

FY2020 Second Quarter Consolidated Financial Results

(Advantest's consolidated financial statements are prepared in accordance with IFRS)
(Period ended September 30, 2020)

October 29, 2020

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
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 Quarterly Report Filing Date (as planned) : November 13, 2020
 Dividend Payable Date (as planned) : December 1, 2020
 Quarterly Results Supplemental Materials : Yes
 Quarterly Results Presentation Meeting : Yes

(Rounded to the nearest million yen)

1. Consolidated Results of FY2020 Q2 (April 1, 2020 through September 30, 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 Q2	144,102	4.6	30,937	(5.9)	29,320	(11.9)	24,491	(8.5)	24,491	(8.5)	22,731	0.7
FY2019 Q2	137,751	(4.1)	32,878	(2.6)	33,279	(5.2)	26,772	(11.2)	26,772	(11.2)	22,583	(35.5)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2020 Q2	123.61	122.97
FY2019 Q2	135.20	134.77

(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 Q2	361,293	235,497	235,497	65.2
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	N/A
FY2020 (forecast)	N/A	N/A	—	—	—

(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	275,000	(0.3)	52,500	(10.6)	50,900	(13.1)	42,500	(20.6)	42,500	(20.6)

(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 Q2 199,566,770 shares; FY2019 199,566,770 shares.
 2) Number of treasury share at the end of each fiscal period:
 FY2020 Q2 3,076,297 shares; FY2019 1,152,069 shares.
 3) Average number of outstanding share for each period (cumulative term):
 FY2020 Q2 198,130,909 shares; FY2019 Q2 198,012,630 shares.

(Note) Advantest's share (FY2020 Q2 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 Q2 (April 1, 2020 through September 30, 2020)

(in billion yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	124.2	125.6	1.1%
Net sales	137.8	144.1	4.6%
Operating income	32.9	30.9	(5.9%)
Income before income taxes	33.3	29.3	(11.9%)
Net income	26.8	24.5	(8.5%)

During Advantest's second quarter ended September 30, 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, a historic global contraction is still expected in 2020.

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. Thanks to Advantest's broad customer base and diverse product portfolio, the company was able to capture this growth, driving strong business performance in these areas. On the other hand, new US restrictions on trade with a major Chinese smartphone maker led customers in related fields to extend their wait-and-see stance on new investment. Final demand in areas such as automobiles and industrial equipment also weakened due to COVID-19 lockdowns and other restrictions on movement.

As a result, orders received were (Y) 125.6 billion (1.1% increase in comparison to the corresponding period in the previous fiscal year) and sales were (Y) 144.1 billion (4.6% increase in comparison to the corresponding period in the previous fiscal year). In terms of profit, operating income was (Y) 30.9 billion (5.9% decrease in comparison to the corresponding period in the previous fiscal year) due to a decline in the proportion of products with a high gross profit margin in Advantest's sales mix. Operating income for the first half of the current fiscal year includes a one-time gain on a business transfer of approximately (Y) 2.5 billion. Income before income taxes was (Y) 29.3 billion (11.9% decrease in comparison to the corresponding period in the previous fiscal year) and quarterly net income was (Y) 24.5 billion (8.5% decrease in comparison to the corresponding period in the previous fiscal year) due to higher foreign exchange losses resulting from the appreciation of the euro against USD. Average currency exchange rates for the six month period ended September 30, 2020 were 1 USD to 107 JPY (109 JPY in the corresponding period of the previous fiscal year) and 1 EUR to 120 JPY (123 JPY in the corresponding period). The percentage of net sales to overseas customers was 95.5% (95.8% 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)

	Six months ended September 30, 2019	Six months ended September 30, 2020	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	93.0	87.2	(6.2%)
Net sales	102.9	89.8	(12.7%)
Segment income	36.4	24.8	(31.8%)

In this segment, demand for SoC test systems from the smartphone-related supply chain affected by exacerbated friction between the United States and China decreased significantly. On the other hand, test demand for SoC semiconductors for HPC (high-performance computing) applications remained firm throughout the first half amidst the widespread adoption of remote work and the growth of home consumption, while higher smartphone performance requirements drove growth in orders for SoC test systems for devices such as image sensors, display driver ICs, and application processors. Sales of memory test systems also continued to be strong, with demand centered on high-performance memory devices for servers and game consoles.

As a result of the above, orders received were (Y) 87.2 billion (6.2% decrease in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 89.8 billion (12.7% decrease in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 24.8 billion (31.8% decrease in comparison to the corresponding period in the previous fiscal year).

< Mechatronics System Segment >

(in billion yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	14.0	17.7	26.3%
Net sales	16.0	20.4	27.5%
Segment income (loss)	(1.6)	3.6	—

In this segment, sales of device interface products, which are closely correlated with the memory test business, grew as demand for memory test systems expanded. 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 second-quarter profits.

As a result of the above, orders received were (Y) 17.7 billion (26.3% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 20.4 billion (27.5% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 3.6 billion ((Y) 5.2 billion improvement in comparison to the corresponding period in the previous fiscal year).

<Services, Support and Others Segment>

(in billion yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020	As compared to the corresponding period of the previous fiscal year increase (decrease)
Orders received	17.2	21.1	22.4%
Net sales	18.9	34.2	81.5%
Segment income	2.1	7.0	3.3 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, is growing strongly across the board amidst active data center investment and higher smartphone performance requirements.

As a result of the above, orders received were (Y) 21.1 billion (22.4% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 34.2 billion (81.5% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 7.0 billion (3.3 times increase in comparison to the corresponding period in the previous fiscal year).

(2) Overview of Financial Condition

Total assets at September 30, 2020 amounted to (Y) 361.3 billion, an increase of (Y) 5.5 billion compared to the fiscal year ended March 31, 2020. This was primarily attributable to an increase of (Y) 6.6 billion in other financial assets due to an increase in invested securities, (Y) 6.2 billion in inventories, and (Y) 2.1 billion in goodwill and intangible assets offset by a decrease of (Y) 8.7 billion in cash and cash equivalents. The amount of total liabilities was (Y) 125.8 billion, an increase of (Y) 1.5 billion compared to the fiscal year ended March 31, 2020. This was primarily attributable to an increase of (Y) 2.5 billion in deferred tax liabilities, (Y) 1.8 billion in other current liabilities primarily due to an increase of advance receipt, and (Y) 1.5 billion in retirement benefit liabilities offset by a decrease of (Y) 3.7 billion in trade and other payables. Total equity was (Y) 235.5 billion. Ratio of equity attributable to owners of the parent was 65.2%, an increase of 0.1 percentage points from March 31, 2020.

(3) Overview of Cash Flows

Cash and cash equivalents held at September 30, 2020 were (Y) 119.0 billion, a decrease of (Y) 8.7 billion from March 31, 2020. Significant cash flows during the six-month period of this fiscal year and details are described below.

Net cash provided by operating activities was (Y) 24.4 billion (net cash inflow of (Y) 29.9 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to an increase of (Y) 6.3 billion in inventories and adjustments of non-cash items such as depreciation and amortization in addition to the income before income taxes of (Y) 29.3 billion.

Net cash used in investing activities was (Y) 9.8 billion (net cash outflow of (Y) 3.1 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to purchase of equity instruments of (Y) 6.8 billion, and purchases of property, plant and equipment in the amount of (Y) 5.8 billion, and proceeds from transfer of business of (Y) 3.3 billion.

Net cash used in financing activities was (Y) 22.4 billion (net cash outflow of (Y) 9.1 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to purchase of treasury shares of (Y) 13.9 billion, and dividends paid of (Y) 8.1 billion.

(4) Near-term Prospects

In terms of the outlook for Advantest's semiconductor and component test system business, which drives the company's business performance, demand for SoC test systems has turned around from the same period in the previous fiscal year, when 5G-related demand underpinned market strength. Escalating US-China conflict has also contributed to the continuing severity of the business environment. Since the first quarter, customers in the supply chain closely related to the large Chinese smartphone maker affected by tighter US trade regulations have continued to take a cautious attitude toward investment in test equipment, likely depressing annual sales of SoC test systems below the level of the previous fiscal year. However, against the backdrop of intensifying competition among smartphone manufacturers, SoC test customers have recovered their motivation to invest, driving higher-than-expected demand for test equipment for image sensors and display driver ICs.

Sales of memory test systems are expected to decline in the second half on the rebound from the aggressive investment by several major customers that has continued for the past few quarters. However, given the ongoing demand associated with memory semiconductor performance improvements, Advantest anticipates that customer interest will remain robust.

Based on this market outlook and the progress of Advantest's business results for the cumulative second quarter, the company has revised its consolidated financial forecasts for the current consolidated fiscal year as follows. Orders received, (Y) 260.0 billion (was (Y) 240.0 billion); sales, (Y) 275.0 billion (was (Y) 260.0 billion); operating income, (Y) 52.5 billion (was (Y) 45.0 billion); income before income taxes, (Y) 50.9 billion (was (Y) 44.4 billion); net income, (Y) 42.5 billion (was (Y) 35.8 billion). The forecasted exchange rates for the second half of the current consolidated fiscal year are 1 USD to 105 JPY and 1 EUR to 120 JPY, unchanged from the rates assumed in the previous forecast announced in July.

Regarding the impact of the COVID-19 pandemic on Advantest, the operational obstacles caused by lockdowns and other restrictions on movement have almost vanished. In terms of the market impact, demand for SoC test systems for devices used in automobiles and industrial equipment, whose expected market recovery has been pushed out by COVID-19, continues to be weak, while memory test system demand is increasing amidst the worldwide shift to remote work, and is expected to exceed the corresponding period in the previous year. Overall, the impact of the COVID-19 pandemic on Advantest's business performance has been roughly neutral so far.

However, given that the global economy may slow down again due to a "second wave" of COVID-19, and admitting that the future of US-China economic relations is extremely difficult to predict, Advantest has identified agile responsiveness to changes in the external environment as its top priority for the current fiscal year, and will attentively address the difficulties it currently faces.

As mentioned above, Advantest considers that the present market contraction represents a phase that does not imply any need for change in the company's medium- to long-term growth strategy. The digital transformation led by 5G commercialization will continue to stimulate demand expansion over the medium to long term for semiconductors with higher performance and higher reliability, and this macrotrend is expected to create additional business opportunities for Advantest as customers experience greater need for higher value-added semiconductor test solutions.

On this long-term perspective, Advantest is focused not only on strengthening the company's existing businesses such as testing at the wafer level and package level, but has also entered the field of system / module level test solutions, and plans to expand its solutions in the data analytics sector by utilizing data for semiconductor process analysis. Going forward, Advantest will continue to strive to achieve sales of (Y) 300.0-400.0 billion, the level set as the goal of its "Grand Design" mid- to long-term management policy ending in FY2027.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

	Millions of Yen	
	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	127,703	119,012
Trade and other receivables	46,426	44,379
Inventories	58,943	65,122
Other current assets	6,871	8,370
Subtotal	239,943	236,883
Assets held for sale	199	199
Total current assets	240,142	237,082
Non-current assets		
Property, plant and equipment, net	35,072	36,769
Right-of-use assets	11,184	10,306
Goodwill and intangible assets, net	51,025	53,075
Other financial assets	2,867	9,492
Deferred tax assets	15,351	14,214
Other non-current assets	136	355
Total non-current assets	115,635	124,211
Total assets	355,777	361,293

	Millions of Yen	
	As of March 31, 2020	As of September 30, 2020
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	46,660	42,948
Income tax payables	7,793	7,634
Provisions	3,335	3,536
Lease liabilities	2,275	2,311
Other financial liabilities	1,892	2,045
Other current liabilities	8,582	10,375
Total current liabilities	<u>70,537</u>	<u>68,849</u>
Non-current liabilities		
Lease liabilities	9,013	8,138
Retirement benefit liabilities	40,622	42,089
Deferred tax liabilities	1,563	4,099
Other non-current liabilities	2,590	2,621
Total non-current liabilities	<u>53,788</u>	<u>56,947</u>
Total liabilities	<u>124,325</u>	<u>125,796</u>
Equity		
Share capital	32,363	32,363
Share premium	43,550	43,913
Treasury shares	(4,179)	(14,554)
Retained earnings	159,803	175,620
Other components of equity	(85)	(1,845)
Total equity attributable to owners of the parent	<u>231,452</u>	<u>235,497</u>
Total equity	<u>231,452</u>	<u>235,497</u>
Total liabilities and equity	<u><u>355,777</u></u>	<u><u>361,293</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	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	137,751	144,102
Cost of sales	<u>(57,380)</u>	<u>(64,476)</u>
Gross profit	80,371	79,626
Selling, general and administrative expenses	(47,569)	(51,253)
Other income	117	2,646
Other expenses	<u>(41)</u>	<u>(82)</u>
Operating income	32,878	30,937
Financial income	476	78
Financial expenses	<u>(75)</u>	<u>(1,695)</u>
Income before income taxes	33,279	29,320
Income taxes	<u>(6,507)</u>	<u>(4,829)</u>
Net income	<u><u>26,772</u></u>	<u><u>24,491</u></u>
Net income attributable to:		
Owners of the parent	26,772	24,491
Earnings per share:	Yen	Yen
Basic	<u>135.20</u>	<u>123.61</u>
Diluted	134.77	122.97

	Millions of Yen	
	Three months ended September 30, 2019	Three months ended September 30, 2020
Net sales	71,586	77,377
Cost of sales	<u>(30,566)</u>	<u>(35,704)</u>
Gross profit	41,020	41,673
Selling, general and administrative expenses	(23,354)	(26,721)
Other income	74	2,574
Other expenses	<u>(22)</u>	<u>(47)</u>
Operating income	17,718	17,479
Financial income	650	32
Financial expenses	<u>(38)</u>	<u>(1,086)</u>
Income before income taxes	18,330	16,425
Income taxes	<u>(3,642)</u>	<u>(2,484)</u>
Net income	<u>14,688</u>	<u>13,941</u>
Net income attributable to:		
Owners of the parent	14,688	13,941
Earnings per share:	Yen	Yen
Basic	<u>74.13</u>	<u>70.48</u>
Diluted	73.84	70.12

Condensed Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income	26,772	24,491
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)	(333)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(4,172)	(1,427)
Total other comprehensive income (loss)	(4,189)	(1,760)
Total comprehensive income for the period	<u>22,583</u>	<u>22,731</u>
Comprehensive income attributable to:		
Owners of the parent	22,583	22,731

	Millions of Yen	
	Three months ended September 30, 2019	Three months ended September 30, 2020
Net income	14,688	13,941
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	1	(349)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(808)	(998)
Total other comprehensive income (loss)	(807)	(1,347)
Total comprehensive income for the period	<u>13,881</u>	<u>12,594</u>
Comprehensive income attributable to:		
Owners of the parent	13,881	12,594

(3) Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 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				26,772		26,772	26,772
Other comprehensive income					(4,189)	(4,189)	(4,189)
Total comprehensive income for the period	—	—	—	26,772	(4,189)	22,583	22,583
Purchase of treasury shares			(1,120)			(1,120)	(1,120)
Disposal of treasury shares		(261)	2,664	(1,025)		1,378	1,378
Dividends				(8,309)		(8,309)	(8,309)
Share-based payments		336				336	336
Transfer from other components of equity to retained earnings				111	(111)	—	—
Total transactions with the owners	—	75	1,544	(9,223)	(111)	(7,715)	(7,715)
Balance as of September 30, 2019	32,363	43,093	(4,718)	143,476	(615)	213,599	213,599

Six months ended September 30, 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				24,491		24,491	24,491
Other comprehensive income					(1,760)	(1,760)	(1,760)
Total comprehensive income for the period	—	—	—	24,491	(1,760)	22,731	22,731
Purchase of treasury shares		(13)	(11,732)			(11,745)	(11,745)
Disposal of treasury shares		(142)	1,357	(539)		676	676
Dividends				(8,135)		(8,135)	(8,135)
Share-based payments		518				518	518
Total transactions with the owners	—	363	(10,375)	(8,674)	—	(18,686)	(18,686)
Balance as of September 30, 2020	32,363	43,913	(14,554)	175,620	(1,845)	235,497	235,497

(4) Condensed Consolidated Statement of Cash Flows

	Millions of Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities:		
Income before income taxes	33,279	29,320
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,548	5,503
Changes in assets and liabilities:		
Trade and other receivables	390	1,748
Inventories	684	(6,326)
Trade and other payables	(5,437)	(3,169)
Warranty provisions	132	200
Retirement benefit liabilities	648	695
Other	2,530	1,643
Subtotal	<u>36,774</u>	<u>29,614</u>
Interest and dividends received	470	87
Interest paid	(76)	(86)
Income taxes paid	<u>(7,289)</u>	<u>(5,199)</u>
Net cash provided by (used in) operating activities	<u>29,879</u>	<u>24,416</u>
Cash flows from investing activities:		
Proceeds from sale of equity instruments	111	—
Purchases of equity instruments	—	(6,817)
Purchases of property, plant and equipment	(3,054)	(5,841)
Purchases of intangible assets	(227)	(397)
Proceeds from transfer of business	—	3,295
Other	44	10
Net cash provided by (used in) investing activities	<u>(3,126)</u>	<u>(9,750)</u>
Cash flows from financing activities:		
Proceeds from disposal of treasury shares	1,378	701
Purchases of treasury shares	(1,120)	(13,866)
Dividends paid	(8,302)	(8,129)
Payments for lease liabilities	(1,038)	(1,107)
Other	—	—
Net cash provided by (used in) financing activities	<u>(9,082)</u>	<u>(22,401)</u>
Net effect of exchange rate changes on cash and cash equivalents	<u>(2,821)</u>	<u>(956)</u>
Net change in cash and cash equivalents	<u>14,850</u>	<u>(8,691)</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>134,793</u></u>	<u><u>119,012</u></u>

(5) Notes to the Condensed Consolidated Financial Statements

(Notes on Going Concern): None

(Segment Information)

Six months ended September 30, 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	102,916	15,986	18,849	—	137,751
Inter-segment sales	10	—	1	(11)	—
Total	102,926	15,986	18,850	(11)	137,751
Segment income (loss) (operating income (loss) before share-based compensation expense)	36,356	(1,553)	2,117	(3,643)	33,277
Adjustment: Share-based compensation expense	—	—	—	—	(399)
Operating income	—	—	—	—	32,878
Financial income	—	—	—	—	476
Financial expenses	—	—	—	—	(75)
Income before income taxes	—	—	—	—	33,279

Six months ended September 30, 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	89,499	20,381	34,222	—	144,102
Inter-segment sales	334	—	—	(334)	—
Total	89,833	20,381	34,222	(334)	144,102
Segment income (loss) (operating income (loss) before share-based compensation expense)	24,812	3,647	6,965	(3,884)	31,540
Adjustment: Share-based compensation expense	—	—	—	—	(603)
Operating income	—	—	—	—	30,937
Financial income	—	—	—	—	78
Financial expenses	—	—	—	—	(1,695)
Income before income taxes	—	—	—	—	29,320

Three months ended September 30, 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	52,007	9,341	10,238	—	71,586
Inter-segment sales	—	—	1	(1)	—
Total	52,007	9,341	10,239	(1)	71,586
Segment income (loss) (operating income (loss) before share-based compensation expense)	18,697	(601)	1,604	(1,732)	17,968
Adjustment: Share-based compensation expense	—	—	—	—	(250)
Operating income	—	—	—	—	17,718
Financial income	—	—	—	—	650
Financial expenses	—	—	—	—	(38)
Income before income taxes	—	—	—	—	18,330

Three months ended September 30, 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	47,540	11,502	18,335	—	77,377
Inter-segment sales	2	—	—	(2)	—
Total	47,542	11,502	18,335	(2)	77,377
Segment income (loss) (operating income (loss) before share-based compensation expense)	12,998	3,464	3,252	(2,007)	17,707
Adjustment: Share-based compensation expense	—	—	—	—	(228)
Operating income	—	—	—	—	17,479
Financial income	—	—	—	—	32
Financial expenses	—	—	—	—	(1,086)
Income before income taxes	—	—	—	—	16,425

(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.
- For the mechatronics system business, (Y) 2,451 million income is included for the six and three months ended September 30, 2020, respectively. This is due to the transfer of probe card business on July 30, 2020.

FY2020 Second Quarter Consolidated Financial Results Overview

1. Orders received • Backlog

(in billion yen)

	FY2019	FY2020				
		1Q	2Q	vs. FY2020 1Q increase (decrease)	1H	vs. FY2019 1H increase (decrease)
Orders received	287.8	61.5	64.1	4.4%	125.6	1.1%
Backlog	91.0	85.7	72.5	(15.4%)	72.5	18.3%

Upper data is the forecast amount released on Jul 30, 2020.

FY2020 Forecast	
Annual total	vs. FY2019 increase (decrease)
240.0 260.0	(9.7%)
71.0 76.0	(16.5%)

2. Profit or Loss

(in billion yen)

	FY2019	FY2020				
		1Q	2Q	vs. FY2020 1Q increase (decrease)	1H	vs. FY2019 1H increase (decrease)
Net sales	275.9	66.7	77.4	16.0%	144.1	4.6%
Cost of sales	(119.4)	(28.7)	(35.8)	24.1%	(64.5)	12.4%
Selling, general and administrative expenses	(97.8)	(24.5)	(26.8)	8.9%	(51.3)	7.7%
Other income - expenses	0.0	0.0	2.6	68.3 times	2.6	33.7 times
Operating income	58.7	13.5	17.4	29.9%	30.9	(5.9%)
Sales ratio	21.3%	20.2%	22.6%		21.5%	
Financial income - expenses	(0.1)	(0.6)	(1.0)	87.2%	(1.6)	-
Income before income taxes	58.6	12.9	16.4	27.4%	29.3	(11.9%)
Sales ratio	21.2%	19.3%	-21.2%		20.3%	
Income taxes	(5.1)	(2.3)	(2.5)	5.9%	(4.8)	(25.8%)
Net income	53.5	10.6	13.9	32.1%	24.5	(8.5%)
Sales ratio	19.4%	15.8%	18.0%		17.0%	

Upper data is the forecast amount released on Jul 30, 2020.

FY2020 Forecast	
Annual total	vs. FY2019 increase (decrease)
260.0 275.0	(0.3%)
-	-
-	-
45.0 52.5	(10.6%)
19.1%	
-	-
44.4 50.9	(13.1%)
18.5%	
-	-
35.8 42.5	(20.6%)
15.5%	

3. Financial Condition

(in billion yen)

	FY2019	FY2020		
		4Q End	1Q End	2Q End
Total assets	355.8	359.1	361.3	0.6%
Equity attributable to owners of the parent	231.5	234.2	235.5	0.5%
Ratio of equity attributable to owners of the parent	65.1%	65.2%	65.2%	-

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	N/A	N/A

The dividends forecast for FY2020 Year end hasn't been decided. We will disclose promptly after considering the results based on the business performance.