

FY2016 Third Quarter Consolidated Financial Results

(Advantest's consolidated financial statements are prepared in accordance with IFRS)
(Period ended December 31, 2016)

January 26, 2017

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

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

Stock code number : 6857

Company representative : Yoshiaki Yoshida, Representative Director, President and CEO

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Quarterly Report Filing Date (as planned) : February 13, 2017

Quarterly Results Supplemental Materials : Yes

Quarterly Results Presentation Meeting : Yes

(Rounded to the nearest million yen)

1. Consolidated Results of FY2016 Q3 (April 1, 2016 through December 31, 2016)

(1) Consolidated Financial Results (Accumulated)

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

| | Net sales | | Operating income | | Income before income taxes | | Net income | | Net income attributable to owners of the parent | | Total comprehensive income for the period | |
|------------------|----------------|-----------------------|------------------|-----------------------|----------------------------|-----------------------|--------------|-----------------------|---|-----------------------|---|-----------------------|
| | Million yen | % increase (decrease) | Million yen | % increase (decrease) | Million yen | % increase (decrease) | Million yen | % increase (decrease) | Million yen | % increase (decrease) | Million yen | % increase (decrease) |
| FY2016 Q3 | 107,571 | (7.5) | 9,291 | 43.9 | 9,746 | 51.9 | 7,373 | 176.0 | 7,373 | 176.0 | 9,570 | 244.4 |
| FY2015 Q3 | 116,232 | — | 6,458 | — | 6,418 | — | 2,671 | — | 2,671 | — | 2,779 | — |

| | Basic earnings per share | Diluted earnings per share |
|------------------|--------------------------|----------------------------|
| | Yen | Yen |
| FY2016 Q3 | 42.16 | 38.66 |
| FY2015 Q3 | 15.30 | 14.35 |

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity attributable to owners of the parent | Ratio of equity attributable to owners of the parent |
|------------------|----------------|----------------|---|--|
| | Million yen | Million yen | Million yen | % |
| FY2016 Q3 | 220,597 | 100,555 | 100,555 | 45.6 |
| FY2015 | 210,451 | 93,619 | 93,619 | 44.5 |

2. Dividends

| (Record Date) | Dividend per share | | | | |
|-------------------|--------------------|--------------------|-------------------|----------|--------------|
| | First quarter end | Second quarter end | Third quarter end | Year end | Annual total |
| | yen | yen | yen | yen | yen |
| FY2015 | — | 10.00 | — | 10.00 | 20.00 |
| FY2016 | — | 13.00 | — | N/A | N/A |
| FY2016 (forecast) | N/A | N/A | N/A | 10.00 | 23.00 |

(Note) Revision of dividends forecast for this period: Yes

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

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

| | Net sales | | Operating income | | Income before income taxes | | Net income | | Net income attributable to Owners of the parent | | Basic earnings per share |
|--------|-------------|-------|------------------|------|----------------------------|------|-------------|------|---|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | |
| FY2016 | 158,000 | (2.5) | 16,000 | 27.0 | 16,500 | 40.2 | 13,000 | 94.2 | 13,000 | 94.2 | Yen 74.29 |

(Note) Revision of projected results for this period: Yes

Please see "(3) Prospects for the Current Fiscal Year" on page 7 for details.

4. Others

(1) Material changes in subsidiaries during this period (changes in scope of consolidation resulting from changes in subsidiaries): No

(2) Changes in accounting policies and accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Changes arising from factors other than 1: None
- 3) Changes in accounting estimates: None

(3) Number of issued and outstanding share (ordinary share):

- 1) Number of issued and outstanding share at the end of each fiscal period (including treasury share):
FY2016 Q3 199,566,770 shares; FY2015 199,566,770 shares.
- 2) Number of treasury share at the end of each fiscal period:
FY2016 Q3 24,204,836 shares; FY2015 24,994,162 shares.
- 3) Average number of outstanding share for each period (cumulative term):
FY2016 Q3 174,864,691 shares; FY2015 Q3 174,568,038 shares.

Status of Quarterly Review Procedures

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

Explanation on the Appropriate Use of Future Earnings Projections and Other Special Instructions

Advantest Corporation adopted International Financial Reporting Standards ("IFRS") for the consolidated financial statements starting with its annual securities report with respect to the fiscal year ended March 31, 2016. Accordingly, the consolidated financial statements for the corresponding period of the previous fiscal year in this document are also presented in accordance with IFRS.

This document contains "forward-looking statements" that are based on Advantest's current expectations, estimates and projections. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause Advantest's actual results, levels of activities, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. These factors include: (i) changes in demand for the products and services produced and offered by Advantest's customers, including semiconductors, communications services and electronic goods; (ii) circumstances relating to Advantest's investment in technology, including its ability to timely develop products that meet the changing needs of semiconductor manufacturers, communications network equipment and components makers and service providers; (iii) significant changes in the competitive environment in the major markets where Advantest purchases materials, components and supplies for the production of its products or where its products are produced, distributed or sold; and (iv) changes in economic conditions, currency exchange rates or political stability in the major markets where Advantest procures materials, components and supplies for the production of its principal products or where its products are produced, distributed or sold.

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1. Business Results

(1) Analysis of Business Results

Consolidated Financial Results of FY2016 Q3 (April 1, 2016 through December 31, 2016)

(in billion yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 | As compared to the corresponding period of the previous fiscal year increase (decrease) |
|----------------------------|--|--|---|
| Orders received | 110.9 | 116.3 | 4.8% |
| Net sales | 116.2 | 107.6 | (7.5%) |
| Operating income | 6.5 | 9.3 | 43.9% |
| Income before income taxes | 6.4 | 9.7 | 51.9% |
| Net income | 2.7 | 7.4 | 176.0% |

During the nine-month period ended December 31, 2016, forward-looking visibility deteriorated in the first half of calendar year 2016 on concerns about Chinese economic deceleration and factors such as the UK's impending Brexit. However, the recovery in the US economy and improved economic conditions in China in the second half of calendar year 2016 contributed to a moderate economic recovery overall.

In semiconductor-related markets, the improving functionality and increasing sales volumes of smartphones, as well as progress in automotive electronics and growth in data center investment, have driven growth. As a result, non-memory semiconductor production lines were busy, and large players in the sector steadily invested in production capacity expansion and advanced manufacturing processes. In the memory sector, capital investment, especially for DRAM, was sluggish at the beginning of the period, but has accelerated in the latter half of 2016, reflecting growth in data center and smartphone demand.

Average currency exchange rates in the period were 1 USD to 106 JPY (122 JPY in the corresponding period of the previous year) and 1 EUR to 118 JPY (134 JPY in the corresponding period of the previous year).

Under these conditions, Advantest sought to maximize orders and boost sales with a focus on non-memory and memory test systems, which are currently enjoying strong demand. As a result, orders received were (Y)116.3 billion (4.8% increase in comparison to the corresponding period in the previous fiscal year), surpassing the corresponding period of the previous fiscal year, despite the reduction in yen-denominated income concomitant with yen appreciation in the period. Net sales were (Y) 107.6 billion (7.5% decrease in comparison to the corresponding period in the previous fiscal year). Profits were also negatively affected by yen appreciation, but our product mix contained a greater proportion of highly profitable products than the corresponding period of the previous fiscal year, resulting in operating income of (Y) 9.3 billion (43.9% increase in comparison to the corresponding period in the previous fiscal year), income before income taxes of (Y) 9.7 billion (51.9% increase in comparison to the corresponding period in the previous fiscal year), and net income of (Y) 7.4 billion (176.0% increase in comparison to the corresponding period in the previous fiscal year). Our percentage of sales to customers outside Japan was 88.3% (92.7% in comparison to the corresponding period of the previous fiscal year).

Conditions of business segments are described below.

<Semiconductor and Component Test System Segment>

(in billion yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 | As compared to the corresponding period of the previous fiscal year increase (decrease) |
|-----------------|--|--|---|
| Orders received | 65.3 | 76.5 | 17.0% |
| Net sales | 69.1 | 70.1 | 1.5% |
| Segment income | 2.6 | 12.2 | 375.7% |

The Semiconductor and Component Test System Segment saw increased demand for non-memory test systems as customers boosted their production of logic semiconductors for mid-range and low-end smartphones. As a result, sales grew, even amid the negative effects of yen appreciation. However, sales of memory systems failed to reach the level of the same period of the previous fiscal year, despite large-scale orders for flash memory test systems received in the third quarter, when the business environment improved, owing to customers' prolonged restrictions on DRAM investment.

As a result of the above, orders received were (Y) 76.5 billion (17.0% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 70.1 billion (1.5% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 12.2 billion (375.7% increase in comparison to the corresponding period in the previous fiscal year).

< Mechatronics System Segment >

(in billion yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 | As compared to the corresponding period of the previous fiscal year increase (decrease) |
|-----------------|--|--|---|
| Orders received | 23.9 | 19.3 | (19.3%) |
| Net sales | 24.7 | 16.2 | (34.5%) |
| Segment income | 3.8 | (2.2) | — |

The Mechatronics System Segment saw decreased sales of device interfaces, which strongly correlate with memory test system demand, as DRAM capital expenditures continued to stagnate. Nanotechnology sales also contracted, owing to the timing of major customers' miniaturization schedules.

As a result of the above, orders received were (Y) 19.3 billion (19.3% decrease in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 16.2 billion (34.5% decrease in comparison to the corresponding period in the previous fiscal year), and segment loss was (Y) 2.2 billion ((Y) 6.0 billion decline in comparison to the corresponding period of the previous fiscal year).

<Services, Support and Others Segment>

(in billion yen)

| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 | As compared to the corresponding period of the previous fiscal year increase (decrease) |
|-----------------|--|--|---|
| Orders received | 21.7 | 20.5 | (5.3%) |
| Net sales | 22.4 | 21.3 | (5.2%) |
| Segment income | 4.0 | 3.7 | (7.4%) |

The Services Support and Others Segment was also impacted by yen appreciation. However, field services demand remained solid amidst high utilization rates across all customers' production lines.

As a result of the above, orders received were (Y) 20.5 billion (5.3 % decrease in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 21.3 billion (5.2% decrease in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 3.7 billion (7.4% decrease in comparison to the corresponding period in the previous fiscal year).

(2) Analysis of Financial Condition

Total assets at December 31, 2016 amounted to (Y) 220.6 billion, an increase of (Y) 10.1 billion compared to March 31, 2016, primarily due to an increase of (Y) 7.2 billion in cash and cash equivalents and (Y) 6.9 billion in inventories, respectively, offset by a decrease of (Y) 4.5 billion in trade and other receivables. The amount of total liabilities was (Y) 120.0 billion, an increase of (Y) 3.2 billion compared to March 31, 2016, primarily due to an increase of (Y) 1.2 billion in deposits received in other financial liabilities and (Y) 1.1 billion in retirement benefit liabilities. Total Equity was (Y) 100.6 billion. Ratio of equity attributable to owners of the parent was 45.6%, an increase of 1.1 percentage points from March 31, 2016.

(Cash Flow Condition)

Cash and cash equivalents held at December 31, 2016 were (Y) 92.7 billion, an increase of (Y) 7.2 billion from March 31, 2016. Significant cash flows during the nine-month period of this fiscal year and their causes are described below.

Net cash provided by operating activities was (Y) 12.0 billion (net cash outflow of (Y) 2.1 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to a decrease of (Y) 4.6 billion in trade and other receivables, an increase of (Y) 6.8 billion in inventories and adjustments of non cash items such as depreciation and amortization in addition to the income before income taxes of (Y) 9.7 billion.

Net cash used in investing activities was (Y) 2.4 billion (net cash outflow of (Y) 1.9 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to payments for acquisition of property, plant and equipment in the amount of (Y) 2.9 billion.

Net cash used in financing activities was (Y) 3.0 billion (net cash outflow of (Y) 13.4 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to dividends paid of (Y) 3.9 billion.

(3) Prospects for the Current Fiscal Year

The expansion of high-speed wireless networks, the ongoing adoption of smartphones worldwide and the evolution of their performance, and the spread of Advanced Driver Assistance Systems, or ADAS, in the automotive industry, argue that a growing social emphasis on safety and comfort will drive continued growth in the semiconductor industry and related markets.

The outlook for the semiconductor test equipment market, which is Advantest's primary profit base, predicts solid overall demand, against a background of smartphone market growth and high-speed communications infrastructure buildout in China and other emerging economies, regardless of quarterly fluctuations in demand for non-memory test systems. Moreover, the increasing adoption of higher-speed, higher-capacity DRAM and NAND flash memory devices supports expectations that demand for our memory test systems and SSD test systems will grow.

Based on this outlook, Advantest will endeavor to expand our share of the semiconductor test equipment market, to reinforce our semiconductor test equipment peripherals business and new businesses, and to cut costs, with the goal of boosting profits.

As a result, Advantest's consolidated results forecast for FY2016, based on results from our cumulative third fiscal quarter, near-term outlook for each business segment, and recent foreign exchange rates, has been revised upwards from our forecast published in October 2016. Our new forecast calls for sales of (Y) 158.0 billion (formerly (Y) 156.0 billion), operating income of (Y) 16.0 billion (formerly (Y) 14.5 billion), income before income taxes of (Y) 16.5 billion (formerly (Y) 15.3 billion), and net income of (Y) 13.0 billion (formerly (Y) 12.0 billion). These forecasts are based on foreign exchange rates of 1 USD to 110 JPY and 1 Euro to 120 JPY in the fourth quarter.

2. Condensed Consolidated Financial Statements
 (1) Condensed Consolidated Statements of Financial Position

| | Millions of Yen | |
|------------------------------------|-------------------------|----------------------------|
| | As of March 31, 2016 | As of December 31, 2016 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 85,430 | 92,666 |
| Trade and other receivables | 28,005 | 23,490 |
| Inventories | 33,912 | 40,782 |
| Other current assets | 3,049 | 3,828 |
| Total current assets | <u>150,396</u> | <u>160,766</u> |
| Non-current assets | | |
| Property, plant and equipment, net | 31,451 | 31,313 |
| Goodwill and intangible assets | 16,726 | 17,117 |
| Other financial assets | 3,542 | 3,089 |
| Deferred tax assets | 8,038 | 8,084 |
| Other non-current assets | 298 | 228 |
| Total non-current assets | <u>60,055</u> | <u>59,831</u> |
| Total assets | <u><u>210,451</u></u> | <u><u>220,597</u></u> |

| | Millions of Yen | |
|---|-------------------------|----------------------------|
| | As of March 31, 2016 | As of December 31, 2016 |
| Liabilities and Equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 22,101 | 21,250 |
| Bonds | — | 15,000 |
| Income tax payables | 1,548 | 2,409 |
| Provisions | 1,709 | 1,607 |
| Other financial liabilities | 487 | 1,753 |
| Other current liabilities | 3,589 | 4,326 |
| Total current liabilities | <u>29,434</u> | <u>46,345</u> |
| Non-current liabilities | | |
| Bonds | 44,618 | 29,713 |
| Other financial liabilities | 65 | 39 |
| Retirement benefit liabilities | 41,076 | 42,203 |
| Deferred tax liabilities | 358 | 366 |
| Other non-current liabilities | 1,281 | 1,376 |
| Total non-current liabilities | <u>87,398</u> | <u>73,697</u> |
| Total liabilities | <u>116,832</u> | <u>120,042</u> |
| Equity | | |
| Share capital | 32,363 | 32,363 |
| Share premium | 44,478 | 44,640 |
| Treasury shares | (94,585) | (91,597) |
| Retained earnings | 105,190 | 106,779 |
| Other components of equity | 6,173 | 8,370 |
| Total equity attributable to owners of the parent | <u>93,619</u> | <u>100,555</u> |
| Total equity | <u>93,619</u> | <u>100,555</u> |
| Total liabilities and equity | <u><u>210,451</u></u> | <u><u>220,597</u></u> |

(2) Condensed Consolidated Statements of Profit or Loss and Condensed Consolidated Statements of Comprehensive Income

Condensed Consolidated Statements of Profit or Loss

| | Millions of Yen | |
|---|--|--|
| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
| Net sales | 116,232 | 107,571 |
| Cost of sales | (51,946) | (43,167) |
| Gross profit | 64,286 | 64,404 |
| Selling, general and administrative expenses | (58,064) | (55,275) |
| Other income | 526 | 306 |
| Other expenses | (290) | (144) |
| Operating income | 6,458 | 9,291 |
| Financial income | 267 | 621 |
| Financial expenses | (307) | (166) |
| Income before income taxes | 6,418 | 9,746 |
| Income taxes | (3,747) | (2,373) |
| Net income | <u>2,671</u> | <u>7,373</u> |
| Net income attributable to: | | |
| Owners of the parent | 2,671 | 7,373 |
| Earnings per share: | | Yen |
| Basic | 15.30 | 42.16 |
| Diluted | 14.35 | 38.66 |

| | Millions of Yen | |
|---|---|---|
| | Three months ended December 31, 2015 | Three months ended December 31, 2016 |
| Net sales | 29,885 | 31,376 |
| Cost of sales | <u>(11,907)</u> | <u>(13,317)</u> |
| Gross profit | 17,978 | 18,059 |
| Selling, general and administrative expenses | (18,348) | (17,147) |
| Other income | 252 | 75 |
| Other expenses | <u>(101)</u> | <u>(14)</u> |
| Operating income (loss) | (219) | 973 |
| Financial income | 611 | 79 |
| Financial expenses | <u>(52)</u> | <u>(421)</u> |
| Income before income taxes | 340 | 631 |
| Income taxes | <u>(646)</u> | <u>(519)</u> |
| Net income (loss) | <u><u>(306)</u></u> | <u><u>112</u></u> |
| Net income (loss) attributable to: | | |
| Owners of the parent | (306) | 112 |
| Earnings per share (loss): | | Yen |
| Basic | <u>(1.75)</u> | 0.64 |
| Diluted | <u>(1.75)</u> | 0.64 |

Condensed Consolidated Statements of Comprehensive Income

| | Millions of Yen | |
|--|--|--|
| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
| Net income | 2,671 | 7,373 |
| Other comprehensive income | | |
| Items that may be subsequently reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | (20) | 2,113 |
| Net change in fair values of available-for-sale financial assets | <u>128</u> | <u>84</u> |
| Total other comprehensive income | <u>108</u> | <u>2,197</u> |
| Total comprehensive income for the period | <u><u>2,779</u></u> | <u><u>9,570</u></u> |
| Comprehensive income attributable to: | | |
| Owners of the parent | 2,779 | 9,570 |

| | Millions of Yen | |
|--|---|---|
| | Three months ended December 31, 2015 | Three months ended December 31, 2016 |
| Net income (loss) | (306) | 112 |
| Other comprehensive income | | |
| Items that may be subsequently reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 398 | 12,126 |
| Net change in fair values of available-for-sale financial assets | <u>208</u> | <u>271</u> |
| Total other comprehensive income | <u>606</u> | <u>12,397</u> |
| Total comprehensive income for the period | <u><u>300</u></u> | <u><u>12,509</u></u> |
| Comprehensive income attributable to: | | |
| Owners of the parent | 300 | 12,509 |

(3) Condensed Consolidated Statements of Changes in Equity

Nine months ended December 31, 2015

| | Millions of Yen | | | | | | |
|---|---|---------------|-----------------|-------------------|----------------------------|----------------|----------------|
| | Equity attributable to owners of the parent | | | | | Total | Total Equity |
| | Share capital | Share premium | Treasury shares | Retained earnings | Other components of equity | | |
| Balance at April 1, 2015 | 32,363 | 44,487 | (94,686) | 106,916 | 12,730 | 101,810 | 101,810 |
| Net income | | | | 2,671 | | 2,671 | 2,671 |
| Other comprehensive income | | | | | 108 | 108 | 108 |
| Total comprehensive income for the period | — | — | — | 2,671 | 108 | 2,779 | 2,779 |
| Purchase of treasury shares | | | (1) | | | (1) | (1) |
| Disposal of treasury shares | | (9) | 102 | (60) | | 33 | 33 |
| Dividends | | | | (3,491) | | (3,491) | (3,491) |
| Total transactions with the owners | — | (9) | 101 | (3,551) | — | (3,459) | (3,459) |
| Balance at December 31, 2015 | <u>32,363</u> | <u>44,478</u> | <u>(94,585)</u> | <u>106,036</u> | <u>12,838</u> | <u>101,130</u> | <u>101,130</u> |

Nine months ended December 31, 2016

| | Millions of Yen | | | | | | |
|---|---|---------------|-----------------|-------------------|----------------------------|----------------|----------------|
| | Equity attributable to owners of the parent | | | | | Total | Total Equity |
| | Share capital | Share premium | Treasury shares | Retained earnings | Other components of equity | | |
| Balance at April 1, 2016 | 32,363 | 44,478 | (94,585) | 105,190 | 6,173 | 93,619 | 93,619 |
| Net income | | | | 7,373 | | 7,373 | 7,373 |
| Other comprehensive income | | | | | 2,197 | 2,197 | 2,197 |
| Total comprehensive income for the period | — | — | — | 7,373 | 2,197 | 9,570 | 9,570 |
| Purchase of treasury shares | | | (1) | | | (1) | (1) |
| Disposal of treasury shares | | (275) | 2,989 | (1,762) | | 952 | 952 |
| Dividends | | | | (4,022) | | (4,022) | (4,022) |
| Share-based payments | | 437 | | | | 437 | 437 |
| Total transactions with the owners | — | 162 | 2,988 | (5,784) | — | (2,634) | (2,634) |
| Balance at December 31, 2016 | <u>32,363</u> | <u>44,640</u> | <u>(91,597)</u> | <u>106,779</u> | <u>8,370</u> | <u>100,555</u> | <u>100,555</u> |

(4) Condensed Consolidated Statements of Cash Flows

| | Millions of Yen | |
|--|--|--|
| | Nine months ended December 31, 2015 | Nine months ended December 31, 2016 |
| Cash flows from operating activities: | | |
| Income before income taxes | 6,418 | 9,746 |
| Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 3,731 | 3,507 |
| Gain on sales of available-for-sale financial assets | (22) | (226) |
| Changes in assets and liabilities: | | |
| Trade and other receivables | 3,709 | 4,638 |
| Inventories | 277 | (6,816) |
| Trade and other payables | (13,050) | (956) |
| Warranty provisions | 188 | (102) |
| Retirement benefit liabilities | 1,375 | 1,550 |
| Other | (835) | 3,382 |
| Subtotal | 1,791 | 14,723 |
| Interest and dividends received | 243 | 243 |
| Interest paid | (116) | (95) |
| Income taxes paid | (4,054) | (2,841) |
| Net cash provided by (used in) operating activities | (2,136) | 12,030 |
| Cash flows from investing activities: | | |
| Proceeds from sale of available-for-sale financial assets | 54 | 626 |
| Purchases of property, plant and equipment | (2,151) | (2,927) |
| Purchases of intangible assets | (292) | (266) |
| Other | 458 | 130 |
| Net cash provided by (used in) investing activities | (1,931) | (2,437) |
| Cash flows from financing activities: | | |
| Proceeds from disposal of treasury shares | 33 | 946 |
| Redemption of bonds | (10,000) | — |
| Dividends paid | (3,339) | (3,863) |
| Other | (55) | (43) |
| Net cash provided by (used in) financing activities | (13,361) | (2,960) |
| Net effect of exchange rate changes on cash and cash equivalents | 783 | 603 |
| Net change in cash and cash equivalents | (16,645) | 7,236 |
| Cash and cash equivalents at beginning of period | 97,574 | 85,430 |
| Cash and cash equivalents at end of period | 80,929 | 92,666 |

(5) Notes to the Condensed Consolidated Financial Statements

(Notes on Going Concern): None

(Segment Information)

Nine months ended December 31, 2015

Millions of Yen

| | Semiconductor and Component Test System Business | Mechatronics System Business | Services, Support and Others | Elimination and Corporate | Consolidated |
|--|---|------------------------------------|------------------------------------|------------------------------|--------------|
| Net sales | | | | | |
| Net sales to unaffiliated customers | 69,054 | 24,734 | 22,444 | — | 116,232 |
| Inter-segment sales | 40 | — | — | (40) | — |
| Total | 69,094 | 24,734 | 22,444 | (40) | 116,232 |
| Segment income (loss) (operating income (loss) before share option compensation expense) | 2,575 | 3,763 | 4,042 | (3,922) | 6,458 |
| Adjustment: Share option compensation expense | — | — | — | — | — |
| Operating income | — | — | — | — | 6,458 |
| Financial income | — | — | — | — | 267 |
| Financial expenses | — | — | — | — | (307) |
| Income before income taxes | — | — | — | — | 6,418 |

Nine months ended December 31, 2016

Millions of Yen

| | Semiconductor and Component Test System Business | Mechatronics System Business | Services, Support and Others | Elimination and Corporate | Consolidated |
|--|---|------------------------------------|------------------------------------|------------------------------|--------------|
| Net sales | | | | | |
| Net sales to unaffiliated customers | 70,122 | 16,171 | 21,278 | — | 107,571 |
| Inter-segment sales | 4 | 34 | — | (38) | — |
| Total | 70,126 | 16,205 | 21,278 | (38) | 107,571 |
| Segment income (loss) (operating income (loss) before share option compensation expense) | 12,248 | (2,190) | 3,742 | (4,072) | 9,728 |
| Adjustment: Share option compensation expense | — | — | — | — | (437) |
| Operating income | — | — | — | — | 9,291 |
| Financial income | — | — | — | — | 621 |
| Financial expenses | — | — | — | — | (166) |
| Income before income taxes | — | — | — | — | 9,746 |

| Three months ended December 31, 2015 | | | | | Millions of Yen |
|--|---|------------------------------------|------------------------------------|------------------------------|-----------------|
| | Semiconductor and Component Test System Business | Mechatronics System Business | Services, Support and Others | Elimination and Corporate | Consolidated |
| Net sales | | | | | |
| Net sales to unaffiliated customers | 18,106 | 4,576 | 7,203 | — | 29,885 |
| Inter-segment sales | 16 | — | — | (16) | — |
| Total | 18,122 | 4,576 | 7,203 | (16) | 29,885 |
| Segment income (loss) (operating income (loss) before share option compensation expense) | (199) | (465) | 1,626 | (1,181) | (219) |
| Adjustment: Share option compensation expense | — | — | — | — | — |
| Operating income (loss) | — | — | — | — | (219) |
| Financial income | — | — | — | — | 611 |
| Financial expenses | — | — | — | — | (52) |
| Income before income taxes | — | — | — | — | 340 |

| Three months ended December 31, 2016 | | | | | Millions of Yen |
|--|---|------------------------------------|------------------------------------|------------------------------|-----------------|
| | Semiconductor and Component Test System Business | Mechatronics System Business | Services, Support and Others | Elimination and Corporate | Consolidated |
| Net sales | | | | | |
| Net sales to unaffiliated customers | 18,788 | 5,314 | 7,274 | — | 31,376 |
| Inter-segment sales | — | — | — | — | — |
| Total | 18,788 | 5,314 | 7,274 | — | 31,376 |
| Segment income (loss) (operating income (loss) before share option compensation expense) | 741 | (780) | 2,148 | (874) | 1,235 |
| Adjustment: Share option compensation expense | — | — | — | — | (262) |
| Operating income | — | — | — | — | 973 |
| Financial income | — | — | — | — | 79 |
| Financial expenses | — | — | — | — | (421) |
| Income before income taxes | — | — | — | — | 631 |

(Notes)

1. Advantest uses the operating income (loss) before share option compensation expense for management's analysis of business segment results.
2. Segment income (loss) is presented on the basis of operating income (loss) before share option compensation expense.
3. Inter-segment sales are based on market prices.
4. Adjustments to segment income in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments.