

FY2018 Consolidated Financial Results

(Advantest's consolidated financial statements are prepared in accordance with IFRS)
(Period ended March 31, 2019)

April 25, 2019

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

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

Stock Code Number : 6857

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

Contact Person : Atsushi Fujita, Managing Executive Officer and Executive Vice President, Corporate Administration Group
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Date of General Shareholders' Meeting (as planned) : June 26, 2019

Dividend Payable Date (as planned) : June 4, 2019

Annual Report Filing Date (as planned) : June 27, 2019

Financial Results Supplemental Materials : Yes

Financial Results Presentation Meeting : Yes

(Rounded to the nearest million yen)

1. Consolidated Results of FY2018 (April 1, 2018 through March 31, 2019)

(1) Consolidated Financial Results

(% changes as compared to the previous fiscal year)

	Net sales		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent		Total comprehensive income for the year	
	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)
FY2018	282,456	36.3	64,662	164.1	66,211	172.7	56,993	214.8	56,993	214.8	56,645	271.9
FY2017	207,223	32.9	24,487	76.1	24,282	61.6	18,103	27.5	18,103	27.5	15,230	(5.7)

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Ratio of income before taxes to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2018	302.35	287.37	35.3	23.7	22.9
FY2017	101.94	92.69	15.5	10.0	11.8

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Million yen	Million yen	Million yen	%	Yen
FY2018	304,580	198,731	198,731	65.2	1,004.53
FY2017	254,559	124,610	124,610	49.0	696.04

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY2018	44,792	(15,915)	(13,724)	119,943
FY2017	28,254	(2,329)	(15,237)	103,973

2. Dividends

	Dividend per share					Total dividend paid (annual)	Payout ratio (consolidated)	Cash dividend rate for equity attributable to owners of the parent (consolidated)
	First quarter end	Second quarter end	Third quarter end	Year end	Annual total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2017	—	9.00	—	23.00	32.00	5,715	31.4	4.9
FY2018	—	50.00	—	42.00	92.00	18,022	30.4	10.8
FY2019 (forecast)	—	—	—	—	—	N/A	—	N/A

(Note) The dividend forecast for FY2019 hasn't been decided.

3. Projected Results for FY2019 (April 1, 2019 through March 31, 2020)

(% changes as compared to the previous fiscal year)

	Net sales		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2019	230,000	(18.6)	30,000	(53.6)	31,000	(53.2)	26,000	(54.4)	26,000	(54.4)

4. Others

(1) Material changes in subsidiaries during this period (changes in scope of consolidation resulting from changes in subsidiaries): None

(2) Changes in accounting policies and accounting estimates

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

For details, please refer to the (5) Notes to the Consolidated Financial Statements (Changes in Accounting Policies), page 12.

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

- 1) Number of issued and outstanding share at the end of each fiscal period (including treasury share):
FY2018 199,566,770 shares; FY2017 199,566,770 shares.
- 2) Number of treasury share at the end of each fiscal period:
FY2018 1,732,515 shares; FY2017 20,539,246 shares.
- 3) Average number of outstanding share for each period:
FY2018 188,501,951 shares; FY2017 177,580,557 shares.

(Note) Advantest's share (FY2018 272,446 shares, FY2017 — shares), which is being kept as performance share option compensation in trust account, is included in the number of treasury share at the end of each fiscal period. Moreover, the Advantest's share that mentioned above is also included in the treasury share which is deducted during the calculation of average number of outstanding share for each period.

(Reference) Non-Consolidated Results of FY2018 (April 1, 2018 through March 31, 2019)

(1) Non-Consolidated Financial Results

(% changes as compared to the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)
FY2018	261,120	43.6	47,500	372.3	53,164	99.1	48,310	83.7
FY2017	181,830	26.7	10,058	118.3	26,709	171.1	26,302	72.6

	Net income per share - basic	Net income per share - diluted
	Yen	Yen
FY2018	256.28	243.13
FY2017	148.11	133.57

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity-to-assets ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2018	329,537	220,826	66.8	1,112.87
FY2017	291,126	155,528	53.2	865.73

(Reference) Shareholders' Equity at the end of each fiscal period: FY2018 (Y) 220,164 million; FY2017 (Y) 154,990 million

Status of Audit Procedures

This consolidated financial results report is not subject to audit procedures by independent auditors.

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

This document contains "forward-looking statements" that are based on Advantest's current expectations, estimates and projections. These 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. Overview of Business Results

(1) Overview of Business Results for FY2018

1) Consolidated Financial Results of FY2018 (April 1, 2018 through March 31, 2019)

(in billion yen)

	FY2017	FY2018	As compared to the previous fiscal year increase (decrease)
Orders received	247.8	275.2	11.1%
Net sales	207.2	282.5	36.3%
Operating income	24.5	64.7	2.6 times
Income before income taxes	24.3	66.2	2.7 times
Net income	18.1	57.0	3.1 times

During Advantest'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, 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 (Y) 275.2 billion (11.1% increase in comparison to the previous fiscal year), net sales were (Y) 282.5 billion (36.3% increase in comparison to the previous fiscal year), operating income was (Y) 64.7 billion (2.6 times increase in comparison to the previous fiscal year), income before income taxes was (Y) 66.2 billion (2.7 times increase in comparison to the previous fiscal year), and net income was (Y) 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 (Y) 3.5 billion including (Y) 2.5 billion associated with the transfer of a portion of the defined benefit pension plan for the employees of Advantest Corporation and its subsidiaries in Japan to a defined contribution pension plan.

Conditions of business segments are described below.

<Semiconductor and Component Test System Segment>

(in billion yen)

	FY2017	FY2018	As compared to the previous fiscal year increase (decrease)
Orders received	169.7	206.8	21.8%
Net sales	140.9	211.7	50.2%
Segment income	28.9	65.1	2.2 times

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 (Y) 206.8 billion (21.8% increase in comparison to the previous fiscal year), net sales were (Y) 211.7 billion (50.2% increase in comparison to the previous fiscal year), and segment income was (Y) 65.1 billion (2.2 times increase in comparison to the previous fiscal year).

< Mechatronics System Segment >

(in billion yen)

	FY2017	FY2018	As compared to the previous fiscal year increase (decrease)
Orders received	44.0	37.7	(14.2%)
Net sales	35.9	39.2	9.3%
Segment income	(2.7)	(0.7)	—

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 (Y) 37.7 billion (14.2% decrease in comparison to the previous fiscal year), net sales were (Y) 39.2 billion (9.3% increase in comparison to the previous fiscal year), and segment loss was (Y) 0.7 billion ((Y) 2.0 billion improvement in comparison to the previous fiscal year).

<Services, Support and Others Segment>

(in billion yen)

	FY2017	FY2018	As compared to the previous fiscal year increase (decrease)
Orders received	34.1	30.7	(10.0%)
Net sales	30.5	31.5	3.4%
Segment income	4.2	4.2	1.1%

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 (Y) 30.7 billion (10.0% decrease in comparison to the previous fiscal year), net sales were (Y) 31.5 billion (3.4% increase in comparison to the previous fiscal year), and segment income was (Y) 4.2 billion (1.1% increase in comparison to the previous fiscal year).

2) Overview of Non-Consolidated Financial Results for FY2018

During FY2018, due to the needs for higher performance of semiconductors and reliability assurance, demand for semiconductor test equipment remained at high level. As a result, net sales were (Y) 261.1 billion (43.6% increase in comparison to the previous fiscal year), operating income was (Y) 47.5 billion (4.7 times increase in comparison to the previous fiscal year). As a result of dividend income from subsidiaries, ordinary income was (Y) 53.2 billion (99.1% increase in comparison to the previous fiscal year). Net income was (Y) 48.3 billion (83.7% increase in comparison to the previous fiscal year).

(2) Overview of Financial Condition for FY2018

Total assets at the end of FY2018 were (Y) 304.6 billion, an increase of (Y) 50.0 billion compared to the previous fiscal year, primarily due to an increase of (Y) 16.0 billion in cash and cash equivalents, (Y) 13.9 billion in trade and other receivables and (Y) 10.8 billion in goodwill and intangible assets. The total liabilities were (Y) 105.8 billion, a decrease of (Y) 24.1 billion compared to the previous fiscal year, primarily due to a decrease of (Y) 29.9 billion in corporate bonds upon conversion to shares, offset by an increase of (Y) 4.4 billion in income tax payables. Total equity was (Y) 198.7 billion. Ratio of equity attributable to owners of the parent was 65.2%, an increase of 16.2 percentage points from March 31, 2018, primarily due to a decrease of (Y) 70.0 billion in treasury shares upon conversion of corporate bonds.

(3) Overview of Cash Flows for FY2018

Cash and cash equivalents held at the end of FY2018 were (Y) 119.9 billion, an increase of (Y) 16.0 billion from the previous fiscal year.

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

Net cash provided by operating activities was (Y) 44.8 billion (net cash inflow of (Y) 28.3 billion in the previous fiscal year). This amount was primarily attributable to an increase of (Y) 14.1 billion in trade and other receivables, an increase of (Y) 6.9 billion in inventories and adjustments of non-cash items such as depreciation and amortization in addition to the income before income taxes of (Y) 66.2 billion.

Net cash used in investing activities was (Y) 15.9 billion (net cash outflow of (Y) 2.3 billion in the previous fiscal year). This amount was primarily attributable to payments for acquisition of business in the amount of (Y) 11.1 billion and purchases of property, plant and equipment in the amount of (Y) 5.9 billion.

Net cash used in financing activities was (Y) 13.7 billion (net cash outflow of (Y) 15.2 billion in the previous fiscal year). This amount was primarily attributable to dividends paid of (Y) 13.8 billion.

(4) 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.

Based on the outlook for each of our business segments, growth investment plans based on the medium- to long-term business outlook, and foreign exchange conditions, our forecast for FY2019 consolidated results calls for orders received of (Y) 230.0 billion, net sales of (Y) 230.0 billion, operating income of (Y) 30.0 billion, income before income taxes of (Y) 31.0 billion and net income of (Y) 26.0 billion. Our forecast assumes the exchange rates of 1 USD to 110 JPY and 1 EUR to 130 JPY.

2. Basic Approach to the Selection of Accounting Standards

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

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

	Millions of Yen	
	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	103,973	119,943
Trade and other receivables	37,929	51,786
Inventories	49,627	57,099
Other current assets	4,784	4,423
Subtotal	196,313	233,251
Assets held for sale	830	—
Total current assets	197,143	233,251
Non-current assets		
Property, plant and equipment, net	29,232	30,786
Goodwill and intangible assets, net	15,287	26,119
Other financial assets	2,414	2,861
Deferred tax assets	10,127	11,209
Other non-current assets	356	354
Total non-current assets	57,416	71,329
Total assets	254,559	304,580

Millions of Yen

	As of March 31, 2018	As of March 31, 2019
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	43,258	43,942
Bonds	29,872	—
Income tax payables	4,247	8,650
Provisions	3,042	2,886
Other financial liabilities	554	905
Other current liabilities	6,224	6,465
Total current liabilities	<u>87,197</u>	<u>62,848</u>
Non-current liabilities		
Retirement benefit liabilities	40,353	37,528
Deferred tax liabilities	1,099	1,680
Other non-current liabilities	1,300	3,793
Total non-current liabilities	<u>42,752</u>	<u>43,001</u>
Total liabilities	<u>129,949</u>	<u>105,849</u>
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	<u>124,610</u>	<u>198,731</u>
Total equity	<u>124,610</u>	<u>198,731</u>
Total liabilities and equity	<u><u>254,559</u></u>	<u><u>304,580</u></u>

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

Consolidated Statement of Profit or Loss

	Millions of Yen	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
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	<u>18,103</u>	<u>56,993</u>
Net income attributable to:		
Owners of the parent	18,103	56,993
Earnings per share:		Yen
Basic	101.94	302.35
Diluted	92.69	287.37

Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
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)	<u>(2,873)</u>	<u>(348)</u>
Total comprehensive income for the year	<u>15,230</u>	<u>56,645</u>
Comprehensive income attributable to:		
Owners of the parent	15,230	56,645

(3) Consolidated Statement of Changes in Equity

	Millions of Yen						
	Equity attributable to owners of the parent						
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	Total Equity
Balance as of April 1, 2017	32,363	44,319	(86,039)	113,676	5,198	109,517	109,517
Net income				18,103		18,103	18,103
Other comprehensive income (loss), net of tax					(2,873)	(2,873)	(2,873)
Total comprehensive income for the year	—	—	—	18,103	(2,873)	15,230	15,230
Purchase of treasury shares			(2)			(2)	(2)
Disposal of treasury shares		(950)	8,317	(3,880)		3,487	3,487
Dividends				(3,719)		(3,719)	(3,719)
Share-based payments		85				85	85
Other		12				12	12
Transfer from other components of equity to retained earnings				1,024	(1,024)	—	—
Total transactions with the owners	—	(853)	8,315	(6,575)	(1,024)	(137)	(137)
Balance as of March 31, 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

(4) Consolidated Statement of Cash Flows

	Millions of Yen	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities:		
Income before income taxes	24,282	66,211
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,024	4,967
Shared-based payment expense	85	481
Gain on sales of available-for-sale financial assets	(519)	—
Changes in assets and liabilities:		
Trade and other receivables	(5,937)	(14,130)
Inventories	(10,479)	(6,901)
Trade and other payables	14,486	632
Warranty provisions	1,400	(155)
Retirement benefit liabilities	1,553	(4,828)
Other	1,233	2,255
Subtotal	31,128	48,532
Interest and dividends received	497	1,007
Interest paid	(48)	(3)
Income taxes paid	(3,323)	(4,744)
Net cash provided by (used in) operating activities	28,254	44,792
Cash flows from investing activities:		
Proceeds from sale of available-for-sale financial assets	883	—
Purchases of available-for-sale financial assets	(216)	—
Purchases of equity instruments	—	(384)
Proceeds from sale of property, plant and equipment	1,882	1,927
Purchases of property, plant and equipment	(4,121)	(5,891)
Purchases of intangible assets	(607)	(512)
Payments for acquisition of business	—	(11,098)
Other	(150)	43
Net cash provided by (used in) investing activities	(2,329)	(15,915)
Cash flows from financing activities:		
Proceeds from disposal of treasury shares	3,493	805
Purchases of treasury shares	(2)	(738)
Redemption of bonds	(15,000)	—
Dividends paid	(3,718)	(13,786)
Other	(10)	(5)
Net cash provided by (used in) financing activities	(15,237)	(13,724)
Net effect of exchange rate changes on cash and cash equivalents	(2,039)	817
Net change in cash and cash equivalents	8,649	15,970
Cash and cash equivalents at the beginning of year	95,324	103,973
Cash and cash equivalents at the end of year	103,973	119,943

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern): None

(Changes in Accounting Policies)

IFRS 9: Financial Instruments

Advantest adopted IFRS 9 Financial Instruments from the 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 Advantest consolidated results of operations and financial condition for the fiscal year ended March 31, 2019.

IFRS 15: Revenue from Contracts with Customers

Advantest adopted IFRS 15 Revenue from Contracts with Customers from the fiscal year ended March 31, 2019.

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

In accordance with the adoption of IFRS 15, Advantest 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 the fiscal year ended March 31, 2019 increased (Y) 1.1 billion.

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 the fiscal year ended March 31, 2019 decreased (Y) 0.3 billion.

Moreover, in the Consolidated Statement of Profit or Loss for the fiscal year ended March 31, 2019, net sales decreased approximately (Y) 1.3 billion.

(Segment Information)

1. Operating Segment Information

Fiscal year ended March 31, 2018					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	140,864	35,893	30,466	—	207,223
Inter-segment sales	66	—	—	(66)	—
Total	140,930	35,893	30,466	(66)	207,223
Segment income (loss) (operating income (loss) before share-based compensation expense)	28,917	(2,738)	4,197	(5,804)	24,572
Adjustment: Share-based compensation expense	—	—	—	—	(85)
Operating income	—	—	—	—	24,487
Financial income	—	—	—	—	975
Financial expenses	—	—	—	—	(1,180)
Income before income taxes	—	—	—	—	24,282

Fiscal year ended March 31, 2019					Millions of Yen
	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	211,713	39,229	31,514	—	282,456
Inter-segment sales	4	—	—	(4)	—
Total	211,717	39,229	31,514	(4)	282,456
Segment income (loss) (operating income (loss) before share-based compensation expense)	65,058	(712)	4,242	(3,445)	65,143
Adjustment: Share-based compensation expense	—	—	—	—	(481)
Operating income	—	—	—	—	64,662
Financial income	—	—	—	—	1,626
Financial expenses	—	—	—	—	(77)
Income before income taxes	—	—	—	—	66,211

(Notes)

- Advantest uses the operating income (loss) before share-based compensation expense for management's analysis of business segment results.
- Share-based compensation expense represents expenses for stock options and performance-based stock remuneration expense.
- Segment income (loss) is presented on the basis of operating income (loss) before share-based compensation expense.
- Inter-segment sales are based on market prices.
- Adjustments to segment income (loss) in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments. Moreover, due to the revision of post-employment benefits plan, (Y) 2,530 million income is included for the fiscal year ended March 31, 2019.

2. Consolidated Net Sales by Geographical Areas

	Millions of Yen	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Japan	14,182	14,881
Americas	11,290	13,579
Europe	7,689	7,124
Asia	174,062	246,872
Total	207,223	282,456

(Notes)

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

(Per Share Information)

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income attributable to owners of the parent (Millions of Yen)	18,103	56,993
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	18,103	56,993
Dilutive effect of exercise of convertible bonds (Millions of Yen)	127	74
Net income to calculate diluted earnings per share (Millions of Yen)	18,230	57,067
Weighted average number of ordinary shares—basic	177,580,557	188,501,951
Dilutive effect of stock options	803,645	450,684
Dilutive effect of convertible bonds	18,304,961	9,625,514
Dilutive effect of performance-based stock remuneration	—	9,078
Weighted average number of ordinary shares—diluted	196,689,163	198,587,227
Basic earnings per share (Yen)	101.94	302.35
Diluted earnings per share (Yen)	92.69	287.37
Financial Instruments not included in the calculation of diluted earnings per share because they have anti-dilutive effect	Certain stock options	Certain stock options

(Significant Subsequent Events): None

FY2018 Consolidated Financial Results Overview

1. Orders received • Backlog

(in billion yen)

	FY2017	FY2018					vs. FY2017 increase (decrease)		FY2019 Forecast	
		1Q	2Q	3Q	4Q			Annual total	vs. FY2018 increase (decrease)	
Orders received	247.8	70.6	76.2	62.7	65.7	265.0 275.2	27.4	11.1%	230.0	(16.4%)
Backlog	82.8	^(3.0) 79.5	83.0	70.8	^{2.4} 74.9	^{66.8} 74.9	(7.9)	(9.5%)	74.9	0.0%

1. Upper data is the forecast amount released on Jan 30, 2019.

2. Due to the adoption of IFRS 15, backlog at the beginning of FY2018 was adjusted with a negative amount of 3.0 billion yen.

3. Due to the acquisition of Semiconductor System Level Test Business, backlog in FY2018 4Q was adjusted with a positive amount of 2.4 billion yen.

2. Profit or Loss

(in billion yen)

	FY2017	FY2018					vs. FY2017 increase (decrease)		FY2019 Forecast	
		1Q	2Q	3Q	4Q			Annual total	vs. FY2018 increase (decrease)	
Net sales	207.2	70.9	72.7	74.9	64.0	278.0 282.5	75.2	36.3%	230.0	(18.6%)
Cost of sales	(100.6)	(32.7)	(33.8)	(32.4)	(29.6)	(128.5)	(27.8)	27.6%	-	-
Selling, general and administrative expenses	(82.6)	(22.5)	(21.9)	(24.4)	(24.2)	(93.0)	(10.5)	12.7%	-	-
Other income	0.6	0.1	1.0	2.7	0.0	3.8	3.2	6.1 times	-	-
Other expenses	(0.1)	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.0)	23.4%	-	-
Operating income	24.5	15.8	18.0	20.7	10.2	63.0 64.7	40.2	2.6 times	30.0	(53.6%)
Sales ratio	11.8%	22.3%	24.7%	27.6%	15.9%	22.9%			13.0%	
Financial income - expenses	(0.2)	0.7	0.6	(0.1)	0.3	1.5	1.8	-	-	-
Income before income taxes	24.3	16.5	18.6	20.6	10.5	64.0 66.2	41.9	2.7 times	31.0	(53.2%)
Sales ratio	11.7%	23.3%	25.5%	27.5%	16.4%	23.4%			13.5%	
Income taxes	(6.2)	(2.6)	(2.4)	(2.7)	(1.5)	(9.2)	(3.0)	49.2%	-	-
Net income	18.1	13.9	16.2	17.9	9.0	54.5 57.0	38.9	3.1 times	26.0	(54.4%)
Sales ratio	8.7%	19.6%	22.4%	23.9%	14.0%	20.2%			11.3%	

Upper data is the forecast amount released on Jan 30, 2019.

3. Financial Condition

(in billion yen)

	FY2017	FY2018				vs. FY2017 increase (decrease)
		4Q End	1Q End	2Q End	3Q End	
Total assets	254.6	271.8	290.6	296.6	304.6	19.7%
Equity attributable to owners of the parent	124.6	142.5	180.0	188.1	198.7	59.5%
Ratio of equity attributable to owners of the parent	49.0%	52.4%	61.9%	63.4%	65.2%	-

4. Dividends

(in yen)

(Record Date)	FY2018			FY2019 Forecast		
	Interim	Year end	Annual total	Interim	Year end	Annual total
Dividend per share	50.00	42.00	92.00	N/A	N/A	N/A

1. Upper data is the forecast amount released on Jan 30, 2019.

2. The dividend forecast for FY2019 hasn't been decided. We will disclose promptly after considering the results based on the business performance.