April 1982 Joined Matsushita Electric Industrial Company, Ltd. (MEI; currently Panasonic Corporation) May 2003 General Manager, Legal Affairs Department of Panasonic System Solutions Company of MEI April 2007 Senior Councilor & General Manager, Legal Affairs & CSR Department of Home Appliances Company of MEI June 2008 Board of Director, Panasonic Appliances Safety Service Co., Ltd. (Resigned January 2010) February 2010 Director for Lifelong Learning Policy, Ministry of Education, Culture, Sports, Science & Technology Japan (Resigned March 2012) July 2013 Senior Councilor, Corporate Legal Affairs Division of Panasonic Corporation (Resigned September 2013) January 2014 Executive Director, Japan Pension Service (Resigned December 2015) January 2016 Auditor, Japan Pension Service (Resigned December 2017)	0

The reasons for nomination as a candidate for outside director who is an audit and supervisory committee member:

- Ms. Tsuneko Murata is a candidate for outside director.
- Ms. Tsuneko Murata has practical experience as an executive at private companies and Japan Pension Service. In addition, she is familiar with compliance measures and corporate governance as a legal manager. Furthermore, as she has abundant experience of auditing as an auditor at Japan Pension Service. In view of her expertise, the Company believes that she is a suitable person to enhance supervisory and oversight functions and, therefore, has nominated her as a new candidate for director who is an audit and supervisory committee member.

Independence

- The Company has no special transactions with Ms. Tsuneko Murata and the Company judges that she is sufficiently independent in light of the Independence Criteria of Independent Outside Directors (page 16) specified by the Company. And since she also satisfies the requirements for independent directors/auditors specified by Tokyo Stock Exchange, Inc., the Company intends to register her as an independent director with the said exchange.

Notes:

1. The candidate does not have any special interest in the Company.
2. If the election of Ms. Tsuneko Murata is approved, the Company intends to enter into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act with her. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.

(Reference)

Independence Criteria of Independent Outside Directors

Outside Director of Advantest Corporation (the “Company”) shall be judged to be independent provided none of the following conditions apply presently and recently.

1. Major Business Partner

- (1) Entity transacts with the Company as Major Business Partner or Executive thereof
- (2) Major Business Partner of the Company or Executive thereof

2. Expert

- (1) Consultant, Accountant or Lawyer who receives a large amount of money or other compensation from the Company. (In case that the receiver of such compensation is a legal entity or group such as union, the person who belongs to such entity.)

3. Relative

- (1) Relative of person who falls in the condition set forth in 1 or 2 above.
- (2) Relative of Executive or Board Director of the subsidiary of Company
- (3) Relative of person who was an Executive or Board Director of Company or subsidiary of Company recently.

Notes

- *1 “Recently” shall mean time range substantially identical to presently.
- *2 “Major Business Partner” means partner whose revenue from the transaction with the Company shares the considerable part of revenue of the Company or partner supplying the Company with commodities or services indispensable to the Company’s business.
- *3 “Executive” means the “executive” defined in the Ordinance for Enforcement of the Companies Act.
- *4 “Relative” means the person’s relative within the second degree of kinship.

Agenda Item No.4: Determination of the amount and details of performance-based stock remuneration plan, etc., for directors (excluding outside directors and directors who are audit and supervisory committee members)

The remuneration for directors (excluding outside directors and directors who are audit and supervisory committee members unless stated otherwise; the same shall apply hereinafter) of the Company consists of fixed remuneration, performance-based bonus and stock options, whereas the Company intends at this time to revise such remuneration system and newly introduce a performance-based stock remuneration plan (the “Plan”) for directors under which the Company shares are granted to directors depending on their achievement level of performance target, etc. The Company therefore requests the approval of the Plan.

The Company has received a report from the Audit and Supervisory Committee stating that this agenda item was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee and in view of enhancement of corporate value and contribution to shareholders’ interest, taking into consideration securing of managerial human resources and the remuneration structure and the ratio that will contribute to enhancing motivation in a comprehensive manner, the procedure for determining the remuneration, etc. was appropriate, and there were no specific findings.

1. Reason for proposal and rationale for said remuneration, etc.

The Company proposes the payment of stock remuneration to directors under the Plan separately from the amount of remuneration for directors (excluding directors who are audit and supervisory committee members) approved by shareholders at the 73rd ordinary general meetings of shareholders held on June 24, 2015 (see page 38 of the Business Report for the amount of remuneration paid to directors during the 76th fiscal period). The Company intends to pay the remuneration based on the Plan to directors every fiscal year from the 77th fiscal year (from April 1, 2018 to March 31, 2019) onward. See “2. Amount, details, etc., of remuneration, etc., under the Plan” for the amount, details, etc., of said remuneration. The Company decided to review the amount of remuneration as stock options in the form of stock acquisition rights as well in conjunction with the introduction of the Plan. See Agenda Item No. 5 for details of this matter.

The Plan, for the purpose of enhancing the medium-to-long-term performance of the Company’s group, is introduced for directors to be further incentivized to achieve the medium-to-long-term performance target and to be more conscious of contributing to corporate management aiming at enhanced corporate value. Furthermore, the Company thinks the introduction of the Plan, a highly transparent and objective board incentive plan closely linked to the Company’s group performance and corporate value, is reasonable.

The number of directors to be covered under the Plan during the 77th fiscal period will be four (4) (outside directors and directors who are audit and supervisory committee members, five (5) in total, are out of the scope of the Plan) if Agenda Item No. 2 “Election of six (6) directors (excluding directors who are audit and supervisory committee members)” and Agenda Item No. 3 “Election of one (1) director who is an audit and supervisory committee member” are approved as proposed.

2. Amount, details, etc., of remuneration, etc., under the Plan

(1) Outline of the Plan

The Plan represents a stock remuneration plan under which the Company will contribute cash to establish a trust through which the Company shares acquired by such trust and the amount of cash equivalent to the Company shares converted into cash (hereinafter those Company shares and cash collectively referred to as “the Company shares, etc.”) will be granted or paid to directors. See below for the outline of the Plan (see (2) for more details).

See (4) for the impact to be caused by the Plan on the total number of the Company shares issued and outstanding.

(i) Persons to be covered under the Plan to whom	Directors of the Company (excluding outside directors and directors who are audit and
--	---

the Company shares, etc., will be granted or paid	supervisory committee members)
(ii) Period to be covered under the Plan (see (2) below for details)	<ul style="list-style-type: none"> • Three (3) consecutive fiscal years starting from every fiscal year (initial three (3) fiscal years: from the fiscal year ending at the end of March 2019 to the fiscal year ending at the end of March 2021) • Subsequent respective three (3) fiscal years if a trust period is extended
(iii) Maximum amount of cash in trust to be contributed by the Company (see (2) below for details)	<ul style="list-style-type: none"> • 200 million yen in total for each covered period consisting of three (3) consecutive fiscal years • Approximately 80 million yen (scheduled) in the case of the trust established in 2018
(iv) Maximum number of Company shares to be obtained by directors; method to acquire Company shares (see (3) below for details)	<ul style="list-style-type: none"> • Maximum number of shares to be 90,000 shares in total for each covered period consisting of three (3) consecutive fiscal years which represents approximately 0.05% of the total number of shares issued and outstanding (as of March 31, 2018; excluding treasury shares) • The Company shares are intended to be acquired from the stock market or the Company (treasury shares); no dilution of the Company shares is intended to be caused by the trust established in 2018, which will acquire the Company shares from the stock market
(v) Details of conditions for achieving performance target (see (3) below for details)	<ul style="list-style-type: none"> • To be decided depending on executive rank and achievement level of performance target during three (3) consecutive fiscal years • Consolidated net sales, consolidated operating income ratio, net income, ROE, etc., to be used as key performance indicators (four (4) indicators of consolidated net sales, consolidated operating income ratio, net income and ROE to be used initially) • To be within the range of 0% to 150% depending on performance
(vi) Time to grant or pay Company shares, etc., to directors (see (4) below for details)	<ul style="list-style-type: none"> • Around June immediately after the end of the final fiscal year of each covered period in principle

(2) Maximum amount of cash in trust to be contributed by the Company, etc.

The Plan shall cover three (3) consecutive fiscal years (meaning three (3) fiscal years from the fiscal year ending at the end of March 2019 to the fiscal year ending at the end of March 2021 initially in the case of the trust established in 2018 and, if a trust period is extended as stated below, the subsequent respective three (3) fiscal years; hereinafter each period referred to as “Covered Period”). The Company shall contribute the cash in trust up to 200 million yen in total for each Covered Period in the first fiscal year of such Covered Period as remuneration for directors to establish a trust (“the

Trust”) with the trust period (meaning the term from the date the trust agreement starts to the date it ends; from August 1st, 2018 (scheduled) to September 30th, 2021(scheduled) in the case of the trust established in 2018 of approximately three (3) years for directors as beneficiaries who meet the prescribed beneficiary requirements (including the extended trust period described below; the same shall apply hereinafter). The Trust shall, pursuant to the instructions of the Trust administrator, acquire the Company shares from the stock market or the Company (treasury shares) using the cash in trust as the fund for purchase. The Trust to be established in 2018 shall acquire the Company shares from the stock market. The Company shall grant points to directors during the Covered Period, and grant or pay the Company shares, etc., around June immediately after the end of the final fiscal year of the Covered Period.

Furthermore, the Company may, even after the fiscal year ending at the end of March 2019, establish a new Trust with the trust period of approximately three (3) years to pay the remuneration based on the Plan to directors. In that case, the Covered Period shall be three (3) fiscal years from the establishment of each new Trust, in the first fiscal year of which the Company will contribute the cash in trust up to 200 million yen in total to grant points and grant or pay the Company shares, etc., to directors.

The Company may, rather than establishing a new trust upon the expiry of the trust period of each Trust, continue each Trust by revising the trust agreement and entrusting additional cash. In that case, the Covered Period shall be set at three (3) fiscal years after the trust period of the Trust is extended up to the same period as the initial trust period. The Company shall contribute additional cash up to 200 million yen in total for each extended trust period, continuously grant points to directors during the extended Covered Period, and grant or pay the Company shares, etc., around June immediately after the end of the final fiscal year of the extended Covered Period; provided, however, that, if there remain upon such additional contribution the Company shares (excluding the Company shares which correspond to the points granted to directors but have not been granted thereto; hereinafter referred to as “Remaining Shares”) and cash within the trust asset (hereinafter Remaining Shares and cash collectively referred to as “Remaining Shares, etc.”) as of the last day of the trust period before such extension, the total amount of the Remaining Shares, etc., and the additionally contributed cash in trust shall be within 200 million yen. The Remaining Shares are calculated on the average closing price of the Company Share in regular trading on each day of June on the year when the trust is extended.

The Company may establish up to one (1) Trust per year and thus will have up to three (3) Trusts at the same time if the Trust is established every year.

For your reference, see the following illustration of the outline described above.

2018	2019	2020	2021	2022	2023
Establish a trust ●			Grant shares, etc. →		
	Establish a trust ●			Grant shares, etc. →	
		Establish a trust ●			Grant shares, etc. →
			Establish/extend a trust ●		



				Establish/extend a trust	
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(3) Calculation method and maximum number of Company shares, etc., obtained by directors
The number of shares used as the basis of the Company shares, etc., to be granted or paid to directors (the “Number of Base Shares”) is determined based on the points to be granted around June immediately after the end of the final fiscal year of respective Covered Periods depending on the executive rank at the establishment of the Trust and the achievement level of performance target during respective Covered Periods. Consolidated net sales, consolidated operating income ratio, net income, ROE, etc., shall be used as key performance indicators, based on which, the performance coefficient ranging from 0% to 150% depending on the achievement level shall be multiplied to derive the number of points. The Number of Base Shares per point shall be one share; provided, however, that, if the Company shares belonging to the Trust increase or decrease due to share split, allotment of share without contribution, consolidation of share, etc., the Company will adjust the number of Company shares, etc., to be granted per point depending on the ratio of such increase or decrease.

The Number of Base Shares as the basis of the Company shares, etc., to be granted or paid by the Trust to directors shall not exceed 90,000 shares in total during each three (3) fiscal years of the Covered Period. This maximum number of shares to be granted is determined based on the maximum amount of cash in trust as described in (2) above with reference to the latest stock price, etc.

(4) Time to grant or pay the Company shares, etc., to directors

Directors who meet the prescribed beneficiary requirements shall receive the Company shares, etc., equivalent to the number to be calculated based on (3) above around June immediately after the end of the final fiscal year of each Covered Period (or around June 2021 in the case of the trust established in 2018). Then, those directors shall receive the Company shares equivalent to 50% of the Number of Base Shares corresponding to the number of points (the number of shares less than a share unit will be rounded down) and the amount of cash equivalent to the selling price of the remaining Company shares, which the Trust shall sell in the market, etc., and convert into cash; provided, however, that non-resident directors not having a securities account for the management of Japanese stocks shall receive the amount of cash equivalent to the selling price of the Company shares to be determined based on the Number of Base Shares corresponding to the number of points, which the Trust shall sell in the market, etc., and convert into cash.

In the event a director retires during the Covered Period (excluding those who retire for personal reasons or those who are dismissed), such director shall, without delay following the completion of the prescribed procedures, receive the Company shares equivalent to 50% of the Number of Base Shares corresponding to the number of granted points upon retirement (the number of shares less than a share unit will be rounded down) and the amount of cash equivalent to the selling price of the remaining Company shares, which the Trust shall sell in the market, etc., and convert into cash. Furthermore, if a director passes away during the trust period, an heir of such director shall, without delay following the completion of the prescribed procedures, receive the amount of cash equivalent to the selling price of the Company shares to be determined based on the Number of Base Shares corresponding to the number of points granted upon his/her death, which the Trust shall sell in the market, etc., and convert into cash.

(5) Voting rights of Company shares held within the Trust

Voting rights related to the Company shares held within the Trust shall not be exercised to ensure the neutrality of the corporate management.

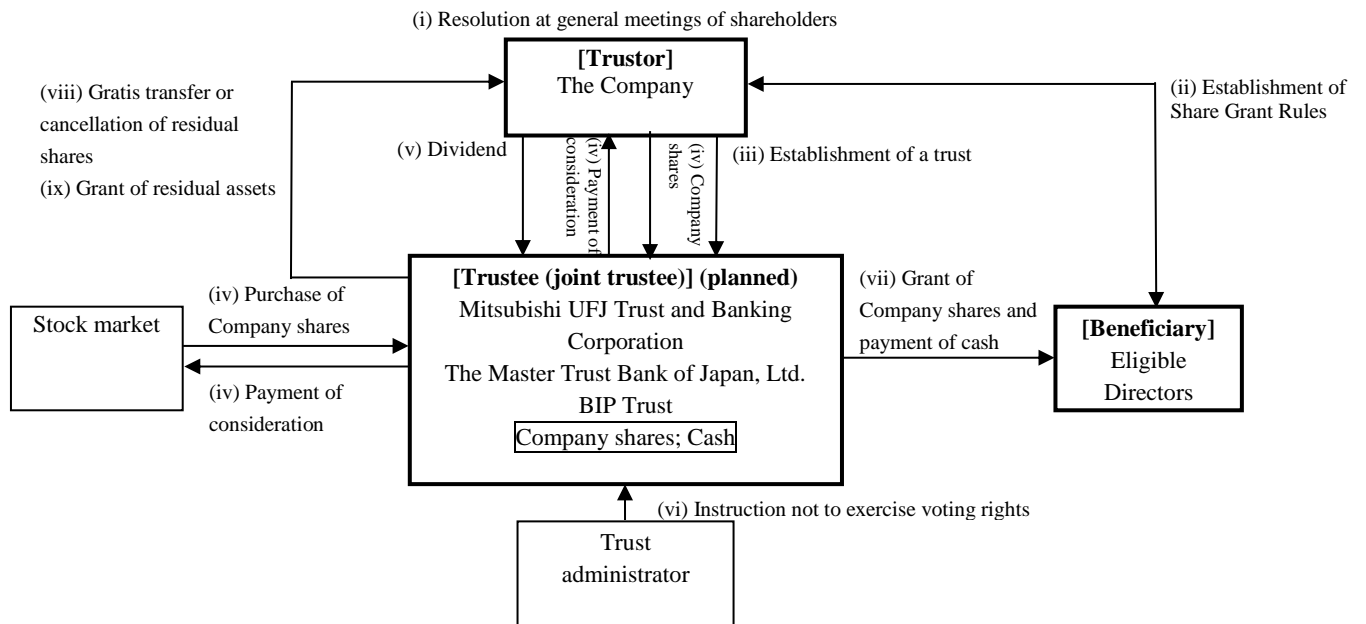
(6) Other matters related to the Plan

Other matters related to the Plan shall be determined by the Board of Directors upon establishment of the Trust, revision to the trust agreement and additional entrustment to the Trust, respectively.

(Reference)

For further details of the Plan, see “Notice Concerning the Introduction of Performance-based stock Remuneration Plan” (news release issued on April 26, 2018; excerpted below for your reference).

Structure of BIP Trust



Agenda Item No.5: Change of the amount and details of remuneration as stock options to directors (excluding outside directors and directors who are audit and supervisory committee members)

The Company requests that you approve the change of the amount of remuneration, the eligible people and the exercise period regarding stock options in the form of stock acquisition rights to directors (excluding outside directors and directors who are audit and supervisory committee members) of the Company as described below.

The Company has received a report from the Audit and Supervisory Committee stating that this agenda item was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee and in view of enhancement of corporate value and contribution to shareholders' interest, taking into consideration securing of managerial human resources and the remuneration structure and the ratio that will contribute to enhancing motivation in a comprehensive manner, and that the procedure for determining the remuneration, etc. was appropriate, and there were no specific findings.

1. Reason for the change

The Company has issued stock acquisition rights as stock options to directors of the Company since 2002 to enhance directors' morale for improving performance and to attract and retain competent personnel in promoting management aiming at enhanced corporate value. With respect to the amount of remuneration as stock options in the form of stock acquisition rights to directors (excluding directors who are audit and supervisory committee members), the resolution adopted at the 73rd ordinary general meetings of shareholders held on June 24, 2015 to the effect that no more than 700 million yen to directors shall be paid annually remains in effect.

If Agenda Item No. 4 "Determination of the amount and details of performance-based stock remuneration plan, etc., for directors (excluding outside directors and directors who are audit and supervisory committee members)" is approved as proposed, the Company will introduce performance-based stock remuneration plan. In accordance with the paragraph 1 and 2 of Article 361 of the Companies Act, the Company request that you approve 1) reduction in the amount of remuneration as stock options in the form of stock acquisition rights to directors (excluding outside directors and directors who are audit and supervisory committee members), 2) exclusion of outside directors from the eligible people in consideration of their role and responsibility and 3) change of the beginning of the exercise period to 2 years later from the grant, taking into consideration all circumstances, including economic conditions in addition to the introduction of the performance-based stock remuneration plan.

The number of directors to be covered under the Plan during the 77th fiscal period will be 4 (outside directors and directors who are audit and supervisory committee members, 5 in total, are out of the scope of the Plan) if Agenda Item No. 2 "Election of 6 directors (excluding directors who are audit and supervisory committee members)" and Agenda Item No. 3 "Election of 1 director who is an audit and supervisory committee member" are approved as proposed.

2. Details of the Item

(1) The amount of remuneration for directors (excluding outside directors and directors who are audit and supervisory committee members)

The amount of remuneration as stock options in the form of stock acquisition rights to directors (excluding outside directors and directors who are audit and supervisory committee members) shall be no more than 200 million yen per year in addition to the amount of remuneration for directors (excluding directors who are audit and supervisory committee members) approved at the 73rd ordinary general meetings of shareholders held on June 24, 2015, and the amount of remuneration as performance-based stock remuneration plan for directors (excluding outside directors and directors who are audit and supervisory committee

members; hereinafter “director(s)”) to be approved by Agenda Item No.4. Stock options will be granted by (i) issuing stock acquisition rights, (ii) providing cash remuneration that is equal to the total amount of subscription price, and (iii) setting off such remuneration against the subscription price of the stock acquisition rights.

(2) Details of stock acquisition rights

① Class and total number of shares to be issued or delivered upon exercise of stock acquisition rights

The class of shares to be issued or delivered upon exercise of the stock acquisition rights shall be common stock of the Company.

The number of shares to be issued or delivered upon exercise of each stock acquisition right shall be 100 shares, provided that if the subscription price per share has been adjusted in accordance with sub-paragraph ③ below, the number of such shares shall be adjusted according to the following formula. This adjustment shall be made only with respect to stock acquisition rights that have not yet been exercised as of the time of adjustment. Any fractional share that arises as a result of an adjustment will be rounded down to the nearest whole number of shares.

$$\begin{array}{l} \text{Number of shares to be issued or} \\ \text{delivered upon exercise of each} \\ \text{stock acquisition right} \end{array} = \frac{\text{Total subscription price}}{\text{Subscription price per share}}$$

② Total number of stock acquisition rights to be issued

The total amount of the fair value of the stock acquisition rights to be issued for each fiscal year to directors within one (1) year from the ordinary general meeting of shareholders shall exceed neither 5,000 (the number of shares to be issued or delivered upon exercise of each stock acquisition right is 500,000.) nor the amount of remuneration as stock acquisition rights to directors in (1) above. The total amount of fair value of stock acquisition rights shall be obtained by multiplying each stock acquisition right by its fair value computed based on the Black Scholes model as of the date of issuance.

③ Subscription price to be paid upon exercise of each stock acquisition right

The subscription price to be paid upon exercise of each stock acquisition right shall be determined by multiplying (i) the subscription price per share as determined in the following paragraph, by (ii) the number of shares to be issued or delivered upon exercise of each stock acquisition right as specified in sub-paragraph ① above.

The subscription price per share shall be 1.05 times the average closing price, rounded up to the nearest yen, of the common stock of the Company in regular trading on the Tokyo Stock Exchange on each day of the month preceding the month in which any stock acquisition rights are issued (excluding any such day on which there was no trade); provided that if such amount is less than the closing price of the common stock of the Company on such day of issuance (or, if there was no trade on such day of issuance, the closing price on the day immediately preceding the day on which there was any trade), the subscription price per share shall be equal to the closing price on such day of issuance. The Company may determine the subscription price per share for the stock acquisition rights to be issued within one (1) year from the ordinary general meeting of shareholders for a fiscal year to be the same as that for the first stock acquisition rights issued after the ordinary general meeting of shareholders for that fiscal year (if the subscription price per share for the first stock acquisition right is adjusted by the method described below, such adjusted subscription price per share) for any subsequent stock acquisition right issued.

If, subsequent to the issuance of the stock acquisition rights, the Company splits or consolidates its common stock, or issues new shares or disposes of its treasury shares below market price (subject to certain exceptions, including the issuance or delivery of shares upon

exercise of the stock acquisition rights), the subscription price per share shall be adjusted according to the formula set forth below, rounded up to the nearest yen. Furthermore, the subscription price per share may, to the extent necessary and reasonable, be adjusted in a way deemed appropriate by the Company, in the case of merger or split of the Company, stock-for-stock exchange or certain other events. The Company may determine the subscription price per share for each stock acquisition right issued after such adjustment but within one (1) year from the previous ordinary general meeting of shareholders to be the same as such adjusted subscription price per share.

(a) Formula for adjustment in the case of share split or consolidation

$$\text{Subscription price per share after adjustment} = \text{Subscription price per share before adjustment} \times \frac{1}{\text{Ratio of split / consolidation}}$$

(b) Formula for adjustment in the case of issuance of new shares or disposition of treasury shares below market price

$$\text{Subscription price per share after adjustment} = \text{Subscription price per share before adjustment} \times \frac{\text{Outstanding number of shares} + \frac{\text{Number of new shares to be issued} \times \text{Subscription price per share to be issued}}{\text{Market price per share}}}{\text{Outstanding number of shares} + \text{Number of new shares to be issued}}$$

In the above formula, “outstanding number of shares” shall mean the total number of outstanding shares of the Company after deducting shares held by the Company as treasury shares. In the case of a disposition of treasury shares, “number of new shares to be issued” in the above formula shall be read as “number of treasury shares to be disposed of”.

④ Exercise period of stock acquisition rights

The exercise period for each stock acquisition right shall be determined by resolution at the meeting of the Board of Directors to approve the issuance of that stock acquisition right. It shall be after two (2) years, but not more than five (5) years, from the day following the date of issuance.

⑤ Conditions for exercise of stock acquisition rights

- (a) The director to whom the stock acquisition rights have been issued must be a director, executive officer, employee or non-regular employee of the Company or its domestic or overseas subsidiary at the time of exercise, except in the case of expiration of the term or where there are any reasons the Company deems justifiable.
- (b) Stock acquisition rights may not be inherited.
- (c) No stock acquisition right may be exercised in part.


⑥ Restriction on the transfer of stock acquisition rights

Acquisition of stock acquisition rights by transfer shall require approval by the Board of Directors, provided, however, that if it is the Company acquiring the stock acquisition rights by transfer, such transfer shall be deemed to be approved by the Board of Directors.

⑦ Other details of stock acquisition rights

Details of items described in sub-paragraphs ① through ⑥ above and other matters will be determined by resolution at the meeting of the Board of Directors to approve the issuance of the stock acquisition rights.

Schematic representation of the amount of remuneration for directors (excluding directors who are audit and supervisory committee members) if Agenda Item No. 4 and Agenda Item No. 5 are approved

Before Change	Directors (except Outside directors)	The cash remuneration Maximum: ¥600M/year	The remuneration as stock options Maximum: ¥700M/year	
	Outside directors			
				
After Change	Directors (except Outside directors)	The cash remuneration Maximum: ¥600M/year	Agenda No.4	Agenda No.5
	Outside directors		N/A	N/A

The 76th Business report

(From April 1, 2017 through March 31, 2018)

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Business Report

(April 1, 2017 through March 31, 2018)

1. Current Conditions of the Company group

(1) Business conditions during the fiscal year

(i) Operations and Results of Business

Overall

During the Company's FY2017, the global economy continued its overall recovery trend. In developed countries, in addition to the strong US economy, the pace of recovery was seen to be accelerating in Europe and Japan as well. Growth continued in emerging countries such as China.

In semiconductor-related markets, there was generally a slump in capex for semiconductors used in smartphones due to prolonged Chinese smartphone inventory adjustments. However, there was solid growth in demand for automotive semiconductors and sensors amid the development of advances in automotive electronics. Moreover, vigorous growth in demand for data center-related semiconductors continued, especially for 3D NAND flash memory and DRAM, causing memory semiconductor manufacturers to actively invest in expanding production capacity.

Average currency exchange rates in the current fiscal year were 1 USD to 111 JPY (108 JPY in the previous fiscal year) and 1 EUR to 129 JPY (119 JPY in the previous fiscal year).

In this business environment, the Company worked to capture demand for test equipment for memory semiconductors and automotive semiconductors, both of which have shown remarkable growth, as well as to boost sales of peripheral devices for semiconductor testing. The Company also took steps to increase production capacity in order to keep up with the steep increase in demand.

As a result, orders received were ¥247.8 billion (50.5% increase in comparison to the previous fiscal year), and net sales were ¥207.2 billion (32.9% increase in comparison to the previous fiscal year). Both showed their highest level of performance in 11 years, since FY2006. Gross margin was below that of the last fiscal year due to factors such as a lower proportion of highly profitable products in our product mix, and the recording of write-down to inventories in nanotechnology. Nonetheless, our all-out efforts to improve operational efficiency led to operating income reaching ¥24.5 billion (76.1% increase in comparison to the previous fiscal year). Income before income taxes was ¥24.3 billion (61.6% increase in comparison to the previous fiscal year), and net income was ¥18.1 billion (27.5% increase in comparison to the previous fiscal year). The percentage of net sales to overseas customers was 93.2% (88.2% in the previous fiscal year).

Business conditions by Business Segment

Semiconductor and Component Test System Segment

The Company's non-memory semiconductor test system business saw continued strong demand for products for use in automotive semiconductors, OLED display drivers, and LCD display drivers. Demand for smartphone-related semiconductor test equipment had been stagnant since the beginning of the fiscal year, but began to recover at the end of 2017. In our memory semiconductor test system business, both orders received and sales grew in comparison to the previous fiscal year due to the vigorous growth in capex by semiconductor manufacturer customers and the Company's increase in market share.

As a result of the above, orders received were ¥169.7 billion (59.8% increase in comparison to the previous fiscal year), net sales were ¥140.9 billion (39.2% increase in comparison to the previous fiscal year), and segment income was ¥28.9 billion (73.7% increase in comparison to the previous fiscal year).

Mechatronics System Segment

Sales of device interfaces, which correlate highly with memory semiconductor test system demand, increased due to the active investment of memory semiconductor manufacturers in capacity expansion. As

investment for mass production of automotive semiconductors expanded, the demand for test handlers grew as well. However, our nanotechnology business recorded a loss of ¥3.3 billion in write-down to inventories during the third quarter related to our decision to cancel some projects.

As a result of the above, orders received were ¥44.0 billion (63.5% increase in comparison to the previous fiscal year), net sales were ¥35.9 billion (42.5% increase in comparison to the previous fiscal year), and segment loss was ¥2.7 billion (¥1.2 billion declines in comparison to the previous fiscal year)

Services, Support and Others Segment

The Services Support and Others Segment saw stable demand for maintenance services, supported by an environment of increased semiconductor production. Moreover, inquiries for SSD testers increased as well, driven by strong growth in investment related to data centers. At the same time, the field service business and SSD tester business saw an increase in resources for the future expansion of our business.

As a result of the above, orders received were ¥34.1 billion (8.1% increase in comparison to the previous fiscal year), net sales were ¥30.5 billion (3.3% increase in comparison to the previous fiscal year), and segment income was ¥4.2 billion (12.9% decrease in comparison to the previous fiscal year).

Sales Breakdown by Business Segment (consolidated)

Fiscal Year Segment	FY2016 (the 75th)		FY2017 (the 76th)		Change from the previous period	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage increase (decrease) (%)
Semiconductor and Component Test System	101,266	64.9	140,930	68.0	39,664	39.2
Mechatronics System	25,192	16.2	35,893	17.3	10,701	42.5
Services, Support and Others	29,496	18.9	30,466	14.7	970	3.3
Intercompany transaction elimination	(38)	(0.0)	(66)	(0.0)	(28)	-
Total	155,916	100.0	207,223	100.0	51,307	32.9
Overseas	137,473	88.2	193,041	93.2	55,568	40.4

(ii) Capital Expenditures

The Company group invested a total of ¥5.4 billion in capital expenditures in FY2017. Most of the investments were used for new product development and production facilities.

(iii) Financing

No significant financing activities took place in FY2017.

(2) Conditions of Assets, Profit and Loss

Conditions of Assets, Profit and Loss of the Company group (consolidated)

	US GAAP		IFRS		
	FY2014 (the 73rd)	FY2015 (the 74th)	FY2015 (the 74th) (reference)	FY2016 (the 75th)	FY2017 (the 76th)
Net sales (Millions of yen)	163,329	162,463	162,111	155,916	207,223
Net income (loss) attributable to owners of the parent (Millions of yen)	12,948	7,938	6,694	14,201	18,103
Basic earnings per share (Yen)	74.31	45.47	38.85	81.07	101.94
Total equity attributable to owners of the parent (Millions of yen)	140,938	132,122	93,619	109,517	124,610
Total assets (Millions of yen)	273,041	249,469	210,451	231,603	254,559

(Notes) 1. The Company prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) from fiscal year 2016 (the 75th fiscal year).

2. Conditions of Assets, Profit and Loss of the Company group are presented according to the IFRS terminology.

3. The calculation of "Basic earnings per share" was based on the average number of shares issued during the relevant fiscal year less the average number of treasury shares held during the fiscal year.

[Charts illustrating the information presented in the above table.]

(3) Significant Subsidiaries

Name of Subsidiary	Common Stock	Percentage of Voting Rights (Note)	Principal Activities
Advantest Laboratories Ltd.	¥50 million	100%	Research and development of measuring and testing technologies
Advantest Finance Inc.	¥310 million	100%	Leasing of the Company's products and sales of used products
Advantest America, Inc.	4,059 thousand USD	100%	Development and sales of the Company's products
Advantest Europe GmbH	10,793 thousand Euros	100%	Development and sales of the Company's products
Advantest Taiwan Inc.	760,000 thousand New Taiwan Dollars	100%	Sales of the Company's products
Advantest (Singapore) Pte. Ltd.	15,300 thousand Singapore Dollars	100%	Sales of the Company's products
Advantest Korea Co., Ltd.	9,516 million Won	100%	Support for sales of the Company's products
Advantest (China) Co., Ltd.	8,000 thousand USD	100%	Support for sales of the Company's products

(Notes) Percentage of voting rights includes indirectly held shares.

(4) Issues to be Addressed

Embodying the Company's management philosophy of "enabling the leading-edge technology," the Company has formulated a high-level roadmap starting in fiscal 2018, which lays out the next decade of the Company's growth policies. It consists of a Grand Design (10 years) and Mid-Term Management Plan (3 years). Within these guidelines, the Company will strive to create customer value and further enhance corporate value.

1. Grand Design (10 years) FY2018 – FY2027

<Vision Statement>

Adding Customer Value in an Evolving Semiconductor Value Chain

<Strategy>

The Company's business today focuses on the development and sales of systems for semiconductor production test. In the future, the Company will aim to expand its business and expand corporate value by broadening its business domain to include related markets such as semiconductor design and evaluation processes and product / system level test processes, which are carried out before and after semiconductor production processes, respectively.

Toward the achievement of this long-term vision, the Company will work on four strategic issues: reinforcing core businesses and investing strategically; seeking operational excellence; exploring value to reach the next level; and pioneering new business fields.

<Long-Term Management Goals>

JPY300B - JPY400B in annual sales

<Cost / Profit Structure>

The Company aims to balance sales growth with cost efficiency. Under the new plan, the Company aims for a cost of sales ratio of 46%, a SG&A rate of 32%, and an operating income margin of 22% when annual sales are at the 300 billion yen level.

2. Mid-Term Plan (3 years) FY2018 – FY2020

<Management Metrics>

The Company focuses on enhancing corporate value while remaining aware of both improvement of profit and loss and efficient utilization of capital. Based on these priorities, The Company has determined key management metrics during the mid-term management plan period: sales, operating margin, return on equity (ROE) and earnings per share (EPS). The Company's targets for the three-year average of each metric from FY2018 to FY2020 are as follows.

	FY2018–FY2020 average Conservative case	FY2018–FY2020 average Base scenario
Semiconductor Test Equipment Market Growth Rate	0%	4%
Sales	¥230B	¥250B
Operating Margin	15%	17%
Return on Equity (ROE)	15%	18%
Earnings per share (EPS)	¥135	¥170

<Key Measures>

- Semiconductor and component test system business
 - Meet the wave of test demand for more complicated next generation devices such as those used in HPC (High-Performance Computing) and 5G communications
 - Maintain our robust business lead in DRAM and NVM (non-volatile memory)
- Mechatronics business
 - Expand sales opportunities by providing integrated test cell solutions and responding to advanced environment test demand
- Services business
 - Increase post sales revenue by responding to factory automation needs, expand sales of SSD testers, pursue M&A in closely related markets
- Reinforce business management

- Introduce internal business management and evaluation tools based on ROIC (return on invested capital) to strengthen our business management structure.

<Financial Policy & Shareholder Returns>

In order to strengthen its business growth infrastructure and maintain a sound financial status, the Company aims to create a cumulative free cash flow of 85 to 100 billion yen over the period of the new mid-term management plan. The Company believes that cash holdings of 50 to 60 billion yen are appropriate to ensure stable business activities. Regarding the use of excess funds, the Company will prioritize business investments for growth such as M&A, R&D, facility enhancements, etc. Specifically, the Company will set 100 billion yen as its cumulative total M&A investment frame for the mid-term management plan period.

Regarding shareholder returns, the Company will continue its policy of improving dividend levels through the growth of earnings per share, based on a semi-annual consolidated payout ratio of 30%. However, if residuals are retained for a long time, the Company will consider flexibly reviewing its dividend payout ratio and improving total shareholder returns by, for instance, repurchasing stock, taking into consideration our projected growth investments.

<ESG Challenges>

Semiconductors will play an increasingly important role in the future in solutions for global social issues. Through semiconductor test, the Company will contribute to a safer, more secure, more comfortable, and more sustainable future.

In addition, by training global human resources and frontier human resources and promoting innovative work styles, the company aims to form a foundation for achieving its long-term strategic goals and business expansion. Furthermore, in order to make effective use of human capital, the Company will try to shape its organizational structure into a posture of natural compliance with its business environment and management strategy.

In terms of governance, four of nine members of the Company's Board of Directors are presently outside directors, and two are non-Japanese. Going forward, the Company will further advance the diversity of its Board of Directors and aim for governance-oriented management.

*Detailed Mid/Long-Term Management Policy is published in the column of Mid/Long-Term Management Policy in the Company's website.

URL: <https://www.advantest.com/ja/investors/management-policy/mid-long-term-management-policy>

(5) Primary Areas of Business

The Company group manufactures and markets semiconductor and component test systems and products related to mechatronics systems (test handlers, device interface, nanotechnology products, etc.). In addition to manufacturing, the Company group also carries out research and development activities and provides maintenance services and related services in the business category of "Services, Support and Others."

(6) Significant Sales Offices and Factories

(i) Japan

Category	Name of Office	Location
Head Office, Sales Offices and Service Offices	Head Office	Chiyoda-ku, Tokyo
R&D Centers, Laboratories	Gunma R&D Center	Meiwa-machi, Ora-gun, Gunma
	Saitama R&D Center	Kazo-shi, Saitama
	Kitakyushu R&D Center	Kitakyushu-shi, Fukuoka
	Advantest Laboratories	Sendai-shi, Miyagi
Factories	Gunma Factory	Ora-machi, Ora-gun, Gunma
	Sendai Factory	Sendai-shi, Miyagi

(ii) Overseas

Category	Name of Office	Location
Sales Offices, R&D Centers, Laboratories and Service Offices	Advantest America, Inc.	U.S.A.
	Advantest Europe GmbH	Germany
	Advantest Taiwan Inc.	Taiwan
	Advantest (Singapore) Pte. Ltd.	Singapore
	Advantest Korea Co., Ltd.	Korea
	Advantest (China) Co., Ltd.	China

(7) Employees

Employees of the Company group (as of March 31, 2018)

Number of Employees	Increase from end of FY2016
4,457 (208)	43 (60)

(Note) The numbers set forth above indicate the numbers of employees excluding part-time and non-regular employees. The numbers in brackets indicate the annual average number of such part-time and non-regular employees.

(8) Major Lenders

Not applicable.

(9) Other significant matters with respect to the current status of the Company group

Not applicable.

2. Company Information

(1) Equity Stock (as of March 31, 2018)

- | | |
|-------------------------------------|--------------------|
| (i) Total number of issuable shares | 440,000,000 shares |
| (ii) Total number of issued shares | 199,566,770 shares |

(Note) Total number of issued shares includes treasury shares (20,539,246 shares).

- | | |
|------------------------------|--------|
| (iii) Number of shareholders | 33,227 |
|------------------------------|--------|

(iv) Major Shareholders (Top 10 shareholders)

Name of Shareholder	Number of Shares (in: thousand shares)	Percentage of Ownership (%)
The Master Trust Bank of Japan, Ltd. (trust account)	43,858	24.49
Japan Trustee Services Bank, Ltd. (trust account)	19,028	10.62
THE BANK OF NEW YORK 133524	5,485	3.06
Trust & Custody Services Bank, Ltd. (investment trust account)	5,387	3.00
Japan Trustee Services Bank, Ltd. (trust account 4)	3,760	2.10
EUROCLEAR BANK S.A./ N.V.	3,335	1.86
BNYM FOR GOLDMAN SACHS JAPAN	2,482	1.38
Japan Trustee Services Bank, Ltd. (trust account 5)	2,130	1.19
Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	2,100	1.17
JP MORGAN CHASE BANK 385151	2,056	1.14

(Notes) 1. Number of Shares is rounded down to the nearest thousand.

2. Percentage of Ownership is calculated excluding treasury shares (20,539,246 shares).

3. Percentage of Ownership is rounded down to the second decimal place.

(v) Important items regarding our shares

On November 9th, 2017, Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.) sold all the Company's share (20,142,600 shares) of which voting rights is exercised pursuant to instructions given by Fujitsu Ltd. Therefore, Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.) was not the Company's major shareholder.

(2) Stock Acquisition Rights

(i) Stock acquisition rights held by directors and audit and supervisory committee members (as of March 31, 2018)

	Resolution at the meeting of the Board of Directors held on July 27, 2016	Resolution at the meeting of the Board of Directors held on November 29, 2017
Date of issuance	August 16, 2016	December 15, 2017
Issuance Price	¥36,300 per unit	¥37,900 per unit
Holding status of stock acquisition rights by directors and audit and supervisory committee members	1,500 units (2 persons)	1,000 units (4 persons)
Directors (excluding audit and supervisory committee members and outside directors)	1,500 units (2 persons)	1,000 units (4 persons)
Outside directors (excluding audit and supervisory committee members)	0 units (0 persons)	0 units (0 persons)
Directors (audit and supervisory committee members)	0 units (0 persons)	0 units (0 persons)
Class and aggregate number of shares to be issued or delivered upon exercise	150,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)	100,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)
Exercise price to be paid upon exercise	¥1,382 per share	¥2,549 per share
Exercise period	April 1, 2017 to March 31, 2021	April 1, 2019 to March 31, 2022
Terms of exercise	The stock acquisition rights may not be inherited.	
Reasons for the Company's acquisition of the stock acquisition rights	<p>The Company shall automatically acquire the stock acquisition rights, for no consideration, if:</p> <p>(a) the general meeting of the shareholders or, if approval by the shareholders' meeting is not legally required, then the board of directors resolves to approve (i) any merger agreement pursuant to which the Company shall dissolve, (ii) any agreement or a plan pursuant to which the Company shall split all or part of its business or (iii) any stock-for-stock exchange agreement or stock-transfer plan pursuant to which the Company shall become a wholly-owned subsidiary of another company;</p> <p>(b) the rights holder becomes a person who does not hold any position as a director, corporate auditor, officer, employee or any other similar position of the Company or its domestic or overseas subsidiaries; except where the Company deems that it is appropriate to allow him/her to exercise his/her stock acquisition rights and notifies him/her;</p> <p>(c) the rights holder dies.</p>	
Restriction on the transfer of the stock acquisition rights	Acquisition of stock acquisition rights by transfer shall require approval by the Board of Directors. Provided, however, if it is the Company acquiring the stock acquisition rights by transfer, such transfer shall be deemed to be approved by the Board of Directors.	

(ii) Stock acquisition rights granted to the Company's employees etc. during fiscal year 2017

	Resolution at the meeting of the Board of Directors held on November 29, 2017
Date of issuance	December 15, 2017
Issuance Price	¥37,900 per unit
Condition of granting	7,980 units (147 persons)
Employees of the Company	6,120 units (98 persons)
Directors of the Company's subsidiaries	240 units (5 persons)
Employees of the Company's subsidiaries	1,620 units (44 persons)
Class and aggregate number of shares to be issued or delivered upon exercise	798,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)
Exercise price to be paid upon exercise	¥2,549 per share
Exercise period	April 1, 2019 to March 31, 2022
Terms of exercise	The stock acquisition rights may not be inherited.
Reasons for the Company's acquisition of the stock acquisition rights	The Company shall automatically acquire the stock acquisition rights, for no consideration, if: <ul style="list-style-type: none"> (a) the general meeting of the shareholders or, if approval by the shareholders' meeting is not legally required, then the board of directors resolves to approve (i) any merger agreement pursuant to which the Company shall dissolve, (ii) any agreement or a plan pursuant to which the Company shall split all or part of its business or (iii) any stock-for-stock exchange agreement or stock-transfer plan pursuant to which the Company shall become a wholly-owned subsidiary of another company; (b) the rights holder becomes a person who does not hold any position as a director, corporate auditor, officer, employee or any other similar position of the Company or its domestic or overseas subsidiaries; except where the Company deems that it is appropriate to allow him/her to exercise his/her stock acquisition rights and notifies him/her; (c) the rights holder dies.
Restriction on the transfer of the stock acquisition rights	Acquisition of stock acquisition rights by transfer shall require approval by the Board of Directors. Provided, however, if it is the Company acquiring the stock acquisition rights by transfer, such transfer shall be deemed to be approved by the Board of Directors.

(3) Directors and Audit and Supervisory Committee Members

(i) Directors and Audit and Supervisory Committee Members (as of March 31, 2018)

Title	Name	Assignment in the Company and significant concurrent positions
Representative Director	Yoshiaki Yoshida *	
Director	Osamu Karatsu	
Director	Seiichi Yoshikawa	
Director	Sae Bum Myung*	
Director	Hans-Juergen Wagner*	
Director	Soichi Tsukakoshi*	
Director Standing Audit and Supervisory Committee Member	Yuichi Kurita	
Director Audit and Supervisory Committee Member	Megumi Yamamuro	Attorney-at-Law, URYU & ITOGA Outside Audit and Supervisory Board Member of Fujitsu Limited Outside Audit and Supervisory Board Member of Yachiyo Industry Co., Ltd.
Director Audit and Supervisory Committee Member	Yasushige Hagio	Attorney-at-Law, Senior Partner, Seiwa Patent & Law

- (Notes)
1. Mr. Yuichi Kurita has been appointed as a standing audit and supervisory committee member in order to enhance effectiveness of audits and supervisory function by the Audit and Supervisory Committee through information gathering by attending important meetings and conducting hearings about reports on operations received from execution departments as well as through strengthened collaboration between the accounting auditor and the internal audit division.
 2. Mr. Yuichi Kurita, a director who is an audit and supervisory committee member, has considerable knowledge of finance and accounting gained through many years of experience serving as an officer of the Company responsible for finance and administration.
 3. Messrs. Osamu Karatsu, Seiichi Yoshikawa, Megumi Yamamuro, and Yasushige Hagio are outside directors.
 4. The Company has registered directors Osamu Karatsu, Seiichi Yoshikawa, Megumi Yamamuro, and Yasushige Hagio as independent directors with the Tokyo Stock Exchange.
 5. Mr. Yasushige Hagio, a director, resigned from the position as Senior Partner of Seiwa Patent & Law on March 31, 2018.
 6. There has been no change to assignment in the Company and significant concurrent positions of directors after March 31, 2018.
 7. The Company has in place an Executive Officers System and * indicates a director who also serves as an Executive Officer.

8. The positions of Executive Officers are currently held as follows:

Title	Name	Assignment in the Company and significant concurrent positions
President and CEO	Yoshiaki Yoshida	
Corporate Vice President	Sae Bum Myung	Customer Relations Executive Vice President, Sales Group
Managing Executive Officer	Hans-Juergen Wagner	Test Technology Managing Director (CEO), Advantest Europe GmbH SoC Test Business Group
Managing Executive Officer	Soichi Tsukakoshi	Supply Chain Executive Vice President, Production Group
Managing Executive Officer	Satoru Nagumo	Executive Vice President, ADS Business Group
Managing Executive Officer	Koichi Tsukui	Executive Vice President, Corporate Relations Group
Managing Executive Officer	Keith Hardwick	Chief Financial Officer, Advantest America Inc.
Managing Executive Officer	Douglas Lefever	Director, President and CEO, Advantest America, Inc.
Managing Executive Officer	Shunsuke Kato	Executive Vice President, Business Promotion Group
Managing Executive Officer	Atsushi Fujita	CFO, Executive Vice President, Corporate Administration Group
Executive Officer	Toshiyuki Okayasu	Senior Vice President (Officer), New Concept Product Initiative
Executive Officer	CH Wu	Chairman of the Board, President and CEO, Advantest Taiwan Inc.
Executive Officer	Kazuhiro Yamashita	Senior Vice President (Officer), Business Promotion Group
Executive Officer	Masuhiko Yamada	Executive Vice President, Memory Test Business Group
Executive Officer	Isao Sasaki	Executive Vice President, Field Service Group
Executive Officer	Kimiya Sakamoto	Senior Vice President (Officer), Sales Group
Executive Officer	Yong Xu	Director and President (CEO), Advantest (China) Co., Ltd.
Executive Officer	Michael Stichlmair	Managing Director (Sales & FS), Advantest Europe GmbH
Executive Officer	Juergen Serrer	Managing Director (R&D), Advantest Europe GmbH
Executive Officer	Toshio Goto	Executive Vice President, DH Business Group
Executive Officer	Jinhee Lee	Representative Director and President, Advantest Korea Co., Ltd.
Executive Officer	Ricky Sim	Managing Director (CEO), Advantest (Singapore) Pte. Ltd.
Executive Officer	Yasuo Mihashi	Senior Vice President (Officer), Sales Group

(ii) Overview of limited liability agreements

The Company entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act, with outside directors Osamu Karatsu, Seiichi Yoshikawa, Megumi Yamamuro, and Yasushige Hagio. The upper limit of liability based on each agreement is the minimum liability as provided in the relevant laws and regulations.

(iii) The amount of remuneration for directors and audit and supervisory board members

Category	Number	Amount of remuneration
Directors (excluding audit and supervisory committee members)	8	¥301 million
Directors (audit and supervisory committee members)	3	¥66 million
Total	11	¥366 million

- (Notes)
1. The amounts of remuneration set forth above include compensation in the form of stock options.
 2. The amounts of remuneration set forth above includes the aggregate amount of remuneration for two outside directors (excluding audit and supervisory committee members), two outside directors (audit and supervisory committee members) in the amount of ¥41 million.

(iv) Matters pertaining to outside directors and outside audit and supervisory committee members

(a) Significant concurrent positions held and relationship to the Company

Name	Concurrent position(s)	Relationship to the Company
Megumi Yamamuro (Outside Director, Audit and Supervisory Committee Member)	Outside Audit and Supervisory Board Member, Fujitsu Limited	On November 9th, 2017, Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.) (“Retirement benefit trust”) sold all the Company’s share (20,142,600shares) of which voting rights is exercised pursuant to instructions given by Fujitsu Ltd. (“Fujitsu”). Therefore, Fujitsu (including Retirement benefit trust) does not have the Company’ share on March 31, 2018 according to the Company’s shareholders list. The Company has transactions with Fujitsu Limited, including sales of products. The amount of the Company’s sales to Fujitsu in FY2017 accounted for less than 1% of the Company’s consolidated net sales. The Company’s transactions with Fujitsu also include purchases of raw materials and contracting of services. The amount of such transactions with Fujitsu in FY2017 accounted for less than 1% of the sum of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis.
	Outside Audit and Supervisory Board Member, Yachiyo Industry Co., Ltd.	There is no special relationship between Yachiyo Industry Co., Ltd. and the Company.
Yasushige Hagio (Outside Director, Audit and Supervisory Committee Member)	Senior Partner, Seiwa Patent & Law	There is no special relationship between Seiwa Patent & Law and the Company.

(b) Principal activities

Name	Attendance	Participation at meetings
Osamu Karatsu (Outside Director)	Meetings of Board of Directors: 13 out of 13 times	Mr. Karatsu expresses his opinions based mainly on his knowledge of the industry.
Seiichi Yoshikawa (Outside Director)	Meetings of Board of Directors: 13 out of 13 times	Mr. Yoshikawa expresses his opinions based mainly on his knowledge of the research and development strategy.
Megumi Yamamuro (Outside Director, Audit and Supervisory Committee Member)	Meetings of Board of Directors: 12 out of 13 times	Mr. Yamamuro expresses his opinions based mainly on his expertise as an attorney-at-law.
	Meetings of Audit and Supervisory Committee: 13 out of 14 times	
Yasushige Hagio (Outside Director, Audit and Supervisory Committee Member)	Meetings of Board of Directors: 13 out of 13 times	Mr. Hagio expresses his opinions based mainly on his expertise as an attorney-at-law.
	Meetings of Audit and Supervisory Committee: 14 out of 14 times	

(4) Accounting Auditor

(i) Name of accounting auditor

Ernst & Young ShinNihon LLC

(ii) Remuneration

	Amount
Remuneration to the accounting auditor for this fiscal year	¥136 million
Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the accounting auditor	¥136 million

(Notes) 1. Under the agreement between the Company and the accounting auditor, as the Company has not drawn any distinction between the remuneration for the audit services pursuant to the Companies Act and that pursuant to the Financial Instruments and Exchange Act of Japan, the amount set forth above represents the aggregate amount of these audit services.

2. The Company's significant overseas subsidiaries have been audited by the Ernst & Young Group.

(iii) Reason that the Audit and Supervisory Committee gave consent to the amount of remuneration to the accounting auditor

The Audit and Supervisory Committee obtained necessary materials and received reports from directors, executive officers, the internal departments concerned, and the accounting auditor, and reviewed appropriateness of the content of the audit plan of the accounting auditor, the status of execution of accounting audit duties, the basis for calculation of the estimated amount of remuneration. As a result, the Audit and Supervisory Committee concluded that the amount of remuneration to the accounting auditor is appropriate and gave consent pursuant to Article 399, Paragraphs 1 and 3 of the Companies Act.

(iv) Policies on dismissal or non-reappointment of the accounting auditor

In the case that the accounting auditor falls under any of the items according to Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss the accounting auditor upon the unanimous consent of the audit and supervisory committee members. In such case, an audit and supervisory committee member who is appointed by the audit and supervisory committee shall report the dismissal and its reasons at the first general meeting of shareholders convened after such dismissal. In addition, other than the above, if it is deemed to be difficult for the accounting auditor to conduct appropriate audits due to the occurrence of events that impair its qualification or independence, the Audit and Supervisory Committee shall determine the content of an agenda item about dismissal or non-reappointment of the accounting auditor to be submitted to a general meeting of shareholders.

- (5) The Board of Directors resolved a system that ensures the appropriateness of its business as follows:

Basic Policy for the System to Ensure the Appropriateness of Business

Holding “Enabling the Leading-Edge Technology” as our corporate mission, the Company group established the “The ADVANTEST Way & The Code of Conduct” (“Advantest Code of Conduct”), increased the transparency of its management, and worked to promote the enhancement of corporate value. To further promote these efforts, the Company will prepare a framework as described in each paragraph below, implement the establishment, development and management of the internal control system, and ensure the sound operations of the Company.

1. Framework to the effective performance of duties by Board Directors of the Company and the Subsidiaries
 - (i) The Company promotes management efficiency by separating the management decision making function and supervisory function from the function of the execution of operations. The Board of Directors shall make management decisions and supervise management. As for execution of operations, executive officers (including the Representative Director) and employees shall execute operations based on the Board of Directors’ clarification of the function and authority of the body executing operations.
 - (ii) The Board of Directors of the Company, as the management decision making body, shall make decisions on significant matters with respect to the management policies and management strategies for the Company group, and in its capacity to supervise management, the Board of Directors, including outside directors shall monitor and supervise the status of exercise of duties by executive officers while delegating necessary authorities to ensure the prompt and efficient performance of duties.
 - (iii) The Board of Directors of the Company shall approve the Company group’s management plans, receive reports on business results based on monthly closing account, financial situation, status of the performance of duties by each department, and review the appropriateness of such plans.
2. Framework to ensure the compliance with applicable laws and ordinances as well as the articles of incorporation by directors, executive officers, and employees of the Company and the Subsidiaries in performing their duties
 - (i) To ensure compliance with laws and ordinances as well as the articles of incorporation, and to ensure that actions are taken faithfully and ethically, the Company shall establish the Advantest Code of Conduct for all directors, executive officers and employees of the Company group, and notify such directors, executive officers and employees of these codes. Furthermore, the Company shall establish the “Code of Ethics for Executives” for directors and executive officers.
 - (ii) As a framework to realize full compliance with laws and ordinances, the Company shall establish the Corporate Ethics Committee that monitors the implementation of the Advantest Code of Conduct. In addition, to handle reports or consultation regarding questionable matters in light of the Advantest Code of Conduct, the Company shall establish the “Corporate Ethics Helpline”, a system in which a person who reports shall not be treated disadvantageously.
 - (iii) The Company shall establish subcommittees such as the Disclosure Committee, the Internal Control Committee, and the Human Rights Protection Committee in order to fulfill its corporate social responsibilities.
 - (iv) The Internal Control Committee shall report to the Board of Directors about the design and operation of Internal Control System as deemed necessary.
3. Rules relating to the management of risk of loss and other frameworks of the Company and the Subsidiaries
 - (i) With respect to potential risks behind management environment, business activities and corporate assets of the Company group, the Company shall identify and classify risk factors for each important business process, analyze the magnitude of risks, possibility of actual occurrence and frequency of such occurrence, etc., and create written policies and procedures regarding the appropriate response to and avoidance/ reduction of the risks, as part of the internal control activities.

- (ii) With respect to emergency situations such as disasters, the Company shall establish the Risk Management Group, create written emergency action guidelines and prepare by implementing education and training programs on a regular base.
 - (iii) The Internal Control Committee shall thoroughly manage risks and report material risks to the Board of Directors.
 - (iv) The Company is making efforts to prevent occupational injuries, create a comfortable working environment, and promote the good health of its employees through the establishment of the Safety and Health Committee.
4. Framework regarding the retention and management of information with respect to the performance of duties by Board Directors of the Company
- (i) The Company shall properly retain and manage the following information regarding the exercise of duties by directors, pursuant to the internal rules that stipulate details such as the period of retention, person in charge of retention and method of retention.
 - o Minutes of general meetings of shareholders and reference materials
 - o Minutes of meetings of the Board of Directors and reference materials
 - o Other important documents regarding the exercise of duties by directors
 - (ii) The Company shall establish the Information Security Committee that is responsible for protecting personal information and preventing confidential information from leaking.
5. Framework to ensure the appropriateness of operations of the Company, and the group as a whole, including its subsidiaries
- (i) The Company group shall establish and operate the same quality of internal control system for the Company and each company of the group in order to conduct the consolidated group management placing an emphasis on business evaluation based on consolidated accounting.
 - (ii) The internal control system of the Company group is supported by each department of the Company that is responsible for each group company, and is established and operated as a unified system based on the policies of the group created by the Internal Control Committee. Significant matters concerning the status of each group company that is controlled by the Internal Control Committee shall be reported to the Board of Directors.
 - (iii) Auditing Group of the Company supervises an internal audit to each group company.
6. Matters relating to employee(s) who assist the Audit and Supervisory Committee
- (i) The Company shall establish the Audit and Supervisory Committee Office and assign the employee(s) who assist the Audit and Supervisory Committee.
7. Matters relating to the independence of the employee(s) referred to in the preceding Section from Board Directors of the Company and the matters for ensuring the effectiveness of direction to the employee(s)
- (i) The personnel matters including but not limited to assignment, transfer, performance appraisal and disciplinary action of the employee(s) referred to in Section 6 shall be subject to a prior consent of the Audit and Supervisory Committee.
 - (ii) The employee(s) referred to in Section 6 shall perform their duties exclusively pursuant to the instruction and order by member of the Audit and Supervisory Committee and their independence from any officers or employees other than the members of Audit and Supervisory Committee shall be ensured.

8. Framework for reporting to the Audit and Supervisory Committee of the Company
 - (i) The Company shall adopt a system that allows member(s) of Audit and Supervisory Committee to attend important meetings such as the meeting of the Board of Managing Executive Officers and to keep abreast important matters regarding the execution of operations.
 - (ii) In the event that a report or consultation is made to the Corporate Ethics Helpline with respect to corporate accounting, internal control or auditing, the Company shall adopt a system that such report or consultation shall be directly reported to the Audit and Supervisory Committee.
 - (iii) In the event that any violation or breach of applicable laws, Articles of Incorporation or Advantest Code of Conduct is detected or reported, such event shall be reported immediately to the Audit and Supervisory Committee.
 - (iv) The Company shall establish system for ensuring the person who reported to the Audit and Supervisory Committee against disadvantageous treatment.
9. Other frameworks to ensure the effective implementation of audit by the Audit and Supervisory Committee
 - (i) The Company shall ensure that the Audit and Supervisory Committee cooperates with the Accounting Auditors, the Auditing Group (an internal audit division of the Company) and the corporate auditor of each Company group, and that there are opportunities to exchange opinions with them as deemed necessary.
 - (ii) The Company shall ensure that there are opportunities to exchange opinions between the Representative Director and the Audit and Supervisory Committee and shall strive for communication between them.
 - (iii) In case that a member of Audit and Supervisory Committee requests a prepayment of expense necessary to perform his or her duties, the Company shall process the prepayment without delay in accordance with the designated procedure.

(6) Status of implementation of the system to ensure the appropriateness of business

The status of implementation of the system to ensure the appropriateness of business during the fiscal year is as follows:

(i) Framework for the effective performance of duties

To promote management efficiency, the Board of Directors performs management decision-making and supervision in accordance with the Board of Directors Regulations and executive officers and employees execute business in accordance with the Authorization Rules.

The Board of Directors consists of nine members: six directors who are not audit and supervisory committee members (of whom two are outside directors) and three directors who are audit and supervisory committee members (of whom two are outside directors). The Board of Directors shall make decisions on significant matters with respect to the management policies and management strategies for the Company group and monitors and oversees execution of duties by executive officers.

In this business year, the regulation of the Board of Directors was reviewed. According to the Articles of Incorporation, a part of the decision on execution of duties is delegated to the representative directors and report of executive directors is enriched

(ii) Framework concerning compliance

The Company has established the Corporate Ethics Committee as a framework to realize full compliance with laws and ordinances. The committee monitors the implementation of the ADVANTEST Way and the Code of Conduct, and reviews and implements countermeasures. The main activities of the committee include promotion of compliance activities, provision of education on human rights, as well as provision of consultation and responses to complaints.

Compliance education is provided to officers and employees. All the officers and employees have completed education via the e-learning system.

(iii) Framework for risk management

The Internal Control Committee chaired by the representative director identifies and analyzes material risks throughout the Company group and clarifies departments responsible for individual risks and the policies and procedures for responses. Moreover, the status of design and operation of internal control systems and significant results and material deficiencies detected in the course of evaluation of internal controls shall be reported to the Board of Directors.

(iv) Framework for retention and management of information

The Company retains and manages minutes of general meetings of shareholders and minutes of meetings of the Board of Directors and their reference materials, and important documents regarding the exercise of duties by directors pursuant to the internal rules. The Information Security Committee meets monthly and reviews and implements measures to protect personal information and prevent leakage of confidential information and maintains and enhances of security of IT systems. Moreover, the Company conducted a simulation drill for dealing with cyberattacks and provided attention to all employees in case fishing mail is received.

(v) Framework to ensure the appropriateness of operations of the group

The Company has defined important business processes of the Company group and conducted risk analysis. The Company provides instructions to the group companies about appropriate responses to those risks. In this way, the Company has established internal control systems that are homogeneous within the group and is operating them. The Internal Control Committee identifies the internal control status of each important group company by means of control self-assessment (CSA) and by means of audits performed by the internal audit division and provides instructions to group companies to ensure operation in compliance with the policy for establishment of internal control systems. The Internal Control Committee reports in case important matters concerning internal control of group companies to the Board of Directors was found.

(vi) Framework for the implementation of audit by the Audit and Supervisory Committee

The Company has put in place a system whereby a standing audit and supervisory committee members attend important meetings such as the meeting of the Managing Executive Officers Committee and keep abreast of important matters regarding the execution of operations. The Audit and Supervisory Committee holds meetings with the accounting auditor and the internal audit division, as necessary, to ensure good communication. The Company provides opportunities for the representative director and the Audit and Supervisory Committee to exchange opinions on a periodic basis or on an as-needed basis in order to ensure good communication.

The Company has established the Audit and Supervisory Committee Office to which a full-time employee who assists the Audit and Supervisory Committee is assigned. The employee who assists the Audit and Supervisory Committee performs his duties in accordance with instructions of the audit and supervisory committee members, and thus his independence from directors who are not audit and supervisory committee members and from other officers and employees is ensured.

(7) Policies on the distribution of surplus

Based on the premise that long-term and continued growth in corporate value is fundamental to the creation of shareholder value, the Company deems the distribution of profits to the shareholders as the important management priority.

With respect to the distribution of surplus, the Company makes dividend payouts based on semi-annual business performance with a target semi-annual payout ratio of 30%.

Retained earnings are devoted to business investments for growth such as M&A, R&D, facility enhancements, with an aim to strengthen the Company's business position and enhance its corporate value.

If residuals are retained for a long time, the company will consider flexibly reviewing its dividend payout ratio and improving total shareholder returns by, for instance, repurchasing stock, taking into consideration our projected growth investments.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(As of March 31, 2018)

(Millions of yen)

	FY2017	FY2016 (reference)		FY2017	FY2016 (reference)
Assets			Liabilities		
Current assets	197,143	171,139	Current liabilities	87,197	51,434
Cash and cash equivalents	103,973	95,324	Trade and other payables	43,258	28,489
Trade and other receivables	37,929	32,451	Bonds	29,872	15,000
Inventories	49,627	39,093	Income tax payables	4,247	1,927
Other current assets	4,784	2,976	Provisions	3,042	1,643
Subtotal	196,313	169,844	Other financial liabilities	554	626
Assets held for sale	830	1,295	Other current liabilities	6,224	3,749
Non-current assets	57,416	60,464	Non-current liabilities	42,752	70,652
Property, plant and equipment, net	29,232	29,915	Bonds	-	29,745
Goodwill and intangible assets	15,287	16,479	Other financial liabilities	-	39
Other financial assets	2,414	3,625	Retirement benefit liabilities	40,353	38,865
Deferred tax assets	10,127	10,282	Deferred tax liabilities	1,099	420
Other non-current assets	356	163	Other non-current liabilities	1,300	1,583
			Total liabilities	129,949	122,086
			Equity		
			Share capital	32,363	32,363
			Share premium	43,466	44,319
			Treasury shares	(77,724)	(86,039)
			Retained earnings	125,204	113,676
			Other components of equity	1,301	5,198
			Total equity attributable to owners of the parent	124,610	109,517
			Total equity	124,610	109,517
Total assets	254,559	231,603	Total liabilities and equity	254,559	231,603

Consolidated Statements of Profit or Loss

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	FY2017	FY2016 (reference)
Net sales	207,223	155,916
Cost of sales	(100,635)	(66,176)
Gross profit	106,588	89,740
Selling, general and administrative expenses	(82,645)	(76,174)
Other income	621	501
Other expenses	(77)	(162)
Operating income	24,487	13,905
Financial income	975	1,344
Financial expenses	(1,180)	(227)
Income before income taxes	24,282	15,022
Income taxes	(6,179)	(821)
Net income	18,103	14,201
Net income attributable to: Owners of the parent	18,103	14,201

Consolidated Statements of Comprehensive Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	FY2017	FY2016 (reference)
Net income	18,103	14,201
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans	1,024	2,918
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3,257)	(1,381)
Net change in fair values of available-for-sale financial assets	(640)	406
Total other comprehensive income	(2,873)	1,943
Total comprehensive income for the year	15,230	16,144
Comprehensive income attributable to: Owners of the parent	15,230	16,144

Consolidated Statements of Changes in Equity

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Equity attributable to owners of the parent						Total Equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	
FY2016 (reference)							
Balance at April 1, 2016	32,363	44,478	(94,585)	105,190	6,173	93,619	93,619
Net income				14,201		14,201	14,201
Other comprehensive income (loss), net of tax					1,943	1,943	1,943
Total comprehensive income for the year	—	—	—	14,201	1,943	16,144	16,144
Purchase of treasury shares			(2)			(2)	(2)
Disposal of treasury shares		(868)	8,548	(4,611)		3,069	3,069
Dividends				(4,022)		(4,022)	(4,022)
Share -based payments		682				682	682
Other		27				27	27
Transfer from other components of equity to retained earnings				2,918	(2,918)	—	—
Total transactions with the owners	—	(159)	8,546	(5,715)	(2,918)	(246)	(246)
Balance at March 31, 2017	32,363	44,319	(86,039)	113,676	5,198	109,517	109,517

FY2017

Balance at April 1, 2017	32,363	44,319	(86,039)	113,676	5,198	109,517	109,517
Net income				18,103		18,103	18,103
Other comprehensive income (loss), net of tax					(2,873)	(2,873)	(2,873)
Total comprehensive income for the year	—	—	—	18,103	(2,873)	15,230	15,230
Purchase of treasury shares			(2)			(2)	(2)
Disposal of treasury shares		(950)	8,317	(3,880)		3,487	3,487
Dividends				(3,719)		(3,719)	(3,719)
Share -based payments		85				85	85
Other		12				12	12
Transfer from other components of equity to retained earnings				1,024	(1,024)	—	—
Total transactions with the owners	—	(853)	8,315	(6,575)	(1,024)	(137)	(137)
Balance at March 31, 2018	32,363	43,466	(77,724)	125,204	1,301	124,610	124,610

Notes to Consolidated Financial Statements

1. Notes to significant matters based on which the consolidated financial statements were prepared

(1) Basis of presentation

The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (“IFRS”), pursuant to paragraph 1 of Article 120 of the Ordinance on Accounting of Companies (*kaisha keisan kisoku*). However, certain disclosures required on the basis of IFRS are omitted, pursuant to the latter part of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies.

(2) Scope of consolidation

Consolidated subsidiaries

- (a) Number of consolidated subsidiaries 30
- (b) Names of major consolidated subsidiaries are omitted, as they are described in “1. Current Conditions of the Company group, (3) Significant Subsidiaries” of the Business Report.

(3) Significant accounting policies

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call with banks, and other short term highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(ii) Inventories

The cost of inventories includes purchase costs, processing costs and all other costs incurred to bring inventories to their present location and condition.

Inventories are measured at the lower of cost or net realizable value. If net realizable value is less than the cost, that difference is accounted for as a write off and recognized as an expense. The weighted average method is used to calculate cost. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and estimated costs necessary to make the sale.

(iii) Financial instruments

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are financial assets designated as held for trading purposes or measured at fair value through profit or loss.

These assets are measured at fair value, and the changes in fair value are recognized as profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market; this category includes trade and other receivables.

Such assets are initially measured at fair value, plus any directly attributable transaction costs and subsequently at amortized cost using the effective interest method, less any impairment losses. The amortization charge for each period is recognized as financial income in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are those financial assets initially designated as available for sale or are not classified in one of the other categories of non-derivative financial assets above.

These assets are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income and presented in other components of equity.

Derivative financial instruments

Derivative financial instruments are initially recognized at fair value, and remeasured after initial recognition to their fair value. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

(iv) Property, plant and equipment (except lease asset)

Except for assets that are not subject to depreciation such as land, assets are depreciated using the straight-line method over their estimated useful lives.

(v) Goodwill and other intangible assets

Goodwill is not amortized. Intangible assets for which useful lives can be determined are amortized by the straight-line method over their estimated useful lives from the date the assets are available for use.

(vi) Impairment

Financial assets not classified as at fair value through profit or loss are assessed for objective evidence of impairment at the reporting date and the amount of impairment loss is determined if any such evidence exists.

If there is any indication of impairment for property, plant and equipment, goodwill and intangible assets, the asset is tested for impairment. Goodwill is tested for impairment both annually and when there is any indication of impairment. An impairment loss is recognized if the recoverable amount of an asset, cash-generating unit (CGU) or CGU group is less than its carrying amount.

(vii) Provisions

Provisions are recognized when the Company group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

(viii) Post-employment benefits

The Company and certain of its subsidiaries have retirement and severance defined benefit plans covering substantially all of their employees. For each defined benefit plan, the present value of defined benefit obligations, related current service cost and past service cost are calculated using the projected unit credit method. The discount rates are the yields of high quality corporate bonds that have maturity terms approximating those of the obligations which the benefits are expected to be paid. Net defined benefit liability (asset) is measured at the present value of the defined benefit obligation less the fair value of plan assets. Remeasurements of net of liabilities or assets for defined benefit plans are recognized in full as other comprehensive income in the period when they are incurred and reclassified to retained earnings immediately. Past service costs are recognized immediately in profit or loss.

(ix) Foreign currency translation

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of the reporting period, and revenue and expense items are translated using the average exchange rates during the period. Gains or losses derived from translating foreign operations' financial statements are recognized in other comprehensive income, and presented in other components of equity.

(x) Implementation of a Consolidated Tax System

The Company has implemented a consolidated tax system.

2. Notes to Consolidated Statements of Financial Position
- (1) Allowance for doubtful accounts: ¥51 million
- (2) Accumulated depreciation on property, plant and equipment: ¥54,806 million
(Accumulated impairment losses are included)

3. Notes to Consolidated Statements of Changes in Equity

- (1) Total number of issued shares as of March 31, 2018

Ordinary shares 199,566,770 shares

- (2) Dividends of surplus

(i) Dividends Paid

Resolution	Class of shares	Amount of dividend	Dividend per share	Record date	Effective date
Resolution at the meeting of the Board of Directors held on May 22, 2017	Ordinary shares	¥2,122 million	¥12	March 31, 2017	June 2, 2017
Resolution at the meeting of the Board of Directors held on October 25, 2017	Ordinary shares	¥1,597 million	¥9	September 30, 2017	December 1, 2017

(ii) Dividend with a record date in fiscal year 2017 and an effective date in fiscal year 2018

Resolution	Class of shares	Source of dividend	Amount of dividend	Dividend per share	Record date	Effective date
Resolution at the meeting of the Board of Directors held on May 22, 2018	Ordinary shares	Retained earnings	¥4,118 million	¥23	March 31, 2018	June 4, 2018

- (3) Shares acquisition rights outstanding as of March 31, 2018

(Excluding stock acquisition rights for which the exercise period has not begun)

Pursuant to the resolution adopted at the meeting of the Board of Directors of July 27, 2016

Ordinary shares 1,247,000 shares

4. Notes to Financial Instruments

- (1) Financial Instruments

The Company group limits its fund management to short-term instruments including deposits at financial institutions with high credit ratings. Credit risk of note receivables and trade receivables pertaining to customers are minimized through credit administration standards.

The Company's available-for-sale financial assets mainly consist of shares and the Company keeps track of their fair values. In addition, the Company annually reviews shares and other securities it owns to determine whether the Company should continuously hold them. Furthermore, the Company will not make any speculative derivative transactions other than to conduct derivative exchange rate transactions in order to cope with actual demand risks, pursuant to its fund management guidelines with high credit rating financial institutions.

- (2) Fair Value of Financial Instruments

The following table shows carrying amounts, fair value and the difference between such carrying amount and market value as of March 31, 2018. Financial instruments measured by fair value on consolidated financial statements and financial instruments whose fair values approximate their carrying amounts are not included in the table below.

(Millions of yen)

	Carrying amount (*)	Fair value (*)	Difference
Bonds	(29,872)	(29,969)	(97)

(*) “()” means such amount is recorded as a liability.

(Note) Matters with respect to calculation method of fair value of financial products and transactions of securities and derivatives

Fair values of convertible bonds are calculated based on resembling bonds without the option to convert to stocks.

5. Notes to per share information

Equity attributable to owners of the parent per share: ¥696.04

Basic earnings per share: ¥101.94

6. Notes to significant subsequent events

Not applicable.

7. Other notes

Amounts less than one million yen are rounded.

Non-Consolidated Financial Statements

Balance Sheets (Non-Consolidated)

(As of March 31, 2018)

(Millions of yen)

Items	FY2017	FY2016 (reference)	Items	FY2017	FY2016 (reference)
Assets			Liabilities		
Current assets	156,595	134,294	Current liabilities	119,642	95,083
Cash and deposits	80,111	72,405	Trade accounts payable	27,903	17,649
Trade notes receivables	2	36	Other accounts payable	6,391	5,193
Electronically recorded monetary claims	2,723	1,418	Accrued expenses	5,272	4,301
Accounts receivable	30,140	28,739	Income tax payable	2,306	773
Merchandises and finished goods	10,744	5,415	Deposits received	42,808	49,031
Work in progress	14,327	14,073	Accrued warranty expenses	3,000	1,595
Raw materials and supplies	14,951	10,378	Corporate bonds maturing within one year	-	15,000
Other	3,597	1,830	Convertible bonds maturing within one year	30,029	-
Noncurrent assets	134,531	135,829	Bonus accrual for directors	101	83
Property, plant and equipment	17,955	19,731	Other	1,832	1,458
Buildings and structures	4,741	5,730	Noncurrent liabilities	15,956	45,009
Land	9,863	11,195	Convertible bonds	-	30,059
Other	3,351	2,806	Allowance for retirement benefits	15,572	14,622
Intangible fixed assets	2,735	2,800	Asset retirement obligations	40	39
Patent right	1,950	2,339	Other	344	289
Other	785	461	Total liabilities	135,598	140,092
Investments and other assets	113,841	113,298	Net assets		
Investment securities	30	1,419	Stockholders' equity	154,990	127,972
Investment in affiliated companies	103,456	103,456	Common stock	32,363	32,363
Long-term loans receivable	6	19	Capital surplus	32,973	32,973
Deferred tax assets	8,795	6,910	Capital reserve	32,973	32,973
Other	1,561	1,502	Retained earnings	167,378	148,675
Allowance for doubtful accounts	(7)	(8)	Legal reserve	3,083	3,083
			Other retained earnings	164,295	145,592
			[Reserve for losses in foreign investments]	[27,062]	[27,062]
			[General reserve]	[146,880]	[146,880]
			[Retained earnings (accumulated loss)]	[(9,647)]	[(28,350)]
			Treasury stock	(77,724)	(86,039)
			Difference of appreciation and conversion	-	655
			Net unrealized gains on investment securities	-	655
			Stock acquisition rights	538	1,404
			Total net assets	155,528	130,031
Total assets	291,126	270,123	Total liabilities and net assets	291,126	270,123

(Reference) "Deferred tax assets" are classified under "Investments and other assets" due to earlier adoption of partial amendment of accounting principle for deferred tax accounting. Current assets portion of "Deferred tax assets" of FY2016 in the report last year are reclassified to "Investments and other assets".

Statements of Operations (Non-Consolidated)

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Items	FY2017	FY2016 (reference)
Net sales	181,830	143,559
Cost of sales	95,543	68,775
Gross profit	86,287	74,784
Selling, general and administrative expenses	76,229	70,177
Operating income	10,058	4,607
Non-operating income		
Interest and dividends income	16,216	5,872
Other	1,344	629
Non-operating expenses		
Interest expenses	662	460
Foreign exchange losses	-	518
Other	247	279
Ordinary income	26,709	9,851
Extraordinary income		
Gain on contribution of securities to retirement benefit trust	154	-
Gain on reversal of subscription rights to shares	-	89
Extraordinary loss		
Impairment loss	310	1,358
Income before income taxes	26,553	8,582
Income taxes – current	1,987	406
Income taxes – deferred	(1,736)	(7,062)
Net income	26,302	15,238

Statements of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

	FY2017	FY2016 (reference)
(Millions of yen)		
Stockholders' Equity		
Common stock		
Balance at beginning of year	32,363	32,363
Changes in the year		
Total changes in the year	-	-
Balance at end of year	32,363	32,363
Capital surplus		
Capital reserve		
Balance at beginning of year	32,973	32,973
Changes in the year		
Total changes in the year	-	-
Balance at end of year	32,973	32,973
Retained earnings		
Legal reserve		
Balance at beginning of year	3,083	3,083
Changes in the year		
Total changes in the year	-	-
Balance at end of year	3,083	3,083
Other retained earnings		
Reserve for losses in foreign investments		
Balance at beginning of year	27,062	27,062
Changes in the year		
Total changes in the year	-	-
Balance at end of year	27,062	27,062
General reserve		
Balance at beginning of year	146,880	146,880
Changes in the year		
Total changes in the year	-	-
Balance at end of year	146,880	146,880
Retained earnings (accumulated loss)		
Balance at beginning of year	(28,350)	(34,955)
Changes in the year		
Dividends from retained earnings	(3,719)	(4,022)
Net income	26,302	15,238
Sale of treasury stock	(3,880)	(4,611)
Total changes in the year	18,703	6,605
Balance at end of year	(9,647)	(28,350)

(Millions of yen)

	FY2017	FY2016 (reference)
Treasury stock		
Balance at beginning of year	(86,039)	(94,585)
Changes in the year		
Purchases of treasury stock	(2)	(2)
Sale of treasury stock	8,317	8,548
Total changes in the year	8,315	8,546
Balance at end of year	(77,724)	(86,039)
Total stockholders' equity		
Balance at beginning of year	127,972	112,821
Changes in the year		
Dividends from retained earnings	(3,719)	(4,022)
Net income	26,302	15,238
Purchases of treasury stock	(2)	(2)
Sale of treasury stock	4,437	3,937
Total changes in the year	27,018	15,151
Balance at end of year	154,990	127,972
Difference of appreciation and conversion		
Net unrealized gains on securities		
Balance at beginning of year	655	163
Changes in the year		
Changes of items other than stockholders' equity, net	(655)	492
Total changes in the year	(655)	492
Balance at end of year	-	655
Stock acquisition rights		
Balance at beginning of year	1,404	1,678
Changes in the year		
Changes of items other than stockholders' equity, net	(866)	(274)
Total changes in the year	(866)	(274)
Balance at end of year	538	1,404
Total net assets		
Balance at beginning of year	130,031	114,662
Changes in the year		
Dividends from retained earnings	(3,719)	(4,022)
Net income	26,302	15,238
Purchases of treasury stock	(2)	(2)
Sale of treasury stock	4,437	3,937
Changes of items other than stockholders' equity, net	(1,521)	218
Total changes in the year	25,497	15,369
Balance at end of year	155,528	130,031

Notes to Non-Consolidated Financial Statements

1. Notes to significant accounting policies

- (1) Valuation of securities
 - (i) Investments in subsidiaries: Stated at cost using the moving average method
 - (ii) Other securities
 - (a) Securities with quoted value
Stated at fair value based on market prices at the end of the relevant period (evaluation difference is accounted for as a component of stockholders' equity; cost of other securities sold is determined using the moving average method)
 - (b) Securities not practicable to estimate fair value
Stated at cost using the moving average method
- (2) Valuation of inventories
Stated principally at cost using the gross average method (balance sheet value of assets are calculated using a method in which book values are written down in accordance with decreased profitability)
- (3) Depreciation and amortization of noncurrent assets
 - (i) Depreciation of plant and equipment
Based on the straight-line method
 - (ii) Amortization of intangible fixed assets
Based on the straight-line method
However, software for internal use is amortized using the straight-line method over its estimated useful life of 5 years.
- (4) Allowances
 - (i) Allowance for doubtful accounts
To prepare for credit losses on accounts receivable and loans, etc., an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on a historical write-off ratio and for bad receivables based on a case-by-case determination of collectability.
 - (ii) Accrued warranty expenses
To reasonably account for repair costs covered under product warranty in the respective periods in which they arise, the allowance for a given year is provided in an amount determined based on the ratio of repair costs in that year to net sales in the preceding year.
 - (iii) Bonus accrual for directors
In preparation for the payment of bonuses to directors of the total amount expected to be paid, an estimated amount for fiscal year 2017 is reported.
 - (iv) Allowance for retirement benefits
To provide for employee retirement benefits, an allowance is provided in an amount determined based on the estimated retirement benefit obligations and pension assets at the end of the fiscal year.
Prior service cost is amortized on a straight-line basis over the average remaining service period of employees.
Any actuarial gains and losses are amortized on a straight-line basis over the average remaining service period of employees, and the amount is recorded in the fiscal year subsequent to its occurrence.
- (5) Accounting for consumption taxes
Consumption taxes are accounted using the net-of-tax method.
- (6) Implementation of a Consolidated Tax System
The Company has implemented a consolidated tax system.

2. Notes to changes in presentation

(Balance Sheets)

“Deferred tax assets” are classified under “Investments and other assets” due to earlier adoption of partial amendment of accounting principle for deferred tax accounting.

(Statements of Operations)

“Gain on reversal of subscription rights to shares” indicated in “Extraordinary income” for FY2016 has been reclassified in “Other” under “Non-operating income” for FY2017 because of decreasing amount.

3. Notes to Balance Sheets		
(1) Accumulated depreciation on property, plant and equipment:		¥21,852 million
(2) Short-term receivables from affiliates:		¥21,502 million
Long-term receivables from affiliates:		¥200 million
Short-term payables to affiliates:		¥49,580 million
4. Notes to Statements of Operations		
Transactions with affiliated companies		
Sales:		¥125,076 million
Purchases:		¥54,915 million
Non-operating transactions:		¥16,702 million
5. Notes to Statement of Changes in Net Assets		
Total number of treasury stock as of March 31, 2018		
Common stock		20,539,246 shares
6. Notes to tax effect accounting		
Breakdown by major causes of deferred tax assets and deferred tax liabilities		
Deferred tax assets	(Millions of yen)	
Appraised value of inventories		2,900
Research and development expenses		2,737
Allowance for retirement benefits		4,872
Fixed assets		4,247
Loss carried forward		24,876
Other		3,139
Subtotal of deferred tax assets		42,771
Valuation allowance for loss carried forward		(22,481)
Valuation allowance for deductible temporary differences		(11,446)
Subtotal of valuation allowance		(33,927)
Total of deferred tax assets		8,844
Deferred tax liabilities		
Gain on contribution of securities to retirement benefit trust		(47)
Other		(2)
Total of deferred tax liabilities		(49)
Net deferred tax assets		8,795

7. Notes to transactions with related parties

(1) Parent company and major corporate shareholders

Not applicable.

(2) Officers and major individual investors

Not applicable.

(3) Subsidiaries

Company name	Address	Common stock	Principal Activities	Percentage of Voting Rights	Description of relationships		Details of transactions	Amount of transactions	Items	Balance at fiscal year end
					Officer of subsidiaries temporarily transferred from the Company	Business relationship				
Advantest America, Inc.	California, U.S.A.	4,059 thousand USD	Development and sale of test systems, etc.	100.0%	Yes	Development and sale of the Company's products	Sales	¥37,820 million	Accounts receivable	¥3,180 million
							Depositing of money	-	Deposits received	¥4,740 million
Advantest Europe GmbH	Munich, Germany	10,793 thousand Euro	Development and sale of test systems, etc.	100.0%	Yes	Development and sale of the Company's products	Receipt of dividends	¥9,536 million	-	-
Advantest Taiwan Inc.	Hsin-Chu Hsien, Taiwan	760,000 thousand New Taiwan Dollars	Sale of test systems, etc.	100.0%	Yes	Sale of the Company's products	Sales	¥51,847 million	Accounts receivable	¥14,035 million
							Depositing of money	-	Deposits received	¥4,980 million
Advantest (Singapore) Pte. Ltd.	Singapore	15,300 thousand Singapore Dollars	Sale of test systems, etc.	100.0%	Yes	Sale of the Company's products	Receipt of dividends	¥4,600 million	-	-
							Payment of interest	¥470 million	-	-
							Depositing of money	-	Deposits received	¥32,145 million

Terms and conditions of transactions and determination of policies thereof

1. With respect to sales, the price is determined by referring to the market price, among others.
2. With respect to deposit, the interest rate is determined by taking into account the market interest rate.

8. Notes to per share information

Net assets per share: ¥865.73

Net income per share: ¥148.11

9. Notes to significant subsequent events

Not applicable.

10. Other notes

Amounts less than one million yen are rounded.

Audit Reports


Copy of Report of Independent Auditors (Consolidated)


Report of Independent Auditors


May 16, 2018

The Board of Directors Advantest Corporation:

Ernst & Young ShinNihon LLC

Makoto Usui 
Certified Public Accountant
Designated and Engagement Partner

Kaeko Kitamoto 
Certified Public Accountant
Designated and Engagement Partner

Keiichi Wakimoto 
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Advantest Corporation (the “Company”) applicable to the fiscal year from April 1, 2017 through March 31, 2018.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards with certain disclosure items omitted pursuant to the second sentence of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements prepared in accordance with the International Financial Reporting Standards with certain disclosure items omitted pursuant to the second sentence of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies referred to above present fairly, in all material respects, the financial position and results of operations of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2018.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of the Company, prepared in Japanese, for the year ended March 31, 2018. Ernst & Young ShinNihon LLC have not audited the English language version of the consolidated financial statements for the above-mentioned year.


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
Report of Independent Auditors


May 16, 2018

The Board of Directors Advantest Corporation:

Ernst & Young ShinNihon LLC

Makoto Usui 
Certified Public Accountant
Designated and Engagement Partner

Kaeko Kitamoto 
Certified Public Accountant
Designated and Engagement Partner

Keiichi Wakimoto 
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operation, the statement of changes in net assets, the notes to the non-consolidated financial statements and the related supplementary schedules of Advantest Corporation (the “Company”) applicable to the 76th fiscal year from April 1, 2017 through March 31, 2018.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the financial statements of the Company, prepared in Japanese, for the year ended March 31, 2018. Ernst & Young ShinNihon LLC have not audited the English language version of the financial statements for the above-mentioned year.

Copy of Audit and Supervisory Committee's Audit Report

Audit Report

The Audit and Supervisory Committee of Advantest Corporation (the "Company") has audited the performance of duties by Directors during the 76th fiscal year (from April 1, 2017 to March 31, 2018). We hereby report the method and result thereof as follows.

1. Methods and Content of Audit

Regarding the content of the resolution of the Board of Directors relating to matters stipulated in Article 399-13, Paragraph 1, Item 1(b) and (c) of the Companies Act of Japan and the status of the system being developed pursuant to such resolutions (internal controls system), the Audit and Supervisory Committee periodically received reports from the Directors, Executive Officers, and employees and other personnel concerning the establishment and management of such system, sought explanations as necessary, and expressed opinions. In addition, the Audit and Supervisory Committee carried out audits according to the following method:

- (i) In compliance with the Rules for Audit by the Audit and Supervisory Committee established by the Audit and Supervisory Committee, pursuant to the audit policies, audit plans, allocation of duties, etc., and in coordination with the internal audit division and other relevant departments with jurisdiction over internal control, the audit and supervisory committee members attended important meetings, received reports from Directors, Executive Officers and employees on the performance of their duties, requested further explanations as deemed necessary, reviewed important approval-granting documents, and inspected the state of business operations and assets at the head office and other important branch offices.

With respect to subsidiaries, we communicated with and exchanged information with the directors and corporate auditors of the subsidiaries and received business reports from subsidiaries as deemed necessary, and conducted site visits to the Company's main consolidated subsidiaries overseas, and confirmed their state of business operations and assets.

- (ii) In addition, we monitored and reviewed whether the Independent Auditors maintained their independent positions and conducted the audit properly, received reports from the Independent Auditors on the performance of their duties, and requested further explanations as deemed necessary. Furthermore, we were informed by the Independent Auditors that they are establishing a "System to ensure the appropriate performance of duties" (*Syokumu no Suikou ga Tekisei ni Okonawareru Koto o Kakuho Suru Tameno Taisei*) (Matters as defined in each Item of Article 131 of the Company Accounting Regulations) pursuant to "Quality control standards of audit" (*Kansa ni Kansuru Hinshitsu Kanri Kijyun*) (the Business Accounting Counsel, October 28, 2005), and requested their explanations as deemed necessary.

Based on the above methods, we reviewed the business report and the related supplementary schedules, the consolidated financial statements (the consolidated statement of financial position, consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of stockholders' equity, and notes to consolidated financial statements), and the non-consolidated financial statements (the balance sheet, statement of operations, statement of changes in net assets, notes to non-consolidated financial statements) as well as the related supplementary schedules for the 76th fiscal year.

2. Results of Audit

(1) Results of audit of the business report and other documents

- (i) The business report and the related supplementary schedules of the Company accurately present the financial conditions of the Company in conformity with applicable laws and regulations and the Articles of Incorporation of the Company.
- (ii) No irregularity or material violation of applicable laws or regulations or the Articles of Incorporation of the Company was found with respect to the activities of the Directors.

(iii) The contents of the resolutions of the meeting of the Board of Directors with respect to the internal control system are appropriate. In addition, there are no matters to be pointed out regarding the entries in the business report and the performance of duties of Directors with respect to the internal control system.

(2) Results of audit of the consolidated financial statements and the related supplementary schedules

The methods and results of audit performed by Ernst & Young ShinNihon LLC, the independent auditor of the Company, are appropriate.

(3) Results of audit of the financial statements and the related supplementary schedules

The methods and results of audit performed by Ernst & Young ShinNihon LLC, the independent auditor of the Company, are appropriate.

May 22, 2018

Audit and Supervisory Committee of Advantest Corporation

Yuichi Kurita

Standing Audit and Supervisory Committee Member



Megumi Yamamuro

Audit and Supervisory Committee Member



Yasushige Hagio

Audit and Supervisory Committee Member



Note: Audit and Supervisory Committee Members Megumi Yamamuro and Yasushige Hagio are outside directors provided in Article 2, Item 15, and Article 331, Paragraph 6 of the Companies Act of Japan.

Memorandum to Shareholders

Fiscal Year:	Starting from April 1 of each year and ending on March 31 of the following year
Ordinary general meeting of shareholders:	June of each year
Date of decision on shareholders of record qualified to	attend ordinary general meeting of shareholders: March 31 of each year
	receive dividends: March 31 of each year
	receive interim dividends: September 30 of each year
Number of shares comprising one unit:	100 shares
Share registration agent:	Mitsubishi UFJ Trust and Banking Corporation
Contact information of the aforementioned agent	Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 1-1, Nikkocho, Fuchu-shi, Tokyo 183-0044, Japan Toll free number: 0120-232-711
Method for public notice:	Public notices will be posted on the Company's website (https://www.advantest.com/investors). However, in case of accidents or other inevitable circumstances that prevent the Company from posting public notices on such Company's website, public notices will be published in the Nihon Keizai Shimbun.

(Notice)

1. Please inform the securities firm at which you hold an account of changes of address, demands for sales and purchases of fractional shares or other various services. Share registration agent (Mitsubishi UFJ Trust and Banking Corporation) is not able to provide such services.
2. For various services in connection with those shares that are recorded in the special account, please contact the firm responsible for administering such special account described below.
3. Unpaid dividends shall be paid at the head office or any branch office of Mitsubishi UFJ Trust and Banking Corporation.

The firm responsible for administering special account:	Tokyo Securities Transfer Agent Co., Ltd.
Contact information of the aforementioned firm	Business Center, Tokyo Securities Transfer Agent Co., Ltd. 2-8-4, Izumi, Suginami-ku, Tokyo 168-8522 Toll free number: 0120-49-7009