

FY2020 Third Quarter Consolidated Financial Results

(Advantest's consolidated financial statements are prepared in accordance with IFRS)
(Period ended December 31, 2020)

January 28, 2021

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, Director and Managing Executive Officer
Executive Vice President, Corporate Administration Group
(03) 3214-7500

Quarterly Report Filing Date (as planned) : February 12, 2021

Dividend Payable Date (as planned) : —

Quarterly Results Supplemental Materials : Yes

Quarterly Results Presentation Meeting : Yes

(Rounded to the nearest million yen)

1. Consolidated Results of FY2020 Q3 (April 1, 2020 through December 31, 2020)

(1) Consolidated Financial Results (Accumulated)

(% changes as compared to 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)
FY2020 Q3	222,174	7.0	46,178	(2.0)	43,168	(9.6)	36,518	(5.7)	36,518	(5.7)	35,081	(5.0)
FY2019 Q3	207,668	(5.0)	47,131	(13.5)	47,757	(14.3)	38,712	(19.4)	38,712	(19.4)	36,945	(29.7)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2020 Q3	184.91	183.91
FY2019 Q3	195.40	194.62

(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	%
FY2020 Q3	362,706	238,674	238,674	65.8
FY2019	355,777	231,452	231,452	65.1

2. Dividends

	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Annual total
	Yen	Yen	Yen	Yen	Yen
FY2019	—	41.00	—	41.00	82.00
FY2020	—	38.00	—	N/A	N/A
FY2020 (forecast)	N/A	N/A	N/A	57.00	95.00

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

3. Projected Results for FY2020 (April 1, 2020 through March 31, 2021)

(% 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	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)
FY2020	305,000	10.5	67,000	14.1	64,000	9.3	61,500	14.9	61,500	14.9

(Note) Revision of earnings forecast for this period: **Yes**

For details, please refer to the (4) Near-term Prospects, page 5.

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: 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):
 FY2020 Q3 199,566,770 shares; FY2019 199,566,770 shares.
 2) Number of treasury share at the end of each fiscal period:
 FY2020 Q3 3,348,327 shares; FY2019 1,152,069 shares.
 3) Average number of outstanding share for each period (cumulative term):
 FY2020 Q3 197,495,822 shares; FY2019 Q3 198,111,619 shares.

(Note) Advantest's share (FY2020 Q3 694,832 shares, FY2019 537,830 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.

Status of Quarterly Review Procedures

This quarterly financial results report is not subject to quarterly review 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

Consolidated Financial Results of FY2020 Q3 (April 1, 2020 through December 31, 2020)

(in billion yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	197.1	220.7	12.0%
Net sales	207.7	222.2	7.0%
Operating income	47.1	46.2	(2.0%)
Income before income taxes	47.8	43.2	(9.6%)
Net income	38.7	36.5	(5.7%)

During Advantest's third quarter ended December 31, 2020, the global economy faced a severe contraction due to the worldwide COVID-19 pandemic. Although governments are making efforts to salvage their economies, struggling to balance economic activities and infection control measures, 2020 still saw a historic global economic contraction.

On the other hand, in the semiconductor test equipment market, demand for memory test systems and SoC test systems for devices used in data centers and game consoles increased against the backdrop of the worldwide adoption of remote work and growth in home consumption due to lockdowns. Lockdowns and other restrictions on movement also depressed demand for automobiles and industrial equipment from early spring, but with the recovery of final product manufacturing, customers in these sectors regained their appetite for investment in the third quarter. Mixed influences impacted smartphone-related demand, with the trend towards increasing demand for test equipment due to smartphone performance improvements counterbalanced by surplus capacity in the Chinese smartphone-related supply chain triggered by tighter US regulations, but against the backdrop of fierce competition amongst other smartphone makers, the surplus capacity issue was resolved sooner than Advantest had expected.

As a result, orders received were (Y) 220.7 billion (12.0% increase in comparison to the corresponding period in the previous fiscal year) and sales were (Y) 222.2 billion (7.0% increase in comparison to the corresponding period in the previous fiscal year). In terms of profit, operating income was (Y) 46.2 billion (2.0% decrease in comparison to the corresponding period in the previous fiscal year) due to a lower proportion of high gross profit margin products in our sales mix compared to the corresponding period in the previous fiscal year. Operating income for the period includes a one-time gain on a business transfer of approximately (Y) 2.5 billion. Income before income taxes was (Y) 43.2 billion (9.6% decrease in comparison to the corresponding period in the previous fiscal year) and quarterly net income was (Y) 36.5 billion (5.7% decrease in comparison to the corresponding period in the previous fiscal year) due to higher foreign exchange losses caused by the appreciation of the euro against the US dollar. Average currency exchange rates in the period were 1 USD to 107 JPY (109 JPY in the corresponding period of the previous fiscal year) and 1 EUR to 122 JPY (122 JPY in the corresponding period). The percentage of net sales to overseas customers was 95.4% (94.9% in the corresponding period in 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, 2019	Nine months ended December 31, 2020	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	140.4	154.0	9.7%
Net sales	152.2	142.1	(6.7%)
Segment income	52.1	41.1	(21.1%)

In this segment, test demand for SoC semiconductors for HPC (high-performance computing) applications stayed firm amidst the widespread adoption of remote work and the growth of home consumption. Sales of memory test systems also continued to be strong, with demand centered on memory devices for servers and game consoles. In addition, due to exacerbated friction between the United States and China, demand for SoC test systems from the smartphone-related supply chain weakened in the first half, but on the other hand smartphone performance gains and fierce competition among smartphone makers have been driving growth in test demand for devices such as image sensors, display driver ICs, and application processors. Orders for SoC semiconductor test equipment have been strong since the second quarter, mainly driven by these device types.

As a result of the above, orders received were (Y) 154.0 billion (9.7% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 142.1 billion (6.7% decrease in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 41.1 billion (21.1% decrease in comparison to the corresponding period in the previous fiscal year).

< Mechatronics System Segment >

(in billion yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	23.6	29.5	25.2%
Net sales	26.1	30.1	15.5%
Segment income (loss)	(1.6)	4.8	—

In this segment, orders for nanotechnology products increased amidst expanding adoption of EUV lithography. Growing demand for memory test equipment also drove sales of device interface products, which are strongly correlated with memory test demand. In addition, a gain of approximately (Y) 2.5 billion from the transfer of Advantest's probe card business was included in this segment's profits.

As a result of the above, orders received were (Y) 29.5 billion (25.2% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 30.1 billion (15.5% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 4.8 billion ((Y) 6.4 billion improvement in comparison to the corresponding period in the previous fiscal year).

<Services, Support and Others Segment>

(in billion yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	33.1	37.6	13.6%
Net sales	29.4	50.5	71.9%
Segment income	3.7	8.1	2.2 times

In this segment, the system level test business, which handles the products of Essai, Inc., acquired in January 2020, and Advantest's SoC system level test systems, among other products, saw robust demand across the board amidst active data center investment and higher smartphone performance requirements.

As a result of the above, orders received were (Y) 37.6 billion (13.6% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 50.5 billion (71.9% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 8.1 billion (2.2 times increase in comparison to the corresponding period in the previous fiscal year).

(2) Overview of Financial Condition

Total assets at December 31, 2020 amounted to (Y) 362.7 billion, an increase of (Y) 6.9 billion compared to the fiscal year ended March 31, 2020. This was primarily attributable to an increase of (Y) 8.3 billion in other financial assets, (Y) 7.6 billion in trade and other receivables, and (Y) 5.8 billion in inventories offset by a decrease of (Y) 16.2 billion in cash and cash equivalents. The amount of total liabilities was (Y) 124.0 billion, a decrease of (Y) 0.3 billion compared to the fiscal year ended March 31, 2020. This was primarily attributable to a decrease of (Y) 5.5 billion in trade and other payables offset by an increase of (Y) 2.5 billion in other financial liabilities and (Y) 2.4 billion in deferred tax liabilities. The increase in other financial assets derives from fair value measurement on invested securities, and the increase in other financial liabilities derives from an increase in deposits received. Total equity was (Y) 238.7 billion. Ratio of equity attributable to owners of the parent was 65.8%, an increase of 0.7 percentage points from March 31, 2020.

(3) Overview of Cash Flows

Cash and cash equivalents held at December 31, 2020 were (Y) 111.5 billion, a decrease of (Y) 16.2 billion from March 31, 2020. Significant cash flows during the nine-month period of this fiscal year and details are described below.

Net cash provided by operating activities was (Y) 28.4 billion (net cash inflow of (Y) 53.9 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to an increase of (Y) 7.9 billion in trade and other receivables, an increase of (Y) 5.8 billion in inventories and adjustments of non-cash items such as depreciation and amortization in addition to the income before income taxes of (Y) 43.2 billion.

Net cash used in investing activities was (Y) 13.0 billion (net cash outflow of (Y) 5.5 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to purchases of property, plant and equipment in the amount of (Y) 8.8 billion, purchases of equity instruments in the amount of (Y) 6.8 billion, and proceeds from transfer of business of (Y) 3.3 billion.

Net cash used in financing activities was (Y) 30.1 billion (net cash outflow of (Y) 17.3 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to dividends paid of (Y) 15.4 billion and purchase of treasury shares of (Y) 14.0 billion.

(4) Near-term Prospects

In the first half of FY2020, sales of SoC semiconductor test equipment fell short of the level reached in the previous fiscal year due to the escalating conflict between the United States and China, but competition among smartphone manufacturers subsequently became livelier, smartphone performance saw further gains, and conditions improved in the automobile and industrial equipment markets. Based on these trends, sales in the fourth quarter are expected to significantly exceed our October forecast, as in fact third-quarter sales also exceeded our forecast for that quarter.

Regarding memory test equipment, Advantest anticipates strong inquiries from customers in the fourth quarter amidst memory semiconductor performance improvements and expectations for a turnaround in the memory supply / demand situation.

Based on the demand outlook for these, our flagship businesses, and our business results for the third quarter consolidated cumulative period, Advantest has again revised our full-year consolidated business forecast for the current fiscal year, as follows. Orders: (Y) 310.0 billion (was (Y) 260.0 billion as of October 2020); sales: (Y) 305.0 billion (was (Y) 275.0 billion); operating income: (Y) 67.0 billion (was (Y) 52.5 billion); income before income taxes: (Y) 64.0 billion (was (Y) 50.9 billion); net income: (Y) 61.5 billion (was (Y) 42.5 billion). Our earnings forecast for the fourth quarter of the current fiscal year is based on exchange rate assumptions of 105 yen to the US dollar and 125 yen to the euro. Given the progress of our mid-term management plan, which concludes in the current fiscal year, as well as our future business outlook and other factors, in the fourth quarter Advantest expects to record deferred tax assets that are likely to be realized during a certain fixed period in the future. The above forecast takes this into account.

Regarding the impact of the COVID-19 pandemic on Advantest, while investment in semiconductor test equipment for devices used in automobiles and industrial equipment stagnated for a considerable time, the expansion of remote work has accelerated demand for test equipment for semiconductors used in electronics. Advantest estimates that these shifts in our business environment have netted out to a positive impact on our results for the cumulative period.

However, the pandemic is still un-subdued, and uncertainty in the global economy remains high, with lockdowns having been renewed in some areas and being considered in others. Therefore, Advantest will place the utmost importance on responding flexibly to changes in our external environment as Advantest conducts our business activities.

On the other hand, the pandemic is an opportunity to accelerate the long-heralded digital transformation, centered on 5G communications. This will expand demand for high-performance, highly reliable semiconductors over the medium to long term. Advantest also anticipates that business opportunities for Advantest will expand over the medium to long term as customers experience growing needs for higher value-added semiconductor test solutions.

On this long-term perspective, Advantest has not only reinforced existing businesses such as semiconductor wafer level test and package level test, but have also entered the field of system / module level test solutions, and plan to expand our solutions in the data analytics sector by utilizing test data for semiconductor process analysis. Going forward, Advantest will continue to work toward achieving the sales target of (Y) 400.0 billion specified in the base scenario of our "Grand Design" mid- to long-term management policy, which concludes in fiscal year 2027.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

	Millions of Yen	
	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	127,703	111,494
Trade and other receivables	46,426	54,026
Inventories	58,943	64,727
Other current assets	6,871	6,994
Subtotal	<u>239,943</u>	<u>237,241</u>
Assets held for sale	199	—
Total current assets	<u>240,142</u>	<u>237,241</u>
Non-current assets		
Property, plant and equipment, net	35,072	38,518
Right-of-use assets	11,184	9,743
Goodwill and intangible assets, net	51,025	51,542
Other financial assets	2,867	11,120
Deferred tax assets	15,351	14,245
Other non-current assets	136	297
Total non-current assets	<u>115,635</u>	<u>125,465</u>
Total assets	<u><u>355,777</u></u>	<u><u>362,706</u></u>

	Millions of Yen	
	As of March 31, 2020	As of December 31, 2020
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	46,660	41,119
Income tax payables	7,793	5,514
Provisions	3,335	3,495
Lease liabilities	2,275	2,307
Other financial liabilities	1,892	4,436
Other current liabilities	8,582	10,000
Total current liabilities	<u>70,537</u>	<u>66,871</u>
Non-current liabilities		
Lease liabilities	9,013	7,597
Retirement benefit liabilities	40,622	42,976
Deferred tax liabilities	1,563	3,979
Other non-current liabilities	2,590	2,609
Total non-current liabilities	<u>53,788</u>	<u>57,161</u>
Total liabilities	<u>124,325</u>	<u>124,032</u>
Equity		
Share capital	32,363	32,363
Share premium	43,550	44,070
Treasury shares	(4,179)	(16,089)
Retained earnings	159,803	179,852
Other components of equity	(85)	(1,522)
Total equity attributable to owners of the parent	<u>231,452</u>	<u>238,674</u>
Total equity	<u>231,452</u>	<u>238,674</u>
Total liabilities and equity	<u><u>355,777</u></u>	<u><u>362,706</u></u>

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

Condensed Consolidated Statement of Profit or Loss

	Millions of Yen	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	207,668	222,174
Cost of sales	<u>(87,889)</u>	<u>(102,364)</u>
Gross profit	119,779	119,810
Selling, general and administrative expenses	(72,509)	(76,253)
Other income	224	2,736
Other expenses	<u>(363)</u>	<u>(115)</u>
Operating income	47,131	46,178
Financial income	743	858
Financial expenses	<u>(117)</u>	<u>(3,868)</u>
Income before income taxes	47,757	43,168
Income taxes	<u>(9,045)</u>	<u>(6,650)</u>
Net income	<u><u>38,712</u></u>	<u><u>36,518</u></u>
Net income attributable to:		
Owners of the parent	38,712	36,518
Earnings per share:	Yen	Yen
Basic	<u>195.40</u>	<u>184.91</u>
Diluted	194.62	183.91

Millions of Yen

	Three months ended December 31, 2019	Three months ended December 31, 2020
Net sales	69,917	78,072
Cost of sales	<u>(30,509)</u>	<u>(37,888)</u>
Gross profit	39,408	40,184
Selling, general and administrative expenses	(24,940)	(25,000)
Other income	120	90
Other expenses	<u>(335)</u>	<u>(33)</u>
Operating income	14,253	15,241
Financial income	267	781
Financial expenses	<u>(42)</u>	<u>(2,174)</u>
Income before income taxes	14,478	13,848
Income taxes	<u>(2,538)</u>	<u>(1,821)</u>
Net income	<u>11,940</u>	<u>12,027</u>
Net income attributable to:		
Owners of the parent	11,940	12,027
Earnings per share:	Yen	Yen
Basic	<u>60.21</u>	<u>61.29</u>
Diluted	59.92	60.97

Condensed Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net income	38,712	36,518
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	(17)	664
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,750)	(2,101)
Total other comprehensive income (loss)	(1,767)	(1,437)
Total comprehensive income for the period	<u>36,945</u>	<u>35,081</u>
Comprehensive income attributable to:		
Owners of the parent	36,945	35,081

	Millions of Yen	
	Three months ended December 31, 2019	Three months ended December 31, 2020
Net income	11,940	12,027
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	0	997
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	2,422	(674)
Total other comprehensive income (loss)	2,422	323
Total comprehensive income for the period	<u>14,362</u>	<u>12,350</u>
Comprehensive income attributable to:		
Owners of the parent	14,362	12,350

(3) Condensed Consolidated Statement of Changes in Equity

Nine months ended December 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	
Balance as of April 1, 2019	32,363	43,018	(6,262)	125,927	3,685	198,731	198,731
Net income				38,712		38,712	38,712
Other comprehensive income					(1,767)	(1,767)	(1,767)
Total comprehensive income for the period	—	—	—	38,712	(1,767)	36,945	36,945
Purchase of treasury shares			(1,122)			(1,122)	(1,122)
Disposal of treasury shares		(299)	3,044	(1,116)		1,629	1,629
Dividends				(16,439)		(16,439)	(16,439)
Share-based payments		522				522	522
Transfer from other components of equity to retained earnings				111	(111)	—	—
Total transactions with the owners	—	223	1,922	(17,444)	(111)	(15,410)	(15,410)
Balance as of December 31, 2019	32,363	43,241	(4,340)	147,195	1,807	220,266	220,266

Nine months ended December 31, 2020

	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	
Balance as of April 1, 2020	32,363	43,550	(4,179)	159,803	(85)	231,452	231,452
Net income				36,518		36,518	36,518
Other comprehensive income					(1,437)	(1,437)	(1,437)
Total comprehensive income for the period	—	—	—	36,518	(1,437)	35,081	35,081
Purchase of treasury shares		(47)	(13,947)			(13,994)	(13,994)
Disposal of treasury shares		(207)	2,037	(867)		963	963
Dividends				(15,602)		(15,602)	(15,602)
Share-based payments		774				774	774
Total transactions with the owners	—	520	(11,910)	(16,469)	—	(27,859)	(27,859)
Balance as of December 31, 2020	32,363	44,070	(16,089)	179,852	(1,522)	238,674	238,674

(4) Condensed Consolidated Statement of Cash Flows

	Millions of Yen	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Cash flows from operating activities:		
Income before income taxes	47,757	43,168
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,729	8,470
Changes in assets and liabilities:		
Trade and other receivables	10,906	(7,872)
Inventories	1,520	(5,763)
Trade and other payables	(6,323)	(5,115)
Warranty provisions	18	156
Deposits received	1,705	2,144
Advance receipt	1,739	1,099
Retirement benefit liabilities	1,129	1,201
Other	(879)	(166)
Subtotal	<u>64,301</u>	<u>37,322</u>
Interest and dividends received	703	128
Interest paid	(118)	(136)
Income taxes paid	<u>(11,007)</u>	<u>(8,879)</u>
Net cash provided by (used in) operating activities	<u>53,879</u>	<u>28,435</u>
Cash flows from investing activities:		
Proceeds from sale of equity instruments	111	—
Purchases of equity instruments	—	(6,817)
Purchases of debt instruments	(548)	—
Purchases of property, plant and equipment	(4,903)	(8,818)
Purchases of intangible assets	(295)	(571)
Proceed from transfer of business	—	3,295
Acquisition of subsidiary	—	(156)
Other	98	60
Net cash provided by (used in) investing activities	<u>(5,537)</u>	<u>(13,007)</u>
Cash flows from financing activities:		
Proceeds from disposal of treasury shares	1,630	989
Purchases of treasury shares	(1,122)	(14,022)
Dividends paid	(16,217)	(15,392)
Payments for lease liabilities	(1,549)	(1,697)
Other	—	—
Net cash provided by (used in) financing activities	<u>(17,258)</u>	<u>(30,122)</u>
Net effect of exchange rate changes on cash and cash equivalents	<u>(1,238)</u>	<u>(1,515)</u>
Net change in cash and cash equivalents	<u>29,846</u>	<u>(16,209)</u>
Cash and cash equivalents at the beginning of period	<u>119,943</u>	<u>127,703</u>
Cash and cash equivalents at the end of period	<u><u>149,789</u></u>	<u><u>111,494</u></u>

(5) Notes to the Condensed Consolidated Financial Statements

(Notes on Going Concern): None

(Segment Information)

Nine months ended December 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	152,208	26,070	29,390	—	207,668
Inter-segment sales	10	—	9	(19)	—
Total	152,218	26,070	29,399	(19)	207,668
Segment income (loss) (operating income (loss) before share-based compensation expense)	52,056	(1,581)	3,732	(6,438)	47,769
Adjustment: Share-based compensation expense	—	—	—	—	(638)
Operating income	—	—	—	—	47,131
Financial income	—	—	—	—	743
Financial expenses	—	—	—	—	(117)
Income before income taxes	—	—	—	—	47,757

Nine months ended December 31, 2020

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	141,531	30,110	50,533	—	222,174
Inter-segment sales	520	—	—	(520)	—
Total	142,051	30,110	50,533	(520)	222,174
Segment income (loss) (operating income (loss) before share-based compensation expense)	41,069	4,773	8,095	(6,740)	47,197
Adjustment: Share-based compensation expense	—	—	—	—	(1,019)
Operating income	—	—	—	—	46,178
Financial income	—	—	—	—	858
Financial expenses	—	—	—	—	(3,868)
Income before income taxes	—	—	—	—	43,168

Three months ended December 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	49,292	10,084	10,541	—	69,917
Inter-segment sales	—	—	8	(8)	—
Total	49,292	10,084	10,549	(8)	69,917
Segment income (loss) (operating income (loss) before share-based compensation expense)	15,700	(28)	1,615	(2,795)	14,492
Adjustment:					
Share-based compensation expense	—	—	—	—	(239)
Operating income	—	—	—	—	14,253
Financial income	—	—	—	—	267
Financial expenses	—	—	—	—	(42)
Income before income taxes	—	—	—	—	14,478

Three months ended December 31, 2020					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	52,032	9,729	16,311	—	78,072
Inter-segment sales	186	—	—	(186)	—
Total	52,218	9,729	16,311	(186)	78,072
Segment income (loss) (operating income (loss) before share-based compensation expense)	16,257	1,126	1,130	(2,856)	15,657
Adjustment:					
Share-based compensation expense	—	—	—	—	(416)
Operating income	—	—	—	—	15,241
Financial income	—	—	—	—	781
Financial expenses	—	—	—	—	(2,174)
Income before income taxes	—	—	—	—	13,848

(Notes)

1. Advantest uses the operating income (loss) before share-based compensation expense for management's analysis of business segment results.
2. Share-based compensation expense represents expenses for stock options and performance-based stock remuneration expense.
3. Segment income (loss) is presented on the basis of operating income (loss) before share-based compensation expense.
4. Inter-segment sales are based on market prices.
5. 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.
6. For the mechatronics system business, (Y) 2,451 million income is included for the nine months ended December 31, 2020. This is due to the transfer of probe card business on July 30, 2020.

FY2020 Third Quarter Consolidated Financial Results Overview

1. Orders received • Backlog

(in billion yen)

	FY2019	FY2020						FY2020 Forecast	
		1Q	2Q	3Q	vs. FY2020 2Q increase (decrease)	FY2020 9 months total	vs. FY2019 9 months total increase (decrease)	Annual total	vs. FY2019 increase (decrease)
Orders received	287.8	61.5	64.1	95.1	48.2%	220.7	12.0%	260.0 310.0	7.7%
Backlog	91.0	85.7	72.5	89.5	23.4%	89.5	39.2%	76.0 96.0	5.5%

Upper data is the forecast amount released on Oct 29, 2020.

2. Profit or Loss

(in billion yen)

	FY2019	FY2020						FY2020 Forecast	
		1Q	2Q	3Q	vs. FY2020 2Q increase (decrease)	FY2020 9 months total	vs. FY2019 9 months total increase (decrease)	Annual total	vs. FY2019 increase (decrease)
Net sales	275.9	66.7	77.4	78.1	0.9%	222.2	7.0%	275.0 305.0	10.5%
Cost of sales	(119.4)	(28.7)	(35.8)	(37.9)	6.1%	(102.4)	16.5%	-	-
Selling, general and administrative expenses	(97.8)	(24.5)	(26.8)	(24.9)	(6.4%)	(76.2)	5.2%	-	-
Other income - expenses	0.0	0.0	2.6	0.0	(97.7%)	2.6	-	-	-
Operating income	58.7	13.5	17.4	15.3	(12.8%)	46.2	(2.0%)	52.5 67.0	14.1%
Sales ratio	21.3%	20.2%	22.6%	19.5%		20.8%		22.0%	
Financial income - expenses	(0.1)	(0.6)	(1.0)	(1.4)	32.2%	(3.0)	-	-	-
Income before income taxes	58.6	12.9	16.4	13.9	(15.7%)	43.2	(9.6%)	50.9 64.0	9.3%
Sales ratio	21.2%	19.3%	21.2%	17.7%		19.4%		21.0%	
Income taxes	(5.1)	(2.3)	(2.5)	(1.9)	(26.7%)	(6.7)	(26.5%)	-	-
Net income	53.5	10.6	13.9	12.0	(13.7%)	36.5	(5.7%)	42.5 61.5	14.9%
Sales ratio	19.4%	15.8%	18.0%	15.4%		16.4%		20.2%	

Upper data is the forecast amount released on Oct 29, 2020.

3. Financial Condition

(in billion yen)

	FY2019	FY2020				vs. FY2020 2Q increase (decrease)
		4Q End	1Q End	2Q End	3Q End	
Total assets	355.8	359.1	361.3	362.7	0.4%	
Equity attributable to owners of the parent	231.5	234.2	235.5	238.7	1.3%	
Ratio of equity attributable to owners of the parent	65.1%	65.2%	65.2%	65.8%	-	

4. Dividends

(in yen)

(Record Date)	FY2019			FY2020		
	Interim	Year end	Annual total	Interim	Year end (Forecast)	Annual total (Forecast)
Dividend per share	41.00	41.00	82.00	38.00	57.00	95.00

Dividend payouts are based on semi-annual business performance with a target semi-annual payout ratio of 30%.