

(The following is an unofficial English translation of the Convocation Notice of the 77th 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.

(Pictures, graphs and reference matters in the Japanese have been omitted from this translated document.)

(Stock Code Number: 6857)

**CONVOCATION NOTICE OF
THE 77th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and time: June 26, 2019 (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 77th Ordinary General Meeting of Shareholders.

During FY2018, the global economy has continued to maintain its growth trajectory overall. Nevertheless, concerns about the future of the global economy have grown since the autumn of 2018 due to the expansion of protectionist trade policies, among other factors. Reflecting the trends in the global economy, the sense of a slowdown in data center investment and in the smartphone market, that have led growth in semiconductors and related industries for the last few years, has intensified. As a result, major semiconductor manufacturers cut back on their capital investment plans and moved towards substantial inventory adjustments. On the other hand, demand for performance improvements in electronic devices such as data servers, smartphones, displays, and car electronics has remained steady, promoting improved performance and an increase in quantity of semiconductors, which are incorporated into such electronic devices. Semiconductor manufacturers have responded by making active efforts to strengthen their testing capabilities for handling more complex testing and enhancing the reliability of semiconductors, which is directly related to improved performance of the end products. As a result, the demand for semiconductor test equipment has remained robust.

In this business environment, Advantest expanded its market share by demonstrating its strength as a manufacturer with the most comprehensive product portfolio in the semiconductor test equipment industry and capturing demand for new products from a broad range of customers.

As a result, orders received were ¥275.2 billion, net sales were ¥282.5 billion, operating income was ¥64.7 billion, income before income taxes was ¥66.2 billion, and net income was ¥57.0 billion, representing a drastically increase in sales and profit from FY2017.

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, 2019 to distribute a year-end dividend of ¥42 per share, with a payment date of June 4, 2019.

Since Advantest has paid an interim dividend of ¥50 per share, the total dividend per share for the fiscal year will be ¥92 per share (an increase of ¥60 compared with FY2017).

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

June 2019

Yoshiaki Yoshida
Representative Director,
President and CEO

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To Our Shareholders

Yoshiaki Yoshida
Representative Director
President and CEO
ADVANTEST CORPORATION
1-6-2 Marunouchi, Chiyoda-ku,
Tokyo

**CONVOCATION NOTICE OF
THE 77th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

Notice is hereby given that the 77th 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 requests that you exercise your voting rights in writing or by means of the Internet by 5:00 p.m. of June 25, 2019 (Tuesday) after carefully reading the reference documents as set forth below.

1. Date and time: June 26, 2019 (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 77th Fiscal Year (from April 1, 2018 to March 31, 2019)
- 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: Election of 7 directors (excluding directors who are audit and supervisory committee members)
- Agenda Item No. 2: Election of 2 directors who are audit and supervisory committee members
- Agenda Item No. 3: Election of 1 substitute director who is an audit and supervisory committee member

Notice of Items to be listed on our website

- 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

(note: This English Translation includes above such statements for your convenience)

- 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.

- 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 instead of issuing a written notice of the resolutions.

The Company's website:

<https://www.advantest.com/en/investors/shares-and-corporate-bonds/shareholders-meeting>

Instructions for the attendance of the general meeting of shareholders:

- The Company cordially invites you to attend a reception to be held after the meeting for shareholders. Beverage will be served by pet bottle.
- Little gifts are prepared for the shareholders who attended the meeting at the time of admission, but regardless of the number of voting form papers the shareholders bring, each shareholder has one gift. In addition, due to the venue opening time, the Company cannot deliver it before the reception start time (9:10 am).

Instructions for the Exercise of Voting Rights

If you attend the General Meeting of Shareholders

When attending the meeting, please bring this convocation notice with you and submit the enclosed voting right exercise form to the reception desk at the site of the meeting.

If you attend the meeting, you do not need to mail the voting right exercise form or vote via the Internet.

Date and time: June 26, 2019 (Wednesday) at 10:00 a.m.

If you are unable to attend the General Meeting of Shareholders

Exercise of voting rights in writing

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.

Deadline: To be delivered by 5:00 p.m. of June 25, 2019 (Tuesday)

Exercise of voting rights via the Internet

Please refer to “Instructions for the Exercise of Voting Rights via the Internet” on pages 6-7 and indicate your intention to vote “for” or “against” each agenda item by following the on-screen instructions.

Deadline: By 5:00 p.m. of June 25, 2019 (Tuesday)

Instructions for the Exercise of Voting Rights via the Internet

Voting rights may be exercised online only by accessing the website for casting votes on a PC, smartphone, etc. Please access the website for casting votes and indicate your intention to vote “for” or “against” each agenda item. (This website is out of service from 2:00 a.m. to 5:00 a.m. every day.)

Deadline for exercise of voting rights: By 5:00 p.m. of June 25, 2019 (Tuesday)

Using a smartphone to read the QR code

Read the “QR code for login” and you can log in to the website for casting votes without entering the “login ID” and “temporary password.”

***Exercising of voting rights using the following method is available only once.**

1. Read the QR code.

Use your smartphone and read the “QR code for login” printed on the right-hand slip of the enclosed voting right exercise form.

2. Select the option of exercise of voting rights.

The screen displays available options for exercise of voting rights. Select your preferred option for exercise of voting rights.

3. Select “for” or “against” each agenda item.

Follow the on-screen instructions and for each agenda item select “for” or “against.”

Follow the on-screen instructions to complete your exercise of voting rights.

For login for the second time onward,

Please follow the instructions on the next page.

Institutional investors

Institutional investors can use the electronic voting platform operated by ICJ, Inc. by submitting an application in advance.

Entering the “login ID” and “temporary password”

1. Access the website for casting votes.
2. Enter the “login ID” and “temporary password” printed on the right-hand slip of the enclosed voting right exercise form
3. Complete the “New password” and “New password (for confirmation)” fields.

Follow the on-screen instructions and enter “for” or “against.”

Website for casting votes

<https://evote.tr.mufg.jp/>

Notes

- If you exercise your voting rights via the Internet, you do not need to mail the voting right exercise form.
- If voting rights are exercised both by mail and via the Internet, the exercise of voting rights via the Internet shall be deemed valid.
- If voting rights are exercised via the Internet multiple times, the last exercise of voting rights shall be deemed valid.
- 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.
- Internet connection charges, communication fees, and other costs incurred by accessing the website for casting votes by smartphone, PC, etc. shall be the responsibility of each shareholder.

[Contact for inquiry on how to operate the website for casting votes]

Corporate Agency Division, 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)

Reference Documents for the General Meeting of Shareholders

Agenda Items and Reference Matters:

Agenda Item No. 1: Election of 7 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 seven directors (excluding directors who are audit and supervisory committee members), increasing the number of directors (excluding directors who are audit and supervisory committee members) by one in order to further strengthen the management structure. 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.

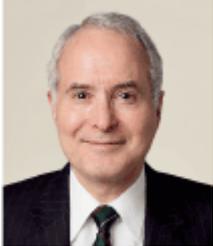
The profiles of the director candidates (excluding directors who are audit and supervisory committee members) are set forth below.

| Candidate No. | Name | Present position and assignment | Number of attendances at the meetings of the Board of Directors |
|---------------|--|--|---|
| 1 | Reappointed Yoshiaki Yoshida | Representative Director, President and CEO | 14/14 |
| 2 | Reappointed Independent Osamu Karatsu | Outside Director | 14/14 |
| 3 | New Candidate Independent Toshimitsu Urabe | - | - |
| 4 | New Candidate Independent Nicholas Benes | - | - |
| 5 | Reappointed Hans-Juergen Wagner | Director, Managing Executive Officer, Test Technology | 13/14 |
| 6 | Reappointed Soichi Tsukakoshi | Director, Managing Executive Officer, Supply Chain | 14/14 |
| 7 | New Candidate Atsushi Fujita | Managing Executive Officer, Executive Vice President, Corporate Administration Group | - |

| | 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 data-bbox="252 533 475 600">Yoshiaki Yoshida (February 8, 1958)</p> <div data-bbox="288 600 440 645" style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div> | <p data-bbox="507 253 1262 421">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 data-bbox="507 454 1262 521">January 2017 Representative Director, President and CEO (present position)</p> | 47,363 |
| <p data-bbox="240 667 906 701">The reasons for nomination as a candidate for a director</p> <p data-bbox="240 701 1465 931">■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 a 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 |
|---|---|---|--------------------------------------|
| |  <p data-bbox="268 539 459 600">Osamu Karatsu (April 25, 1947)</p> <div data-bbox="292 613 440 651" style="border: 1px solid black; padding: 2px; width: fit-content; margin: 2px;">Reappointed</div> <div data-bbox="292 674 440 712" 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> | 2,864 |
| 2 | <p data-bbox="240 763 1412 797">The reasons for nomination as a candidate for an outside director and the number of years in office</p> <ul style="list-style-type: none"> <li data-bbox="240 801 938 835">■Mr. Osamu Karatsu is a candidate for an outside director. <li data-bbox="240 840 1460 1032">■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. It will contribute to the sustainable enhancement of corporate value of the Company and the activation of the Board of Directors to reflect his insights on the industry to which the Company belongs in the management of the Company. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him again as a candidate for an outside director. <li data-bbox="240 1037 1225 1070">■Mr. Osamu Karatsu has served as an outside director of the Company for 7 years. <p data-bbox="240 1099 411 1133">Independence</p> <ul style="list-style-type: none"> <li data-bbox="240 1137 1469 1301">■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 21) 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. | | |

| | 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>Toshimitsu Urabe (October 2, 1954)</p> <p>New Candidate</p> <p>Independent</p> | <p>April 1978 Joined Mitsubishi Corporation</p> <p>April 2009 Senior Vice President and Deputy Chief Representative for China of Mitsubishi Corporation, and President for Mitsubishi Corporation (Hong Kong) Ltd.</p> <p>April 2011 Senior Vice President and Senior Assistant to Senior Executive Vice President, Human Resources of Mitsubishi Corporation</p> <p>April 2013 Executive Vice President, Group CEO, Business Service Group of Mitsubishi Corporation</p> <p>April 2017 Advisor, Mitsubishi Corporation</p> <p>June 2017 Deputy President and Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited (present position)</p> | 0 |
| 3 | <p>The reasons for nomination as a candidate for an outside director</p> <ul style="list-style-type: none"> ■ Mr. Toshimitsu Urabe is a candidate for an outside director. ■ Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company, particularly overseas experience in the United States and Asia, experience in business investment decisions, etc., and extensive experience in administrative management for example human resources. It will contribute to the sustainable enhancement of corporate value of the Company and the activation of the Board of Directors to reflect his insights on the global management of the Company group. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him as a candidate for an outside director. <p>Independence</p> <ul style="list-style-type: none"> ■ The Company has no special transactions with Mr. Toshimitsu Urabe or Mitsubishi UFJ Lease & Finance Company Limited, where he has been a Deputy President. Therefore, the Company judges that he is sufficiently independent in light of the Independence Criteria of Independent Outside Directors (page 21) specified by the Company. And since he also satisfies the requirements for independent directors/auditors specified by Tokyo Stock Exchange, Inc., the Company intends to register him as an independent director. | | |

| | 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>Nicholas Benes (April 16, 1956)</p> <p>New Candidate</p> <p>Independent</p> | <p>September 1983 Joined Morgan Guaranty Trust Company of New York</p> <p>November 1983 Joined California and New York State bar Association.</p> <p>May 1994 Senior Managing Director, Kamakura Corporation</p> <p>April 1997 President and Founder, JTP Corporation (present position)</p> <p>March 2000 Outside Director, Alps Mapping Co., Ltd.</p> <p>December 2006 Outside Director, Livedoor Holdings Co., Ltd.</p> <p>March 2007 Outside Director, Cecile Co., Ltd.</p> <p>November 2009 Representative Director, The Board Director Training Institute of Japan (present position)</p> <p>June 2016 Outside Director, Imagica Robot Holdings Inc. (current IMAGICA GROUP Inc.) (present position)</p> | 0 |
| 4 | <p>The reasons for nomination as a candidate for an outside director</p> <ul style="list-style-type: none"> ■ Mr. Nicholas Benes is a candidate for an outside director. ■ Mr. Nicholas Benes has extensive knowledge and experience about corporate governance matters, and experience in investment banking including M&A transactions. It will contribute to the sustainable enhancement of corporate value of the Company and the activation of the Board of Directors to receive his insights on corporate governance and the perspective of shareholders, and reflect them on the global management of the Company group. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him as a candidate for an outside director. <p>Independence</p> <ul style="list-style-type: none"> ■ Mr. Nicholas Benes does not have any dealings with the Company that would affect his independent judgement. The Company has paid annual fee and receive executive trainings from the Board Director Training Institute of Japan, where he has been a representative director. The amount of payment to the Board Director Training Institute of Japan in FY2018 was less than JPY 10,000,000. Therefore, the Company judges that he is sufficiently independent in light of the Independence Criteria of Independent Outside Directors (page 21) specified by the Company. And since he also satisfies the requirements for independent directors/auditors specified by Tokyo Stock Exchange, Inc., the Company intends to register him as an independent director. | | |

| | 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: 5px auto;">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 June 2018 Leader, ATE Business Group (present position)</p> | 0 |
| <p>The reasons for nomination as a candidate for a director</p> <p>■Mr. Hans-Juergen Wagner is responsible for ATE Business Group, and also serves as Managing Director (CEO) of Advantest Europe GmbH. He has a wealth of knowledge concerning the market trend of ATE business, the Company's core business, and 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 a 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-left: 20px;">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) | 4,712 |
| <p>The reasons for nomination as a candidate for a 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 a 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 |
|--|--|---|--------------------------------------|
| 7 |  <p>Atsushi Fujita (November 15, 1959)</p> <p>New Candidate</p> | <p>April 1983 Joined Advantest Corporation June 2015 Executive Officer June 2017 Managing Executive Officer, Executive Vice President, Corporate Administration Group (present position)</p> | 2,199 |
| <p>The reasons for nomination as a candidate for a director</p> <p>■Mr. Atsushi Fujita has been engaged in corporate administrations mainly finance and accounting area for many years including the assignment to US and Germany, and he has gained 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 as a candidate for a 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 Mr. Osamu Karatsu. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.
If the election of Messrs. Toshimitsu Urabe and Nicholas Benes is approved, the Company intends to enter into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act with each of them. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.

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

The term of office of current directors who are audit and supervisory committee members, Messrs. Yuichi Kurita and Megumi Yamamuro will expire upon the closing of this ordinary general meeting of shareholders. The Company therefore requests the election of 2 directors who are audit and supervisory committee members. The Company has obtained the consent of the Audit and Supervisory Committee with respect to this agenda item.

The profiles of the candidates for director who is an audit and supervisory committee member are set forth below.

| Candidate No. | Name | Present position and assignment | Number of attendances at the meetings of the Board of Directors and the meetings of the Audit and Supervisory Committee |
|---------------|--|---|---|
| 1 | <div style="border: 1px solid black; display: inline-block; padding: 2px;">Reappointed</div> Yuichi Kurita | Director, Standing Audit and Supervisory Committee Member | Meetings of the Board of Directors: 14/14 Meetings of the Audit and Supervisory Committee: 12/12 |
| 2 | <div style="border: 1px solid black; display: inline-block; padding: 2px; background-color: #cccccc;">New Candidate</div> <div style="border: 1px solid black; display: inline-block; padding: 2px; background-color: #cccccc;">Independent</div> Kouichi Nanba | - | - |

| | 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 |  Yuichi Kurita (July 28, 1949) <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div> | April 1973 Joined Fujitsu Limited March 2001 Joined Advantest Corporation June 2003 Executive Officer June 2007 Director, Managing Executive Officer June 2010 Director, Senior Executive Officer June 2012 Standing Audit and Supervisory Board Member June 2015 Director, Standing Audit and Supervisory Committee Member (present position) | 11,349 |
| <p>The reasons for nomination as a candidate for a director who is an audit and supervisory committee member:</p> <p>■ Mr. Yuichi Kurita has many years of experience in finance and corporate management and has a wealth of knowledge and experience concerning finance and accounting. He served as a director and an audit and supervisory board member of the Company. Currently serving as a director who is a standing audit and supervisory committee member, he is striving to enhance supervision and oversight and corporate governance. In view of his achievements, the Company believes that he is a suitable person to enhance supervisory and oversight functions and, therefore, has nominated him as a candidate for a director who is an audit and supervisory committee member again.</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 |
|---|---|--|--------------------------------------|
| |  Kouichi Nanba (September 1, 1949) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">New Candidate</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Independent</div> | April 1979 Assistant Judge, Tokyo District Court April 1989 Judge, Chiba District Family Court April 1993 Professor, Legal Training and Research Institute April 1997 Judge, Tokyo District Court April 1999 Chief Judge, Tokyo District Court May 2010 Director, Kumamoto District Court August 2012 Chief Judge, Tokyo High Court October 2014 Special Counsel, Mori Hamada & Matsumoto Legal Firm (present position) | 0 |
| 2 | <p>The reasons for nomination as a candidate for an outside director who is an audit and supervisory committee member:</p> <ul style="list-style-type: none"> ■ Mr. Kouichi Nanba is a candidate for an outside director. ■ Although Mr. Kouichi Nanba has not been directly involved in the management of a company in the past, he has a wealth of experience and a high level of expertise in law and compliance, after serving as a judge mainly in charge of civil cases for many years, and as engaging in the practice of corporate legal affairs as a lawyer. It will contribute to the enhancement of the audit and supervision of the Company group. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him as a candidate for an outside director who is an audit and supervisory committee member. <p>Independence</p> <ul style="list-style-type: none"> ■ The Company has no special transactions with Mr. Kouichi Nanba or the law firm to which he belongs. Therefore, the Company judges that he is sufficiently independent in light of the Independence Criteria of Independent Outside Directors (page 21) specified by the Company. And since he also satisfies the requirements for independent directors/auditors specified by Tokyo Stock Exchange, Inc., the Company intends to register him as an independent director. | | |

Notes:

1. These candidates do not have any special interest in the Company.
2. If the election of Messrs. Yuichi Kurita and Kouichi Nanba is approved, the Company intends to enter into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act with each of them. 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 substitute director who is an audit and supervisory committee member

The validity of the election of the current substitute director who is an audit and supervisory committee member expires at the commencement of this ordinary general meeting of shareholders. The Company requests that you elect one substitute director who is an audit and supervisory committee member to fill the vacancy, if the number of directors who are audit and supervisory committee members falls short of the quorum pursuant to laws and regulations. The Company has obtained the consent of the Audit and Supervisory Committee with respect to this agenda item.

The candidate for substitute director who is an audit and supervisory committee member is as below.

| |
|---------------|
| Name |
| Osamu Karatsu |

For the date of birth, brief personal history and other items to be described in the reference documents for the General Meeting of Shareholders for the above candidate, please see Agenda Item No. 1 “Election of 7 directors (excluding directors who are audit and supervisory committee members)” on page 11.

(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.

(Attachments)

Business Report

(April 1, 2018 through March 31, 2019)

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 FY2018, the global economy has continued to maintain its growth trajectory overall mainly due to steady economic growth in the United States. Nevertheless, concerns about the future of the global economy have grown since the autumn of 2018 mainly due to the expansion of protectionist trade policies and the slowdown in growth in China.

Amid these trends in the global economy, the sense of a slowdown in data center investment and in the smartphone market, that have led growth in semiconductors and related industries for the last few years, has intensified. As a result, a slackness in supply and demand across the entire semiconductor market has become clearly evident with major semiconductor manufacturers cutting back on their capital investment plans and moving towards substantial inventory adjustments since the second half of 2018. On the other hand, demand for performance improvements in electronic devices such as data servers, smartphones, displays, and car electronics has remained steady, promoting improved performance and an increase in quantity of semiconductors, which are incorporated into such electronic devices. Semiconductor manufacturers have responded by making active efforts to strengthen their testing capabilities for handling more complex testing and enhancing the reliability of semiconductors, which is directly related to improved performance of the end products. As a result, the demand for semiconductor test equipment has remained robust.

In this business environment, the Company expanded its market share by demonstrating its strength as a manufacturer with the most comprehensive product portfolio in the semiconductor test equipment industry and capturing demand for new products from a broad range of customers.

As a result, orders received were ¥275.2 billion (11.1% increase in comparison to the previous fiscal year), net sales were ¥282.5 billion (36.3% increase in comparison to the previous fiscal year), operating income was ¥64.7 billion (2.6 times increase in comparison to the previous fiscal year), income before income taxes was ¥66.2 billion (2.7 times increase in comparison to the previous fiscal year), and net income was ¥57.0 billion (3.1 times increase in comparison to the previous fiscal year), representing an increase in profit year on year. The average currency exchange rates in the current fiscal year were 1 USD to 110 JPY (111 JPY in the previous fiscal year) and 1 EUR to 129 JPY (129 JPY in the previous fiscal year). The percentage of net sales to overseas customers was 94.7% (93.2% in the previous fiscal year). The operating income for the current consolidated fiscal year includes a one-off profit of ¥3.5 billion including ¥2.5 billion associated with the transfer of a portion of the defined benefit pension plan for the employees of the Company and its subsidiaries in Japan to a defined contribution pension plan.

Business conditions by Business Segment

Semiconductor and Component Test System Segment

In this segment, demand for SoC test systems remained at a high level due to progress in performance improvement of application processors, which are key components for smartphones, and the trend towards enhanced testing capabilities in line with improvements in the functionality of display driver ICs including touch sensor integration. As a result, both orders received and sales significantly outperformed results of the previous fiscal year. In the memory test business, although orders received declined from the third quarter onwards due to inventory adjustments for memory semiconductors, sales increased year on year, supported by progress in increasing capacity of DRAM and NAND flash memory.

As a result of the above, orders received were ¥206.8 billion (21.8% increase in comparison to the previous fiscal year), net sales were ¥211.7 billion (50.2% increase in comparison to the previous fiscal year), and segment income was ¥65.1 billion (2.2 times increase in comparison to the previous fiscal year).

Mechatronics System Segment

In this segment, sales of device interface products, which are closely linked to our memory test business, were strong, buoyed by a high level of investment in test equipment by memory semiconductor manufacturers. Orders received were lower year on year due to the impact of inventory adjustments as memory semiconductor manufacturers strengthened their stance on reducing investment from the third quarter onwards.

As a result of the above, orders received were ¥37.7 billion (14.2% decrease in comparison to the previous fiscal year), net sales were ¥39.2 billion (9.3% increase in comparison to the previous fiscal year), and segment loss was ¥0.7 billion (¥2.0 billion improvement in comparison to the previous fiscal year).

Services, Support and Others Segment

Despite the trend towards inventory adjustments in the semiconductor market, semiconductor manufacturers maintained production at a high level resulting demand for our maintenance services remained stable. On the other hand, the SSD test system business saw a slowdown in orders due to stagnation in data center investment.

As a result of the above, orders received were ¥30.7 billion (10.0% decrease in comparison to the previous fiscal year), net sales were ¥31.5 billion (3.4% increase in comparison to the previous fiscal year), and segment income was ¥4.2 billion (1.1% increase in comparison to the previous fiscal year).

Sales Breakdown by Business Segment (consolidated)

| Fiscal Year Segment | FY2017 (the 76th) | | FY2018 (the 77th) | | Change from the previous period | |
|---|-----------------------------|-------------------|-----------------------------|-------------------|---------------------------------|-------------------------------|
| | Amount (Millions of Yen) | Percentage (%) | Amount (Millions of Yen) | Percentage (%) | Amount (Millions of Yen) | Percentage increase (%) |
| Semiconductor and Component Test System | 140,930 | 68.0 | 211,717 | 75.0 | 70,787 | 50.2 |
| Mechatronics System | 35,893 | 17.3 | 39,229 | 13.9 | 3,336 | 9.3 |
| Services, Support and Others | 30,466 | 14.7 | 31,514 | 11.1 | 1,048 | 3.4 |
| Intercompany transaction elimination | (66) | (0.0) | (4) | (0.0) | 62 | - |
| Total | 207,223 | 100.0 | 282,456 | 100.0 | 75,233 | 36.3 |
| Overseas | 193,041 | 93.2 | 267,575 | 94.7 | 74,534 | 38.6 |

(ii) Capital Expenditures

The Company group invested a total of ¥6.6 billion in capital expenditures in FY2018. Most of the investments were used for new product development and production facilities.

(iii) Financing

No significant financing activities took place in FY2018.

(iv) Transfer of business from other companies

The Company group completed its acquisition of the commercial Semiconductor System Level Test from Astronics Corporation on February 14, 2019.

(2) Conditions of Assets, Profit and Loss

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

| Items | US GAAP | IFRS | | | |
|--|----------------------|-------------------------------------|----------------------|----------------------|----------------------|
| | FY2015 (the 74th) | FY2015 (the 74th) (reference) | FY2016 (the 75th) | FY2017 (the 76th) | FY2018 (the 77th) |
| Net sales (Millions of Yen) | 162,463 | 162,111 | 155,916 | 207,223 | 282,456 |
| Net income attributable to owners of the parent (Millions of Yen) | 7,938 | 6,694 | 14,201 | 18,103 | 56,993 |
| Basic earnings per share (Yen) | 45.47 | 38.35 | 81.07 | 101.94 | 302.35 |
| Total equity attributable to owners of the parent (Millions of Yen) | 132,122 | 93,619 | 109,517 | 124,610 | 198,731 |
| Total assets (Millions of Yen) | 249,469 | 210,451 | 231,603 | 254,559 | 304,580 |

(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. The name of each item in the category above is 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 laid 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>

¥300B - ¥400B 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 new plan 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 (Environment Social Governance) 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 entrepreneurship 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 composed of outside directors. Also out of nine directors, two non-Japanese and one female are appointed. 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/investors/management-policy/mid-long-term-management-policy>

<Near-term Prospects>

In FY2019, amid the heightened sense of a slowdown and uncertainty in the global economy, semiconductor manufacturers are expected to continue to adjust their inventories for the time being and, therefore, we anticipate a year-on-year contraction in the semiconductor tester market in 2019.

Nevertheless, the current slowdown in demand still does not change our long-term market forecast. We believe that the market for semiconductor test equipment will grow over the medium to long term as the semiconductor market expands, despite repeated short-term fluctuations in demand. A recent trend that drove business results in FY2018, namely, the growing social demand for greater performance and higher reliability of semiconductors, has emphasized the importance of semiconductor testing. No change in the demand structure of the semiconductor test equipment market is evident at present. Based on this structure, the market for semiconductor test equipment is expected to enter a growth trajectory again from 2020, triggered by the expansion of commercial 5G communication services.

While the current business environment is difficult, based on the long-term outlook, we will adhere to the goals set forth in "Grand Design," our Long-term Management Policy and our Mid-term Plan launched in FY2018. To achieve these goals, we will work on establishing and maintaining a foundation for growth, improving periodic profitability and using capital efficiently.

(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 interfaces, nanotechnology products, etc.). In addition to manufacturing, the Company group also carries out research and development activities and provides maintenance services and related services.

(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, 2019)

| Number of Employees | Increase from end of FY2017 |
|---------------------|-----------------------------|
| 4,630 (285) | 173 (77) |

(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

The Company relocated its registered head office to 1-6-2 Marunouchi, Chiyoda-ku, Tokyo on June 27, 2018.

2. Company Information

(1) Equity Stock (as of March 31, 2019)

- | | |
|-------------------------------------|--------------------|
| (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 (1,460,069 shares).

- | | |
|------------------------------|--------|
| (iii) Number of shareholders | 33,004 |
|------------------------------|--------|

(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) | 48,995 | 24.73 |
| Japan Trustee Services Bank, Ltd. (trust account) | 21,689 | 10.94 |
| Trust & Custody Services Bank, Ltd. (investment trust account) | 5,992 | 3.02 |
| THE BANK OF NEW YORK MELLON 140051 | 4,220 | 2.13 |
| Japan Trustee Services Bank, Ltd. (trust account 4) | 3,795 | 1.91 |
| CDSIL AS DEPOSITARY FOR OLD MUTUAL GLOBAL INVESTORS SERIES | 3,014 | 1.52 |
| JP MORGAN CHASE BANK 385151 | 2,981 | 1.50 |
| BNYM FOR GOLDMAN SACHS JAPAN | 2,871 | 1.45 |
| Japan Trustee Services Bank, Ltd. (trust account 5) | 2,673 | 1.34 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 2,660 | 1.34 |

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

2. Percentage of Ownership is calculated excluding treasury shares (1,460,069 shares).

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

(v) Important items regarding our shares

Based on the resolution at the 76th Ordinary General Meeting of Shareholders held on June 27, 2018 and the resolution by the Board of Directors, which is based on the meeting's resolution, the Company has introduced a stock remuneration plan for directors (excluding outside directors and directors who are audit and supervisory committee members) of the Company and its major group subsidiaries and has adopted a system called the Board Incentive Plan (BIP) Trust.

As of March 31, 2019, the trust account pertaining to the BIP Trust holds a total of 57,700 shares of the Company.

From 76th fiscal year, based on the resolution by the Board of Directors, the Company has introduced a stock remuneration plan for executive officers and executive employees of the Company and its major group subsidiaries and has adopted a system called the Employee Stock Ownership Plan (ESOP) Trust.

As of March 31, 2019, the trust account pertaining to the ESOP Trust holds a total of 214,746 shares of the Company.

(2) Stock Acquisition Rights

(i) Stock acquisition rights held by directors and audit and supervisory committee members (as of March 31, 2019)

| | 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 | Resolution at the meeting of the Board of Directors held on July 25, 2018 |
|---|--|---|---|
| Date of issuance | August 16, 2016 | December 15, 2017 | August 10, 2018 |
| Issuance Price | ¥36,300 per unit | ¥37,900 per unit | ¥61,000 per unit |
| Holding status of stock acquisition rights by directors and audit and supervisory committee members | 1,100 units (2 persons) | 1,000 units (4 persons) | 1,000 units (4 persons) |
| Directors (excluding audit and supervisory committee members and outside directors) | 1,100 units (2 persons) | 1,000 units (4 persons) | 1,000 units (4 persons) |
| Outside directors (excluding audit and supervisory committee members) | 0 units (0 persons) | 0 units (0 persons) | 0 units (0 persons) |
| Directors (audit and supervisory committee members) | 0 units (0 persons) | 0 units (0 persons) | 0 units (0 persons) |
| Class and aggregate number of shares to be issued or delivered upon exercise | 110,000 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) | 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 | ¥2,540 per share |
| Exercise period | April 1, 2017 to March 31, 2021 | April 1, 2019 to March 31, 2022 | August 11, 2020 to August 10, 2023 |
| 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 2018

| | |
|--|--|
| | Resolution at the meeting of the Board of Directors held on July 25, 2018 |
| Date of issuance | August 10, 2018 |
| Issuance Price | ¥61,000 per unit |
| Condition of granting | 3,180 units (20 persons) |
| Employees of the Company | 3,180 units (20 persons) |
| Directors of the Company's subsidiaries | 0 units (0 persons) |
| Employees of the Company's subsidiaries | 0 units (0 persons) |
| Class and aggregate number of shares to be issued or delivered upon exercise | 318,000 shares of common stock (each stock acquisition right is exercisable for 100 shares) |
| Exercise price to be paid upon exercise | ¥2,540 per share |
| Exercise period | August 11, 2020 to August 10, 2023 |
| 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, 2019)

| 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 | Tsuneko Murata | Outside Audit and Supervisory Board Member, Japan Finance Corporation |

- (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. Mr. Osamu Karatsu, Mr. Seiichi Yoshikawa, Mr. Megumi Yamamuro, and Ms. Tsuneko Murata are outside directors.
 4. The Company has registered directors Osamu Karatsu, Seiichi Yoshikawa, Megumi Yamamuro, and Tsuneko Murata as independent directors with the Tokyo Stock Exchange.
 5. Mr. Yasushige Hagio resigned from the position as a director who is an audit and supervisory committee member on June 27, 2018.
 6. There has been no change to assignment in the Company and significant concurrent positions of directors after March 31, 2019.
 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 Leader, ATE Business Group Managing Director (CEO), Advantest Europe GmbH |
| Managing Executive Officer | Soichi Tsukakoshi | Supply Chain Executive Vice President, Production Group |
| Managing Executive Officer | Satoru Nagumo | Executive Vice President, Corporate Relations Group |
| Managing Executive Officer | Koichi Tsukui | Sub-leader, ATE Business 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 | 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 | Suan Seng Sim (Ricky Sim) | Managing Director (CEO), Advantest (Singapore) Pte. Ltd. |
| Executive Officer | Yasuo Mihashi | Senior Vice President (Officer), Sales Group |
| Executive Officer | Akira Ono | Senior Vice President (Officer), Corporate Administration Group |
| Executive Officer | Sanjeev Mohan | Sales & Support EVP, Advantest America, Inc. |

(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 Tsuneko Murata. 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 committee members

| Category | Number | Amount of remuneration |
|---|--------|------------------------|
| Directors (excluding audit and supervisory committee members) | 6 | ¥371 million |
| Directors (audit and supervisory committee members) | 4 | ¥65 million |
| Total | 10 | ¥436 million |

- (Notes)
1. The above list includes one director (an audit and supervisory committee member) who resigned from its position during FY2018.
 2. The amounts of remuneration set forth above include compensation in the form of stock options.
 3. The amounts of remuneration set forth above includes the aggregate amount of remuneration for 2 outside directors (excluding audit and supervisory committee members), 3 outside directors (audit and supervisory committee members) in the amount of ¥42 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 | The Company has transactions with Fujitsu Limited (“Fujitsu”), including sales of products. The amount of the Company’s sales to Fujitsu in FY2018 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 FY2018 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. |
| Tsuneko Murata (Outside Director, Audit and Supervisory Committee Member) | Outside Audit and Supervisory Board Member, Japan Finance Corporation | There is no special relationship between Japan Finance Corporation and the Company. |

(b) Principal activities

| Name | Attendance | Participation at meetings |
|---|---|--|
| Osamu Karatsu (Outside Director) | Meetings of Board of Directors: 14 out of 14 times | Mr. Karatsu expresses his opinions based mainly on his knowledge of the industry. |
| Seiichi Yoshikawa (Outside Director) | Meetings of Board of Directors: 14 out of 14 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: 13 out of 14 times | Mr. Yamamuro expresses his opinions based mainly on his expertise as an attorney-at-law. |
| | Meetings of Audit and Supervisory Committee: 12 out of 12 times | |
| Tsuneko Murata (Outside Director, Audit and Supervisory Committee Member) | Meetings of Board of Directors: 11 out of 11 times | Ms. Murata expresses her opinions based mainly on her expertise as compliance measures and corporate governance. |
| | Meetings of Audit and Supervisory Committee: 9 out of 9 times | |

(Notes) Above descriptions relating to Ms. Tsuneko Murata state her activities after she was appointed as a director (an audit and supervisory committee member) on June 27, 2018.

(4) Accounting Auditor

(i) Name of accounting auditor

Ernst & Young ShinNihon LLC

(ii) Remuneration

| | Amount |
|---|--------------|
| Remuneration to the accounting auditor for this fiscal year | ¥138 million |
| Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the accounting auditor | ¥138 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 Company formulated the “Grand Design,” which is the Company’s long-term management strategy, and the Mid-Term Management Plan.

(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.

In this business year, the Helpline has been improved and compliance education was 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.

From this business year, outside directors are permitted to attend the Internal Control Committee as observers.

(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 alerted to all employees in case phishing email was 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 member attends important meetings such as the meeting of the Managing Executive Officers Committee and keeps 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 a sustainable level of business development and mid-to-long term enhancement of corporate value is fundamental to the creation of shareholder value, the Company practices management that is conscious of both capital cost and financial soundness.

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 Statement of Financial Position

(As of March 31, 2019)

(Millions of Yen)

| | FY2017 (reference) | FY2018 | | FY2017 (reference) | FY2018 |
|------------------------------------|-----------------------|---------|---|-----------------------|---------|
| Assets | | | Liabilities | | |
| Current assets | 197,143 | 233,251 | Current liabilities | 87,197 | 62,848 |
| Cash and cash equivalents | 103,973 | 119,943 | Trade and other payables | 43,258 | 43,942 |
| Trade and other receivables | 37,929 | 51,786 | Bonds | 29,872 | — |
| Inventories | 49,627 | 57,099 | Income tax payables | 4,247 | 8,650 |
| Other current assets | 4,784 | 4,423 | Provisions | 3,042 | 2,886 |
| Subtotal | 196,313 | 233,251 | Other financial liabilities | 554 | 905 |
| Assets held for sale | 830 | — | Other current liabilities | 6,224 | 6,465 |
| Non-current assets | 57,416 | 71,329 | Non-current liabilities | 42,752 | 43,001 |
| Property, plant and equipment, net | 29,232 | 30,786 | Retirement benefit liabilities | 40,353 | 37,528 |
| Goodwill and intangible assets | 15,287 | 26,119 | Deferred tax liabilities | 1,099 | 1,680 |
| Other financial assets | 2,414 | 2,861 | Other non-current liabilities | 1,300 | 3,793 |
| Deferred tax assets | 10,127 | 11,209 | Total liabilities | 129,949 | 105,849 |
| Other non-current assets | 356 | 354 | Equity | | |
| | | | Share capital | 32,363 | 32,363 |
| | | | Share premium | 43,466 | 43,018 |
| | | | Treasury shares | (77,724) | (6,262) |
| | | | Retained earnings | 125,204 | 125,927 |
| | | | Other components of equity | 1,301 | 3,685 |
| | | | Total equity attributable to owners of the parent | 124,610 | 198,731 |
| | | | Total equity | 124,610 | 198,731 |
| Total assets | 254,559 | 304,580 | Total liabilities and equity | 254,559 | 304,580 |

Consolidated Statement of Profit or Loss

(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

| | FY2017 (reference) | FY2018 |
|---|-----------------------|-----------|
| Net sales | 207,223 | 282,456 |
| Cost of sales | (100,635) | (128,417) |
| Gross profit | 106,588 | 154,039 |
| Selling, general and administrative expenses | (82,645) | (93,100) |
| Other income | 621 | 3,818 |
| Other expenses | (77) | (95) |
| Operating income | 24,487 | 64,662 |
| Financial income | 975 | 1,626 |
| Financial expenses | (1,180) | (77) |
| Income before income taxes | 24,282 | 66,211 |
| Income taxes | (6,179) | (9,218) |
| Net income | 18,103 | 56,993 |
| Net income attributable to: Owners of the parent | 18,103 | 56,993 |

Consolidated Statement of Comprehensive Income

(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

| | FY2017 (reference) | FY2018 |
|---|-----------------------|---------|
| Net income | 18,103 | 56,993 |
| Other comprehensive income (loss), net of tax | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of defined benefit pension plan | 1,024 | (2,732) |
| Net change in fair value measurements of equity instruments at fair value through other comprehensive income | — | 175 |
| Items that may be subsequently reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | (3,257) | 2,209 |
| Net change in fair values of available-for-sale financial assets | (640) | — |
| Total other comprehensive income (loss) | (2,873) | (348) |
| Total comprehensive income for the year | 15,230 | 56,645 |
| Comprehensive income attributable to: Owners of the parent | 15,230 | 56,645 |

Consolidated Statement of Changes in Equity

(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

| | Equity attributable to owners of the parent | | | | | | Total Equity |
|---|---|---------------|-----------------|-------------------|----------------------------|----------|--------------|
| | Share capital | Share premium | Treasury shares | Retained earnings | Other components of equity | Total | |
| FY2018 | | | | | | | |
| Balance as of April 1, 2018 | 32,363 | 43,466 | (77,724) | 125,204 | 1,301 | 124,610 | 124,610 |
| Impact of change in accounting policy | | | | 788 | | 788 | 788 |
| Beginning balance as of April 1, 2018 (restated) | 32,363 | 43,466 | (77,724) | 125,992 | 1,301 | 125,398 | 125,398 |
| Net income | | | | 56,993 | | 56,993 | 56,993 |
| Other comprehensive income (loss), net of tax | | | | | (348) | (348) | (348) |
| Total comprehensive income for the year | — | — | — | 56,993 | (348) | 56,645 | 56,645 |
| Purchase of treasury shares | | | (738) | | | (738) | (738) |
| Disposal of treasury shares | | (211) | 2,203 | (1,187) | | 805 | 805 |
| Conversion of convertible bonds | | (717) | 69,997 | (39,333) | | 29,947 | 29,947 |
| Dividends | | | | (13,806) | | (13,806) | (13,806) |
| Share-based payments | | 470 | | | | 470 | 470 |
| Other | | 10 | | | | 10 | 10 |
| Transfer from other components of equity to retained earnings | | | | (2,732) | 2,732 | — | — |
| Total transactions with the owners | — | (448) | 71,462 | (57,058) | 2,732 | 16,688 | 16,688 |
| Balance as of March 31, 2019 | 32,363 | 43,018 | (6,262) | 125,927 | 3,685 | 198,731 | 198,731 |

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 31
- (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 amortized cost

Financial assets are subsequently measured at amortized cost in case they meet the following requirements:

- The financial asset is held within a business model with the objective of collecting contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method, and the expected credit losses are recognized as allowance for doubtful accounts. The expected credit losses are calculated based on historical loss experience or future recoverable amounts.

Financial assets measured at fair value through other comprehensive income

The Company group holds certain instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees. These equity instruments are classified as financial assets measured at fair value through other comprehensive income (“FVTOCI financial assets”) by designation. They are initially and subsequently measured at fair value, and the changes in fair value are recognized in other comprehensive income (“OCI”). The cumulative amount of OCI is recognized in equity as accumulated other comprehensive income (“AOCI”). If the Company group disposes of an investment, or if the fair value of the investment declines significantly, the cumulative gain or loss recognized in other comprehensive income is reclassified from other

components of equity to retained earnings. Dividends on equity instruments designated as FVTOCI are recognized in profit or loss, except where they are considered to be return of the investment.

Financial assets measured at fair value through profit or loss

The other financial instruments are classified as financial assets measured at fair value through profit or loss (“FVTPL financial assets”). These instruments are subsequently measured at fair value and the changes in fair value are recognized in profit or loss.

(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

Property, plant and equipment, goodwill and intangible assets are tested for impairment if there is any indication of impairment for the assets. 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 changes in accounting standards

(1) IFRS 9: Financial Instruments

The Company group adopted IFRS 9 Financial Instruments from fiscal year ended March 31, 2019. This new standard is the replacement of IAS 39 Financial Instruments: Recognition and Measurement. This standard addresses the classification and measurement (including impairment) of financial instruments and introduces new rules for hedge accounting.

The adoption of the standard had a minor impact on the Company group consolidated results of operations and financial condition for fiscal year ended March 31, 2019.

(2) IFRS 15: Revenue from Contracts with Customers

The Company group adopted IFRS 15 Revenue from Contracts with Customers from fiscal year ended March 31, 2019.

To apply IFRS 15, the Company group used the cumulative effect transition method which is recognizing the cumulative effect of applying the new standard at the beginning of the year of initial application.

In accordance with the adoption of IFRS 15, the Company group recognizes revenue based on the five-step model.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations (accounting treatment for goods or services separately)

Step 3: Determine the transaction price (amount of consideration)

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognize revenue when the entity satisfies a performance obligation

As a result of identifying the contracts with customers and the performance obligations in the contracts and calculating the value of the transactions based on the five-step model indicated above, revenue is recognized upon satisfaction of each performance obligation for those which product and installation are identified as a separate performance obligation compared to the revenue which had been recognized upon installation for the products which require installation based on the previous accounting standard.

Consequently, the beginning balance of retained earnings for fiscal year ended March 31, 2019 increased by ¥1,076 million.

Additionally, there is a difference in identifying a performance obligation for services in accordance with the new standard compared with the previous accounting standard. As a result, the beginning balance of retained earnings for fiscal year ended March 31, 2019 decreased by ¥288 million.

As a result of adopting IFRS 15, trade and other receivables, other current liabilities and retained earnings increased by ¥7,244 million, ¥1,407 million and ¥2,945 million, respectively, and inventories and deferred tax assets decreased by ¥2,530 million and ¥359 million, respectively in the consolidated statement of financial position as of March 31, 2019. The adoption of IFRS 15 had a minor impact on the consolidated statement of profit or loss for fiscal year ended March 31, 2019.

3. Notes to revenue recognition

The Company group sells test system products of semiconductor and mechatronics-related products such as test handlers that handling semiconductor devices. When control of such products is transferred to customers, the performance obligation is satisfied and revenue is recognized.

Additionally, the Company group has performance obligation towards customers on the service contracts. Revenue from such service contracts is recognized over the contract term on the straight-line basis.

4. Notes to Consolidated Statement of Financial Position

- (1) Allowance for doubtful accounts: ¥13 million
 (2) Accumulated depreciation on property, plant and equipment: ¥55,315 million
 (Accumulated impairment losses are included)

5. Notes to Consolidated Statement of Changes in Equity

- (1) Total number of issued shares as of March 31, 2019

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 |
|--|-----------------|--------------------|--------------------|--------------------|------------------|
| Board of Directors' meeting held on May 22, 2018 | Ordinary shares | ¥4,118 million | ¥23 | March 31, 2018 | June 4, 2018 |
| Board of Directors' meeting held on October 30, 2018 | Ordinary shares | ¥9,702 million | ¥50 | September 30, 2018 | December 3, 2018 |

(Note) Dividend of ¥14 million to treasury shares for the BIP Trust and the ESOP Trust is included in the amount of dividend which was resolved at the Board of Directors' meeting held on October 30, 2018.

(ii) Dividend with a record date in this fiscal year and an effective date in next fiscal year

| Resolution | Class of shares | Source of dividend | Amount of dividend | Dividend per share | Record date | Effective date |
|--|-----------------|--------------------|--------------------|--------------------|----------------|----------------|
| Board of Directors' meeting held on May 22, 2019 | Ordinary shares | Retained earnings | ¥8,320 million | ¥42 | March 31, 2019 | June 4, 2019 |

(Note) Dividend of ¥11 million to treasury shares for the BIP Trust and the ESOP Trust is included in the amount of dividend.

- (3) Share acquisition rights outstanding as of March 31, 2019

(Excluding share 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 665,000 shares

6. 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 keeps track of fair values of shares and other securities it owns, and annually reviews them 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 fair values of financial instruments in Consolidated statement of financial position are equal or similar to book values.

7. Notes to per share information

Equity attributable to owners of the parent per share: ¥1,004.53

Basic earnings per share: ¥302.35

(Note) The Company's share, which is being kept as performance share option compensation in trust account, is included in the treasury share which is deducted in the calculation of per share data.

8. Notes to significant subsequent events

Not applicable.

9. Other notes

(1) The Company group completed its acquisition of the commercial Semiconductor System Level Test from Astronics Corporation on February 14, 2019 for \$100 million, plus an earn-out payment of up to \$35 million. The Company group recorded goodwill of ¥10,080 million on the acquisition date as a provisional amount.

(2) Amounts less than one million yen are rounded.

Non-Consolidated Financial Statements

Balance Sheet (Non-Consolidated)

(As of March 31, 2019)

(Millions of Yen)

| Items | FY2017 (reference) | FY2018 | Items | FY2017 (reference) | FY2018 |
|---|-----------------------|---------|---|-----------------------|------------|
| Assets | | | Liabilities | | |
| Current assets | 156,595 | 186,498 | Current liabilities | 119,642 | 95,019 |
| Cash and deposits | 80,111 | 93,731 | Trade accounts payable | 27,903 | 24,615 |
| Trade notes receivables | 2 | 14 | Other accounts payable | 6,391 | 10,255 |
| Electronically recorded monetary claims | 2,723 | 1,379 | Accrued expenses | 5,272 | 6,582 |
| Accounts receivable | 30,140 | 41,786 | Income tax payable | 2,306 | 6,237 |
| Merchandises and finished goods | 10,744 | 10,362 | Deposits received | 42,808 | 41,769 |
| Work in progress | 14,327 | 17,048 | Accrued warranty expenses | 3,000 | 2,818 |
| Raw materials and supplies | 14,951 | 17,891 | Convertible bonds maturing within one year | 30,029 | - |
| Other | 3,597 | 4,287 | Bonus accrual for directors | 101 | 128 |
| Noncurrent assets | 134,531 | 143,039 | Other | 1,832 | 2,615 |
| Property, plant and equipment | 17,955 | 17,033 | Noncurrent liabilities | 15,956 | 13,692 |
| Buildings and structures | 4,741 | 4,250 | Allowance for retirement benefits | 15,572 | 10,891 |
| Land | 9,863 | 8,479 | Asset retirement obligations | 40 | 40 |
| Other | 3,351 | 4,304 | Allowance for share benefits | - | 88 |
| Intangible fixed assets | 2,735 | 2,423 | Other | 344 | 2,673 |
| Patent right | 1,950 | 1,650 | | | |
| Other | 785 | 773 | Total liabilities | 135,598 | 108,711 |
| Investments and other assets | 113,841 | 123,583 | Net assets | | |
| Investment securities | 30 | 30 | Stockholders' equity | 154,990 | 220,164 |
| Investment in affiliated companies | 103,456 | 103,456 | Common stock | 32,363 | 32,363 |
| Long-term loans receivable | 6 | 9,447 | Capital surplus | 32,973 | 32,973 |
| Deferred tax assets | 8,795 | 9,228 | Capital reserve | 32,973 | 32,973 |
| Other | 1,561 | 1,425 | Retained earnings | 167,378 | 161,090 |
| Allowance for doubtful accounts | (7) | (3) | Legal reserve | 3,083 | 3,083 |
| | | | Other retained earnings | 164,295 | 158,007 |
| | | | [Reserve for losses in foreign investments] | [27,062] | [27,062] |
| | | | [General reserve] | [146,880] | [146,880] |
| | | | [Retained earnings (accumulated loss)] | [(9,647)] | [(15,935)] |
| | | | Treasury stock | (77,724) | (6,262) |
| | | | Stock acquisition rights | 538 | 662 |
| | | | Total net assets | 155,528 | 220,826 |
| Total assets | 291,126 | 329,537 | Total liabilities and net assets | 291,126 | 329,537 |

Statement of Operations (Non-Consolidated)

(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

| Items | FY2017 (reference) | FY2018 |
|--|-----------------------|---------|
| Net sales | 181,830 | 261,120 |
| Cost of sales | 95,543 | 126,918 |
| Gross profit | 86,287 | 134,202 |
| Selling, general and administrative expenses | 76,229 | 86,702 |
| Operating income | 10,058 | 47,500 |
| Non-operating income | | |
| Interest and dividends income | 16,216 | 6,620 |
| Other | 1,344 | 617 |
| Non-operating expenses | | |
| Interest expenses | 662 | 1,193 |
| Other | 247 | 380 |
| Ordinary income | 26,709 | 53,164 |
| Extraordinary income | | |
| Gain on the revision of post-employment benefits plan | - | 1,174 |
| Gain on contribution of securities to retirement benefit trust | 154 | - |
| Extraordinary loss | | |
| Impairment loss | 310 | - |
| Income before income taxes | 26,553 | 54,338 |
| Income taxes – current | 1,987 | 6,569 |
| Income taxes – deferred | (1,736) | (541) |
| Net income | 26,302 | 48,310 |

Statement of Changes in Net Assets

(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

| | Stockholders' equity | | | | | |
|---|----------------------|-----------------|-------------------|---|-----------------|--------------------------------------|
| | Common stock | Capital surplus | Retained earnings | | | |
| | | Capital reserve | Legal reserve | Other retained earnings | | |
| | | | | Reserve for losses in foreign investments | General reserve | Retained earnings (accumulated loss) |
| Balance at beginning of year | 32,363 | 32,973 | 3,083 | 27,062 | 146,880 | (9,647) |
| Impact of change in accounting policy | | | | | | 406 |
| Balance at beginning of year (restated) | 32,363 | 32,973 | 3,083 | 27,062 | 146,880 | (9,241) |
| Changes in the year | | | | | | |
| Dividends from retained earnings | | | | | | (13,820) |
| Net income | | | | | | 48,310 |
| Purchase of treasury stock | | | | | | |
| Disposal of treasury stock | | | | | | (1,187) |
| Conversion of convertible bonds | | | | | | (39,997) |
| Changes of items other than stockholders' equity, net | | | | | | |
| Total changes in the year | — | — | — | — | — | (6,694) |
| Balance at end of year | 32,363 | 32,973 | 3,083 | 27,062 | 146,880 | (15,935) |

| | Stockholders' equity | | Stock acquisition rights | Total net assets |
|---|----------------------|----------------------------|--------------------------|------------------|
| | Treasury stock | Total stockholders' equity | | |
| Balance at beginning of year | (77,724) | 154,990 | 538 | 155,528 |
| Impact of change in accounting policy | | 406 | | 406 |
| Balance at beginning of year (restated) | (77,724) | 155,396 | 538 | 155,934 |
| Changes in the year | | | | |
| Dividends from retained earnings | | (13,820) | | (13,820) |
| Net income | | 48,310 | | 48,310 |
| Purchase of treasury stock | (738) | (738) | | (738) |
| Disposal of treasury stock | 2,203 | 1,016 | | 1,016 |
| Conversion of convertible bonds | 69,997 | 30,000 | | 30,000 |
| Changes of items other than stockholders' equity, net | | | 124 | 124 |
| Total changes in the year | 71,462 | 64,768 | 124 | 64,892 |
| Balance at end of year | (6,262) | 220,164 | 662 | 220,826 |

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 2018 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.
 - (v) Allowance for share benefits
In preparation for share benefit expected to be paid in the future, an estimated amount for fiscal year 2018 is reported.
- (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 accounting standards

ASBJ Statement No. 29 Accounting Standard for Revenue Recognition

As ASBJ Statement No. 29 Accounting Standard for Revenue Recognition (March 30, 2018) (hereinafter referred to as the “Accounting Standard for Revenue Recognition”) and ASBJ Guidance No. 30 Implementation Guidance on Accounting Standard for Revenue Recognition (March 30, 2018) became applicable from the beginning of the fiscal year started on and after April 1, 2018, the Company has adopted the Accounting Standard for Revenue Recognition from the beginning of the fiscal year ended March 31, 2019 and recognized revenue of goods or services upon transfer of the control of the promised goods or services to customers.

As a result of adopting the Accounting Standard for Revenue Recognition, revenue is recognized upon satisfaction of each performance obligation for those which product and installation are identified as a separate performance obligation compared to the revenue which had been recognized upon installation for the products required installation based on the previous accounting standard. Additionally, there is a difference in identifying a performance obligation for services in accordance with the new accounting standard compared with the previous accounting standard.

In the adoption of the Accounting Standard for Revenue Recognition and other related standards, the Company has followed the transitional treatment set forth in the Paragraph 87 of the Accounting Standard for Revenue Recognition and used the cumulative effect transition method under IFRS 15 which is recognizing the cumulative effect of applying the new standard at the beginning of the year of initial application.

As a result of adopting the Accounting Standard for Revenue Recognition, accounting receivable, other current liabilities and retained earnings brought forward increased ¥2,713 million, ¥931 million, and ¥773 million, respectively, and merchandises and finished goods and deferred tax assets decreased by ¥842 million and ¥167 million, respectively in the balance sheet as of March 31, 2019. The adoption of the Accounting Standard of Revenue Recognition had a minor impact on the Company’s statement of operations for the fiscal year ended March 31, 2019.

As a result of the reflect of cumulative effect to the beginning balance of stockholders’ equity, the beginning balance of retained earnings increased ¥406 million on the Company’s statement of changes in net assets.

3. Notes to revenue recognition

The Company sells test system products of semiconductor and mechatronics-related products such as test handlers that handling semiconductor devices. When control of such products is transferred to customers, the performance obligation is satisfied and revenue is recognized.

Additionally, the Company has performance obligation towards customers on the service contracts. Revenue from such service contracts is recognized over the contract term on the straight-line basis.

4. Notes to Balance Sheet

| | |
|--|-----------------|
| (1) Accumulated depreciation on property, plant and equipment: | ¥22,699 million |
| (2) Short-term receivables from affiliates: | ¥23,181 million |
| Long-term receivables from affiliates: | ¥9,634 million |
| Short-term payables to affiliates: | ¥51,906 million |

5. Notes to Statement of Operations

Transactions with affiliated companies

| | |
|-----------------------------|------------------|
| Sales: | ¥178,779 million |
| Purchases: | ¥73,351 million |
| Non-operating transactions: | ¥7,053 million |

6. Notes to Statement of Changes in Net Assets

Total number of treasury stock as of March 31, 2019

| | |
|--------------|------------------|
| Common stock | 1,732,515 shares |
|--------------|------------------|

(Note) The Company’s share of 272,446 shares, which is being kept as performance share option compensation in trust account, is included in the number of treasury share at the end of fiscal period.

7. 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 | 3,522 |
| Research and development expenses | 2,647 |
| Allowance for retirement benefits | 4,307 |
| Fixed assets | 7,090 |
| Loss carried forward | 15,629 |
| Other | <u>3,815</u> |
| Subtotal of deferred tax assets | 37,010 |
| Valuation allowance for loss carried forward | (13,941) |
| Valuation allowance for deductible temporary differences | <u>(13,794)</u> |
| Subtotal of valuation allowance | <u>(27,735)</u> |
| Total of deferred tax assets | 9,275 |
| Deferred tax liabilities | |
| Gain on contribution of securities to retirement benefit trust | <u>(47)</u> |
| Total of deferred tax liabilities | <u>(47)</u> |
| Net deferred tax assets | <u><u>9,228</u></u> |

8. 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 | ¥36,660 million | Accounts receivable | ¥2,647 million |
| | | | | | | | Loans | ¥9,434 million | Long-term loans receivable | ¥9,434 million |
| | | | | | | | Depositing of money | - | Deposits received | ¥3,525 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 | Subcontract cost for R&D etc | ¥19,231 million | Other accounts payable | ¥4,179 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 | ¥104,505 million | Accounts receivable | ¥15,728 million |
| | | | | | | | Depositing of money | - | Deposits received | ¥3,672 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 | Depositing of money | - | Deposits received | ¥33,615 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, it is from cash management system, and the interest rate is determined by taking into account the market interest rate.

9. Notes to per share information

Net assets per share: ¥1,112.87

Net income per share: ¥256.28

(Note) The Company's share, which is being kept as performance share option compensation in trust account, is included in the treasury share which is deducted in the calculation of per share data.

10. Notes to significant subsequent events

Not applicable.

11. 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, 2019

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 or 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, 2018 through March 31, 2019.

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, 2019.

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, 2019. Ernst & Young ShinNihon LLC have not audited the English language version of the consolidated financial statements for the above-mentioned year.

Copy of Report of Independent Auditors

Report of Independent Auditors

May 16, 2019

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 operations, 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 77th fiscal year from April 1, 2018 through March 31, 2019.

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, 2019 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, 2019. 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 77th fiscal year (from April 1, 2018 to March 31, 2019). 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 or loss, consolidated statement of comprehensive income, consolidated statement of changes in 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 77th 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, 2019

Audit and Supervisory Committee of Advantest Corporation

Yuichi Kurita

Standing Audit and Supervisory Committee Member



Megumi Yamamuro

Audit and Supervisory Committee Member



Tsuneko Murata

Audit and Supervisory Committee Member



Note: Audit and Supervisory Committee Members Megumi Yamamuro and Tsuneko Murata 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 |