

(The following is an unofficial English translation of the Convocation Notice of the 74th Ordinary General Meeting of Shareholders of Advantest Corporation (the “Company”). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.)

(Stock Code Number: 6857, TSE first section)

**CONVOCATION NOTICE OF
THE 74th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and time: June 28, 2016 (Tuesday) at 10:00 a.m.

(The reception desk will open at 9:00 a.m.)

Place: Main Conference Room of Advantest Corporation
32-1, Asahi-cho 1-chome, Nerima-ku, Tokyo

Message to Shareholders

To Our Shareholders

We are pleased to send you this Convocation Notice for the 74th Ordinary General Meeting of Shareholders.

The semiconductor-related markets saw robust investment in leading-edge equipment, particularly for memory semiconductors, in the first half of the fiscal year ended March 31, 2016. However, because the smartphone market slowed due to macroeconomic deterioration, the semiconductor market posted negative growth in 2015. In response, semiconductor manufacturers increasingly moved to adjust inventory and limit capital spending.

Amid this environment, Advantest's semiconductor and component test system segment focused on stimulating customer's motivation to invest despite worsening market conditions by launching new products. Our other segments also sought to increase net sales through strategies such as obtaining new customers in growth sectors.

As a result, for the fiscal year ended March 31, 2016, although orders received decreased to ¥151.5 billion, net sales were ¥162.5 billion, remaining at approximately the same level as in the previous fiscal year. Operating income was ¥11.9 billion, income before income taxes was ¥11.4 billion, and net income was ¥7.9 billion.

With respect to the year-end dividend distribution to the shareholders, we resolved at the meeting of the Board of Directors held on May 25, 2016 to distribute a year-end dividend of ¥10 per share, with a payment date of June 2, 2016. Since Advantest has paid an interim dividend of ¥10, the total dividend per share for the fiscal year will be ¥20 per share (an increase of ¥5 compared with FY2014).

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

June 2016

Shinichiro Kuroe
Representative Director,
President and CEO

Contents

Message to Shareholders	page 2
Convocation Notice of the 74 th Ordinary General Meeting of Shareholders	page 3
Reference Documents for the General Meeting of Shareholders	page 6
(Attachments)	
Business Report	page 10
Consolidated Financial Statements	page 27
Non-Consolidated Financial Statements	page 34
Audit Reports	page 41
(Reference) Memorandum to Shareholders	page 47

To Our Shareholders

Shinichiro Kuroe
Representative Director
President and CEO
ADVANTEST CORPORATION
32-1, Asahi-cho 1-chome,
Nerima-ku, Tokyo

**CONVOCATION NOTICE OF
THE 74th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

Notice is hereby given that the 74th ordinary general meeting of shareholders of ADVANTEST CORPORATION (the "Company") will be held as set forth below. Your attendance thereat is respectfully requested.

If you are not able to attend the meeting, we request that you exercise your voting rights in writing or by means of an electromagnetic method (via the Internet, etc.) by 5:00 p.m. of June 27, 2016 (Monday) after carefully reading the reference documents as set forth below.

1. Date and time: June 28, 2016 (Tuesday) at 10:00 a.m.
(The reception desk will open at 9:00 a.m.)
2. Place: Main Conference Room of Advantest Corporation
32-1, Asahi-cho 1-chome, Nerima-ku, Tokyo
3. Subject matters of the general meeting of shareholders:
Matters to be reported:
Item No.1: Matters concerning the business report, consolidated financial statements and financial statements reporting for the 74th Fiscal Year (from April 1, 2015 to March 31, 2016)
Item No.2: Matters concerning the results of audit of the Company's consolidated financial statements by the Independent Auditors and the Audit and Supervisory Committee
Matters to be resolved:
Agenda Item:
Agenda Item No.1: Election of 6 directors (excluding directors who are audit and supervisory committee members)

4. Instructions for the Exercise of Voting Rights:

[Exercise of voting rights in writing by submitting the enclosed voting right exercise form]

Please indicate your intention to vote “for” or “against” each agenda item on the enclosed voting right exercise form, and then return the form to us to be delivered by 5:00 p.m. of June 27, 2016 (Monday).

[Exercise of voting rights by means of an electromagnetic method (via the Internet, etc.)]

Please access the website for casting votes (<http://www.evotest.jp/>) and indicate your intention to vote “for” or “against” each agenda item by following the on-screen instructions by the time limit set forth above. For details, please refer to “Instructions for the Exercise of Voting Rights via the Internet, etc.” as set forth on page 5.

[Handling of the duplicated votes]

If the voting rights are exercised by means of both the voting right exercise form and an electromagnetic method, the exercise of voting rights by means of the electromagnetic method shall be deemed valid.

If the voting rights are exercised by means of an electromagnetic method multiple times, the last exercise of voting rights shall be deemed valid.

~~~~~  
When you arrive at the meeting, please submit the enclosed voting right exercise form to the reception desk at the site of the meeting.

As the following information is available on the Company’s website in accordance with laws and regulations and Article 13 of the Articles of Incorporation, it is not included in this convocation notice. Materials attached to this convocation notice and the matters posted on the Company’s website are documents audited by the Independent Auditors and the Audit and Supervisory Committee when preparing the Report of Independent Auditors and the Audit Report, respectively.

1. Notes to Consolidated Financial Statements
2. Notes to Non-Consolidated Financial Statements

Amendments to the reference documents for the general meeting of shareholders and/or attached materials, if any, will be posted on the Company’s website.

We cordially invite you to attend a reception to be held after the meeting for shareholders.

For shareholders who will be unable to attend the meeting, presentation materials concerning matters to be reported will be posted on the Company’s website on the day of the meeting.

The resolutions adopted at the meeting will be posted on the Company’s website instead of issuing a written notice of the resolutions.

**The Company’s website: <https://www.advantest.com/> investors**

<<Instructions for the Exercise of Voting Rights via the Internet, etc.>>

If you choose to exercise your voting rights via the Internet, please read the instructions below before doing so. If you attend the meeting, you do not need to mail the voting right exercise form or vote via the Internet.

1. About the website for casting votes

(1) Voting rights may be exercised online only by accessing the website designated by the Company (<http://www.evotep.jp/>) on a personal computer, smartphone or mobile phone. (This website is out of service from 2:00 a.m. to 5:00 a.m. every day.)

(2) In some cases, you may not be able to use the website for casting votes due to your Internet environment, network service, or communication device model.

(3) Although exercise of Voting Rights via the Internet is available until 5:00 p.m. on June 27, 2016 (Monday), please exercise your voting rights early. Please contact the helpdesk below if you have any questions.

2. About the exercise of voting rights via the Internet

(1) Please use your “login ID” and “temporary password” indicated on the enclosed voting rights exercise form to access the voting website (<http://www.evotep.jp/>), and then vote “for” or “against” by following the on-screen instructions.

(2) Please note that you will be asked to change your “temporary password” on the website for casting votes in order to avoid unauthorized access by any third person (spoofing) or alteration of the details of your vote.

3. Handling of votes cast more than one time

(1) If voting rights are exercised both by mail and via the Internet, the exercise of voting rights via the Internet shall be deemed valid.

(2) If voting rights are exercised via the Internet multiple times, the last exercise of voting rights shall be deemed valid. Also, if the voting rights are exercised through the use of more than one electronic device, such as a personal computer, a smartphone or a mobile phone, the voting right exercised last in time shall be deemed valid.

4. Charges and fees incurred by accessing the website for casting votes

Any connection charges due to Internet service providers and communication charges due to communication carriers incurred as a result of using the voting website shall be the responsibility of each shareholder.

[Contact for inquiry regarding IT system, etc.]

Corporate Agency Division (Helpdesk) , Mitsubishi UFJ Trust and Banking Corporation

Phone number: 0120-173-027 (toll-free number within Japan)

Business hours: 9 a.m. to 9 p.m. (Japan time)

[About the electronic voting platform]

Nominee shareholders (including standing proxies) such as trust banks can use the electronic voting platform operated by ICJ, Inc. by submitting an application in advance.

## Reference Documents for the General Meeting of Shareholders



Agenda Items and Reference Matters:

**Agenda Item No. 1:** Election of 6 directors (excluding directors who are audit and supervisory committee members)

The term of office of all six current directors will expire upon the closing of this ordinary general meeting of shareholders. The Company therefore requests that you elect six directors (excluding directors who are audit and supervisory committee members).



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

| Candidate No. | Name              | Present position and assignment                                                       | Number of attendances at the meetings of the Board of Directors |
|---------------|-------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| 1             | Shinichiro Kuroe  | Representative Director, President and CEO                                            | 13/13                                                           |
| 2             | Osamu Karatsu     | Outside Director                                                                      | 13/13                                                           |
| 3             | Seiichi Yoshikawa | Outside Director                                                                      | 13/13                                                           |
| 4             | Sae Bum Myung     | Director, Senior Executive Officer, Sales and Marketing                               | 13/13                                                           |
| 5             | Hiroshi Nakamura  | Director, Managing Executive Officer, Corporate Administration                        | 13/13                                                           |
| 6             | Yoshiaki Yoshida  | Director, Managing Executive Officer, Corporate Planning and Corporate Communications | 13/13                                                           |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Name<br>(Date of Birth)                                                                                                   | Brief personal history; position and assignment; and other significant concurrently held positions, if any                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Number of the Company's shares owned |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <br>Shinichiro Kuroe<br>(March 30, 1959) | April 1981      Joined Advantest Corporation<br>June 2005      Executive Officer<br>June 2009      Director, Managing Executive Officer<br>June 2013      Director, Corporate Vice President<br>August 2014    Representative Director, President and CEO<br>(present position)                                                                                                                                                                                                                                                                                                 | 4,885                                |
| The reasons for nomination as a candidate for director<br>■Mr. Shinichiro Kuroe has been serving as the representative director of the Company since 2014. He had been engaged in development of the Company's products over many years and served as general manager of business strategy, products and technology, and marketing divisions. The Company selected Mr. Shinichiro Kuroe as a candidate because the Company believes that he will continue to contribute greatly to its management as a director.                                                                         |                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                      |
| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <br>Osamu Karatsu<br>(April 25, 1947)   | April 1975      Joined Nippon Telegraph and Telephone<br>Public Corporation<br>June 1991      Executive Manager, LSI Laboratories,<br>Nippon Telegraph and Telephone<br>Corporation<br>June 1997      Vice President and Director, Advanced<br>Telecommunications Research Institute<br>International<br>(Resigned June 1999)<br>April 1999      Principal Consultant, SRI Consulting K.K.<br>April 2000      Chief Executive Director, SRI International<br>Japan<br>(Resigned January 2012)<br>June 2012      Outside Director of Advantest Corporation<br>(present position) | 1,806                                |
| The reasons for nomination as a candidate for outside director and the number of years in office<br>■Mr. Osamu Karatsu is a candidate for outside director.<br>■Mr. Osamu Karatsu has been serving as an outside director of the Company since 2012. The Company selected Mr. Osamu Karatsu as a candidate because of his considerable experience and knowledge as a semiconductor specialist, and the Company believes that he will contribute greatly to its management as an outside director.<br>■Mr. Osamu Karatsu has served as an outside director of the Company for four years. |                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                      |





|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Name<br>(Date of Birth)                                                                                                      | Brief personal history; position and assignment; and other significant concurrently held positions, if any                                                                                                                                                                                                                                              | Number of the Company's shares owned |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <br>Hiroshi Nakamura<br>(December 4, 1957)  | April 1981      Joined Advantest Corporation<br>June 2006      Executive Officer<br>June 2009      Managing Executive Officer<br>June 2010      Executive Vice President, Corporate Administration Group (present position)<br>June 2012      Director, Managing Executive Officer (present position)<br>Corporate Administration (present position)    | 6,970                                |
| The reasons for nomination as a candidate for director<br>■Mr. Hiroshi Nakamura has been serving as a director of the Company since 2012. He had been engaged in accounting and finance operations of the Company over many years and served as general manager of accounting, finance, and administration divisions. The Company selected Mr. Hiroshi Nakamura as a candidate because the Company believes that he will continue to contribute greatly to its management in view of his profound knowledge of and experience in corporate administration. |                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                         |                                      |
| 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <br>Yoshiaki Yoshida<br>(February 8, 1958) | April 1999      Joined Advantest Corporation<br>June 2006      Executive Officer<br>June 2009      Managing Executive Officer<br>June 2013      Director, Managing Executive Officer (present position)<br>Corporate Planning and Corporate Communications (present position)<br>Executive Vice President, Corporate Relations Group (present position) | 3,327                                |
| The reasons for nomination as a candidate for director<br>■Mr. Yoshiaki Yoshida has been serving as a director of the Company since 2013. He served as the Executive Vice President of the Corporate Planning Group and serves as the Executive Vice President of the Corporate Relations Group. The Company selected Mr. Yoshiaki Yoshida as a candidate because the Company believes that he will continue to contribute greatly to its management based on his wealth of experience in corporate planning and corporate relations.                      |                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                         |                                      |

Note:

1. These candidates do not have any special interest in the Company.
2. The Company has registered Messrs. Osamu Karatsu and Seiichi Yoshikawa as independent directors with the Tokyo Stock Exchange.
3. The Company has entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act with each of Messrs. Osamu Karatsu and Seiichi Yoshikawa. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.

(Attachments)

## **Business Report**

(April 1, 2015 through March 31, 2016)

### 1. Current Conditions of the Advantest Group

#### (1) Business conditions during the fiscal year

##### (i) Operations and Results of Business

#### Overall

During Advantest's FY2015, the global economy maintained its trend of overall growth, supported by continued robust economic growth in the U.S. However, the slowdown of the economies of China and other emerging nations also affected economic activity in developed countries, curbing global growth to a moderate pace.

The semiconductor-related markets saw robust investment in leading-edge equipment, particularly for memory semiconductors, in the first half of FY2015. However, because the smartphone market slowed due to macroeconomic deterioration, the semiconductor market posted negative growth in 2015. Adjusting to the softening of the market, semiconductor manufacturers increasingly moved to adjust inventory and limit capital spending.

Amid this environment, Advantest's semiconductor and component test system segment focused on stimulating customer's motivation to invest despite worsening market conditions by launching new products for memory and non-memory semiconductors. Our mechatronics and services segments also sought to increase net sales through strategies such as obtaining new customers in growth sectors.

As a result, for the fiscal year ended March 31, 2016, orders received were ¥151.5 billion (14.1% decrease in comparison to the previous fiscal year), which was insufficient to counter the effect of inventory adjustments in the semiconductor market, but net sales were ¥162.5 billion (0.5% decrease in comparison to the previous fiscal year), remaining at approximately the same level as in the previous fiscal year. Operating income was ¥11.9 billion (18.6% decrease in comparison to the previous fiscal year), income before income taxes was ¥11.4 billion (39.3% decrease in comparison to the previous fiscal year) and net income was ¥7.9 billion (38.7% decrease in comparison to the previous fiscal year). The percentage of net sales to overseas customers was 92.0% (92.0% in the previous fiscal year).

#### Business conditions by Business Segment

##### Semiconductor and Component Test System Segment

Despite a market recovery that commenced in the third quarter after the latest round of customer inventory adjustments, the Semiconductor and Component Test System Segment saw sluggish overall demand for non-memory test systems because of weakening sales of major end products of non-memory devices, such as smartphones and PCs. In memory test systems, demand for DRAM also decreased due to the negative impact of the slowdown in the smartphone market. However, sales of NAND flash memory test systems remained steady.

As a result of the above, orders received were ¥94.8 billion (18.3% decrease in comparison to the previous fiscal year), net sales were ¥101.0 billion (6.8% decrease in comparison to the previous fiscal year), and operating income was ¥10.1 billion (31.0% decrease in comparison to the previous fiscal year).

##### Mechatronics System Segment

The Mechatronics System Segment saw stagnant orders particularly in the second half of FY2015 due to limited capital expenditure of major semiconductor manufacturers. However, sales remained steady as a result of measures to increase sales in this segment undertaken from the beginning of the period, including growth in sales of high-performance test handlers and obtaining new customers for device interfaces for non-memory semiconductors. However, operating income declined compared to the previous fiscal year due to changes in the product mix.

As a result of the above, orders received were ¥27.3 billion (12.5% decrease in comparison to the previous fiscal year), net sales were ¥31.6 billion (11.6% increase in comparison to the previous fiscal year), and operating income was ¥2.8 billion (25.0% decrease in comparison to the previous fiscal year).

#### Services, Support and Others Segment

In the Services, Support and Others Segment, initiatives to enhance the profitability of Advantest's field services progressed, such as increasing the number of annual maintenance contracts. In addition, SSD test systems attracted growing customer interest due to solid growth in the SSD market.

As a result of the above, orders received were ¥29.4 billion (0.9% increase in comparison to the previous fiscal year), net sales were ¥29.9 billion (11.8% increase in comparison to the previous fiscal year), and operating income was ¥4.8 billion (42.8% increase in comparison to the previous fiscal year).

#### Sales Breakdown by Business Segment (consolidated)

| Fiscal Year<br>Segment                        | FY2014<br>(the 73rd)       |                   | FY2015<br>(the 74th)       |                   | Change from the previous<br>period |                                             |
|-----------------------------------------------|----------------------------|-------------------|----------------------------|-------------------|------------------------------------|---------------------------------------------|
|                                               | Amount<br>(in million yen) | Percentage<br>(%) | Amount<br>(in million yen) | Percentage<br>(%) | Amount<br>(in million yen)         | Percentage<br>increase<br>(decrease)<br>(%) |
| Semiconductor<br>and Component<br>Test System | 108,320                    | 66.3              | 100,977                    | 62.2              | (7,343)                            | (6.8)                                       |
| Mechatronics<br>System                        | 28,347                     | 17.4              | 31,623                     | 19.5              | 3,276                              | 11.6                                        |
| Services, Support<br>and Others               | 26,752                     | 16.4              | 29,919                     | 18.3              | 3,167                              | 11.8                                        |
| Intercompany<br>transaction<br>elimination    | (90)                       | (0.1)             | (56)                       | (0.0)             | 34                                 | -                                           |
| Total                                         | 163,329                    | 100.0             | 162,463                    | 100.0             | (866)                              | (0.5)                                       |
| Overseas                                      | 150,209                    | 92.0              | 149,484                    | 92.0              | (725)                              | (0.5)                                       |

#### (ii) Capital Expenditures

The Advantest Group invested a total of ¥4.0 billion in capital expenditures in FY2015. Most of the investments were used for new product development and production facilities.

#### (iii) Financing

No significant financing activities took place in FY2015.

(2) Conditions of Assets, Profit and Loss

Conditions of Assets, Profit and Loss of the Advantest Group (consolidated)

|                                      | FY2012<br>(the 71st) | FY2013<br>(the 72nd) | FY2014<br>(the 73rd) | FY2015<br>(the 74th) |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Net sales (in: million yen)          | 132,903              | 111,878              | 163,329              | 162,463              |
| Net income (loss) (in: million yen)  | (3,821)              | (35,540)             | 12,948               | 7,938                |
| Basic net income per share (in: yen) | (22.03)              | (204.10)             | 74.31                | 45.47                |
| Net assets (in: million yen)         | 141,241              | 116,252              | 140,938              | 132,122              |
| Total assets (in: million yen)       | 225,515              | 229,856              | 273,041              | 249,469              |

(Notes) 1. The Company prepared its consolidated financial statements in accordance with generally accepted accounting principles (GAAP) in the United States.

2. The calculation of "Basic net income per share" was based on the average number of shares issued during the relevant fiscal year reduced by the average number of treasury shares held during the fiscal year.

[Charts illustrating the information presented in the above table.]

(3) Significant Subsidiaries

| Name of Subsidiary              | Common Stock                        | Percentage of Voting Rights<br>(Note) | Principal Activities                                           |
|---------------------------------|-------------------------------------|---------------------------------------|----------------------------------------------------------------|
| Advantest Laboratories Ltd.     | ¥50 million                         | 100%                                  | Research and development of measuring and testing technologies |
| Advantest Finance Inc.          | ¥1,000 million                      | 100%                                  | Leasing of the Company's products and sales of used products   |
| Advantest America, Inc.         | 4,059 thousand USD                  | 100%                                  | Development and sales of the Company's products                |
| Advantest Europe GmbH           | 10,793 thousand Euros               | 100%                                  | Development and sales of the Company's products                |
| Advantest Taiwan Inc.           | 760,000 thousand New Taiwan Dollars | 100%                                  | Sales of the Company's products                                |
| Advantest (Singapore) Pte. Ltd. | 15,300 thousand Singapore Dollars   | 100%                                  | Sales of the Company's products                                |
| Advantest Korea Co., Ltd.       | 9,516 million Won                   | 100%                                  | Support for sales of the Company's products                    |
| Advantest (China) Co., Ltd.     | 8,000 thousand USD                  | 100%                                  | Support for sales of the Company's products                    |

(Note) Percentage of voting rights includes indirectly held shares.

#### (4) Issues to be Addressed

With a core competence in measurement technologies developed over decades of R&D, Advantest aims to enhance corporate value through promoting two management policies.

The first policy is to continuously improve its cost structure such that it can generate stable profits even in the semiconductor test equipment market with high fluctuations in demand. Specifically, Advantest will seek to hold down its break-even point by reducing its cost of sales, flexibly optimizing overall costs in response to changes in the business environment, and improving work efficiency, among other measures.

The second policy is to reinforce and diversify the Company's profit sources to enable sustainable growth by implementing a two-pronged strategy of seeking deep demand in the test market that is expected to expand multidimensionally and creating new businesses that leverage its technological strengths. Development of technologies for the advanced information society, including the spread of use of smartphones, 5G and other high-speed networks, IoT, ADAS (advanced driver assistance systems) and artificial intelligence, will drive further utilization of semiconductors in every device and system. Advantest believes this will increase the need for functional tests and reliability tests at every stage of manufacturing, from semiconductor chips to complicated high-end systems. It sees this market shift as a business opportunity and will continue to rapidly develop and provide products and services to meet these needs. It will also aim to identify promising markets of new applications for its measurement technologies, and create and grow businesses to serve these markets. To support this reinforcement and diversification of its profit sources, Advantest is committed to R&D management from a medium- to long-term perspective, allowing for agile and strategic allocation of resources, while maintaining the company's financial health and efficiency.

#### (5) Primary Areas of Business

The Advantest Group manufactures and markets semiconductor and component test systems and products related to mechatronics systems (test handlers, device interface, nanotechnology products, etc.). In addition to manufacturing, the Advantest Group also carries out research and development activities and provides maintenance services and related services in the business category of "Services, Support and Others."

(6) Significant Sales Offices and Factories

(i) Japan

| Category                                             | Name of Office         | Location                    |
|------------------------------------------------------|------------------------|-----------------------------|
| Head Office,<br>Sales Offices and<br>Service Offices | Head Office            | Chiyoda-ku, Tokyo           |
| R&D Centers,<br>Laboratories                         | Gunma R&D Center       | Meiwa-machi, Ora-gun, Gunma |
|                                                      | Saitama R&D Center     | Kazo-shi, Saitama           |
|                                                      | Kitakyushu R&D Center  | Kitakyushu-shi, Fukuoka     |
|                                                      | Advantest Laboratories | Sendai-shi, Miyagi          |
| Factories                                            | Gunma Factory          | Ora-machi, Ora-gun, Gunma   |
|                                                      | Sendai Factory         | Sendai-shi, Miyagi          |

(ii) Overseas

| Category                                                              | Name of Office                  | Location  |
|-----------------------------------------------------------------------|---------------------------------|-----------|
| Sales Offices,<br>R&D Centers,<br>Laboratories and<br>Service Offices | Advantest America, Inc.         | U.S.A.    |
|                                                                       | Advantest Europe GmbH           | Germany   |
|                                                                       | Advantest Taiwan Inc.           | Taiwan    |
|                                                                       | Advantest (Singapore) Pte. Ltd. | Singapore |
|                                                                       | Advantest Korea Co., Ltd.       | Korea     |
|                                                                       | Advantest (China) Co., Ltd.     | China     |

(7) Employees

Employees of the Advantest Group (as of March 31, 2016)

| Number of Employees | Decrease from end of FY2014 |
|---------------------|-----------------------------|
| 4,494 (162)         | 70 (35)                     |

(Note) The numbers set forth above indicate the numbers of employees excluding part-time and non-regular employees. The numbers in brackets indicate the annual average number of such part-time and non-regular employees.

(8) Major Lenders  
Not applicable.

(9) Other significant matters with respect to the current status of the Advantest Group  
Not applicable.

## 2. Company Information

### (1) Equity Stock (as of March 31, 2016)

- |                                     |                    |
|-------------------------------------|--------------------|
| (i) Total number of issuable shares | 440,000,000 shares |
| (ii) Total number of issued shares  | 199,566,770 shares |

(Note) Total number of issued shares includes treasury stock (24,994,162 shares).

- |                              |        |
|------------------------------|--------|
| (iii) Number of shareholders | 37,330 |
|------------------------------|--------|

### (iv) Major Shareholders (Top 10 shareholders)

| Name of Shareholder                                                                                                                   | Number of Shares<br>(in: thousand shares) | Percentage of<br>Ownership (%) |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------|
| The Master Trust Bank of Japan, Ltd. (trust account)                                                                                  | 25,449                                    | 14.57                          |
| Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.) | 20,143                                    | 11.53                          |
| Japan Trustee Services Bank, Ltd. (trust account)                                                                                     | 15,721                                    | 9.00                           |
| BNYML - Non Treaty Account                                                                                                            | 7,946                                     | 4.55                           |
| Trust & Custody Services Bank, Ltd. (investment trust account)                                                                        | 5,715                                     | 3.27                           |
| Japan Trustee Services Bank, Ltd. (trust account 9)                                                                                   | 5,000                                     | 2.86                           |
| Japan Trustee Services Bank, Ltd. (trust account 4)                                                                                   | 3,550                                     | 2.03                           |
| BNY GCM Client Account JPRD AC ISG (FE-AC)                                                                                            | 3,020                                     | 1.73                           |
| BNP Paribas Securities (Japan) Limited                                                                                                | 2,968                                     | 1.70                           |
| State Street London Care of State Street Bank and Trust, Boston SSBTC A/C UK London Branch Clients- United Kingdom                    | 2,202                                     | 1.26                           |

(Notes) 1. Percentage of Ownership is calculated excluding treasury stock (24,994,162 shares).

2. Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.) holds the 20,143 thousand shares of common stock listed above as the trustee of a retirement benefit plan of Fujitsu Limited, and exercises its voting rights pursuant to instructions given by Fujitsu Limited.

(2) Stock Acquisition Rights

(i) Stock acquisition rights held by directors and audit and supervisory committee members (as of March 31, 2016)

|                                                                                                     | Resolution at the meeting of the Board of Directors held on June 26, 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Resolution at the meeting of the Board of Directors held on June 26, 2013                      |
|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Date of issuance                                                                                    | July 12, 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | July 12, 2013                                                                                  |
| Issuance Price                                                                                      | ¥34,700 per unit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | ¥46,000 per unit                                                                               |
| Holding status of stock acquisition rights by directors and audit and supervisory committee members | 1,380 units<br>(8 persons)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 1,950 units<br>(9 persons)                                                                     |
| Directors<br>(excluding audit and supervisory committee members and outside directors)              | 1,180 units<br>(4 persons)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 1,700 units<br>(4 persons)                                                                     |
| Outside directors<br>(excluding audit and supervisory committee members)                            | 50 units<br>(1 person)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 100 units<br>(2 persons)                                                                       |
| Directors (audit and supervisory committee members)                                                 | 150 units<br>(3 persons)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 150 units<br>(3 persons)                                                                       |
| Class and aggregate number of shares to be issued or delivered upon exercise                        | 138,000 shares of common stock<br>(each stock acquisition right is exercisable for 100 shares)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 195,000 shares of common stock<br>(each stock acquisition right is exercisable for 100 shares) |
| Exercise price to be paid upon exercise                                                             | ¥1,207 per share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | ¥1,669 per share                                                                               |
| Exercise period                                                                                     | April 1, 2013 to March 31, 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | April 1, 2014 to March 31, 2018                                                                |
| Terms of exercise                                                                                   | The stock acquisition rights may not be inherited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                |
| Reasons for the Company's acquisition of the stock acquisition rights                               | <p>The Company shall automatically acquire the stock acquisition rights, for no consideration, if:</p> <p>(a) the general meeting of shareholders resolves to approve (if approval by the shareholders' meeting is not legally required, then the Board of Directors may approve) (i) any merger agreement pursuant to which the Company shall dissolve, (ii) any agreement or a plan pursuant to which the Company shall split all or part of its business or (iii) any stock-for-stock exchange agreement or stock-transfer plan pursuant to which the Company shall become a wholly owned subsidiary of another company;</p> <p>(b) the rights holder becomes a person who does not hold any position as a director, audit &amp; supervisory board member, executive officer, employee, advisor or non-regular employee of the Company or its subsidiaries before the expiration of the exercise period, unless the Company otherwise deems it appropriate to allow him/her to exercise his/her stock acquisition rights and notifies him/her to that effect;</p> <p>(c) the rights holder dies.</p> |                                                                                                |
| Restriction on the transfer of the stock acquisition rights                                         | Acquisition of stock acquisition rights by transfer shall require approval by the Board of Directors. Provided, however, if it is the Company acquiring the stock acquisition rights by transfer, such transfer shall be deemed to be approved by the Board of Directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                |



(ii) Stock acquisition rights granted during fiscal year 2015

Not applicable.

## (3) Directors and Audit and Supervisory Committee Members

## (i) Directors and Audit and Supervisory Committee Members (as of March 31, 2016)

| Title                                                             | Name              | Assignment in the Company and significant concurrent positions                                                                                                                                                                                   |
|-------------------------------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Representative Director                                           | Shinichiro Kuroe* |                                                                                                                                                                                                                                                  |
| Director                                                          | Osamu Karatsu     |                                                                                                                                                                                                                                                  |
| Director                                                          | Seiichi Yoshikawa |                                                                                                                                                                                                                                                  |
| Director                                                          | Sae Bum Myung*    |                                                                                                                                                                                                                                                  |
| Director                                                          | Hiroshi Nakamura* |                                                                                                                                                                                                                                                  |
| Director                                                          | Yoshiaki Yoshida* |                                                                                                                                                                                                                                                  |
| Director<br>Standing Audit and<br>Supervisory Committee<br>Member | Yuichi Kurita     |                                                                                                                                                                                                                                                  |
| Director<br>Audit and Supervisory<br>Committee Member             | Megumi Yamamuro   | Attorney-at-Law, URYU & ITOGA<br>Outside Audit & Supervisory Board Member of<br>Fujitsu Limited<br>Outside Audit & Supervisory Board Member of<br>NIFTY Corporation<br>Outside Audit & Supervisory Board Member of<br>Yachiyo Industry Co., Ltd. |
| Director<br>Audit and Supervisory<br>Committee Member             | Yasushige Hagio   | Attorney-at-Law, Senior Partner, Seiwa Patent &<br>Law                                                                                                                                                                                           |

- (Notes)
1. The Company made a transition to a company with audit and supervisory committee on June 24, 2015. In accordance with this transition, Messrs. Yuichi Kurita, Megumi Yamamuro, and Yasushige Hagio assumed the position of directors who are audit and supervisory committee members.
  2. Mr. Yuichi Kurita has been appointed as a standing audit and supervisory committee member in order to enhance effectiveness of audits by the Audit and Supervisory Committee through information gathering by attending important meetings and conducting hearings about reports on operations received from execution departments as well as through strengthened collaboration between the accounting auditor and the internal audit division.
  3. Mr. Yuichi Kurita, a director who is an audit and supervisory committee member, has considerable knowledge of finance and accounting gained through many years of experience serving as an officer of the Company responsible for finance and administration.
  4. Messrs. Osamu Karatsu, Seiichi Yoshikawa, Megumi Yamamuro, and Yasushige Hagio are outside directors.
  5. The Company has registered directors Osamu Karatsu, Seiichi Yoshikawa, Megumi Yamamuro, and Yasushige Hagio as independent directors with the Tokyo Stock Exchange.
  6. There has been no change to assignment in the Company and significant concurrent positions of directors after March 31, 2016.
  7. The Company has in place an Executive Officers System and \* indicates a director who also serves as an Executive Officer.

8. The positions of Executive Officers are currently held as follows:

| Title                      | Name                    | Assignment in the Company and significant concurrent positions                                         |
|----------------------------|-------------------------|--------------------------------------------------------------------------------------------------------|
| President and CEO          | Shinichiro Kuroe        |                                                                                                        |
| Senior Executive Officer   | Sae Bum Myung           | Sales and Marketing<br>Executive Vice President, Sales Group                                           |
| Managing Executive Officer | Hiroshi Nakamura        | Corporate Administration<br>Executive Vice President, Corporate Administration Group                   |
| Managing Executive Officer | Yoshiaki Yoshida        | Corporate Planning and Corporate Communications<br>Executive Vice President, Corporate Relations Group |
| Managing Executive Officer | Hans-Juergen Wagner     | SoC Test Business Groups<br>Managing Director (R&D, CTO), Advantest Europe GmbH                        |
| Managing Executive Officer | Soichi Tsukakoshi       | Executive Vice President, Production Group                                                             |
| Managing Executive Officer | Satoru Nagumo           | Executive Vice President, ASD Test & Measurement System Business Group                                 |
| Managing Executive Officer | Koichi Tsukui           | Senior Vice President (Officer), New Concept Product Initiative                                        |
| Executive Officer          | Takashi Sugiura         | Executive Vice President, Quality Assurance Group                                                      |
| Executive Officer          | Takashi Sekino          | Executive Vice President, Technology Development Group                                                 |
| Executive Officer          | Josef Schraetzenstaller | Managing Director (CEO), Advantest Europe GmbH                                                         |
| Executive Officer          | Makoto Nakahara         | Senior Vice President (Officer), Sales Group                                                           |
| Executive Officer          | Toshiyuki Okayasu       | Technology, New Concept Product Initiative                                                             |
| Executive Officer          | CH Wu                   | Chairman of the Board, President and CEO, Advantest Taiwan Inc.                                        |
| Executive Officer          | Kazuhiro Yamashita      | Executive Vice President, System Solution Group                                                        |
| Executive Officer          | Takayuki Nakamura       | Division Manager, Nanotechnology Business Division                                                     |
| Executive Officer          | Wilhelm Radermacher     | Vice President and General Manager V93000 SoC, Advantest Europe GmbH                                   |
| Executive Officer          | Masuhiko Yamada         | Executive Vice President, Memory Test Business Group                                                   |
| Executive Officer          | Isao Sasaki             | Executive Vice President, Field Service Group                                                          |
| Executive Officer          | Keith Hardwick          | Chief Financial Officer, Advantest America Inc.                                                        |
| Executive Officer          | Douglas Lefever         | Director, President and CEO, Advantest America, Inc.                                                   |
| Executive Officer          | Shunsuke Kato           | Executive Vice President, Business Innovation Group                                                    |
| Executive Officer          | Kimiya Sakamoto         | Senior Vice President (Officer), Sales Group                                                           |
| Executive Officer          | Atsushi Fujita          | Senior Vice President (Officer), Corporate Administration Group                                        |

(ii) Overview of limited liability agreements

The Company entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act, with outside directors Osamu Karatsu, Seiichi Yoshikawa, Megumi Yamamuro, and Yasushige Hagio. The upper limit of liability based on each agreement is the minimum liability as provided in the relevant laws and regulations.

(iii) The amount of remuneration for directors and audit & supervisory board members

| Category                                                      | Number | Amount of remuneration |
|---------------------------------------------------------------|--------|------------------------|
| Directors (excluding audit and supervisory committee members) | 8      | ¥305 million           |
| Directors (audit and supervisory committee members)           | 3      | ¥48 million            |
| Audit & supervisory board members                             | 4      | ¥20 million            |
| Total                                                         | 12     | ¥373 million           |

- (Notes)
1. The amounts of remuneration set forth above include fixed remuneration paid to one director who retired from his position on June 24, 2015.
  2. The Company made a transition to a company with audit and supervisory committee on June 24, 2015. The above table indicates the amounts of remuneration for four audit & supervisory board members before the transition and the amounts of remuneration for three directors (audit and supervisory committee members) after the transition.
  3. The amount of remuneration set forth above includes the aggregate amount of remuneration for three outside directors (excluding audit and supervisory committee members), two outside directors (audit and supervisory committee members), and two outside audit & supervisory board members in the amount of ¥37 million.

(iv) Matters pertaining to outside directors and outside audit and supervisory committee members

(a) Significant concurrent positions held and relationship to the Company

| Name                                                                          | Concurrent position(s)                                                 | Relationship to the Company                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Megumi Yamamuro<br>(Outside Director, Audit and Supervisory Committee Member) | Outside Audit & Supervisory Board Member, Fujitsu Limited              | Fujitsu Limited holds the right to instruct the voting of shares in the Company held by Mizuho Trust & Banking Co., Ltd. (11.53%) (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.). The Company sells products to and purchases parts from Fujitsu Limited. |
|                                                                               | Outside Audit & Supervisory Board Member, NIFTY Corporation            | There is no special relationship between NIFTY Corporation and the Company.                                                                                                                                                                                                                                     |
|                                                                               | Outside Audit and Supervisory Board Member, Yachiyo Industry Co., Ltd. | There is no special relationship between Yachiyo Industry Co., Ltd. and the Company.                                                                                                                                                                                                                            |
| Yasushige Hagio<br>(Outside Director, Audit and Supervisory Committee Member) | Senior Partner, Seiwa Patent & Law                                     | There is no special relationship between Seiwa Patent & Law and the Company.                                                                                                                                                                                                                                    |

## (b) Principal activities

| Name                                                                                | Attendance                                                    |                                                                          | Participation at meetings                                                                                    |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Osamu Karatsu<br>(Outside Director)                                                 | Meetings of Board of Directors:<br>13 out of 13 times         |                                                                          | Mr. Karatsu expresses his opinions based mainly on his knowledge of the industry.                            |
| Seiichi Yoshikawa<br>(Outside Director)                                             | Meetings of Board of Directors:<br>13 out of 13 times         |                                                                          | Mr. Yoshikawa expresses his opinions based mainly on his knowledge of the research and development strategy. |
| Megumi Yamamuro<br>(Outside Director,<br>Audit and Supervisory<br>Committee Member) | Meetings of Board of Directors:<br>13 out of 13 times         |                                                                          | Mr. Yamamuro expresses his opinions based mainly on his expertise as an attorney-at-law.                     |
|                                                                                     | Meetings of Audit &<br>Supervisory Board:<br>4 out of 4 times | Meetings of Audit<br>and Supervisory<br>Committee:<br>10 out of 10 times |                                                                                                              |
| Yasushige Hagio<br>(Outside Director,<br>Audit and Supervisory<br>Committee Member) | Meetings of Board of Directors:<br>13 out of 13 times         |                                                                          | Mr. Hagio expresses his opinions based mainly on his expertise as an attorney-at-law.                        |
|                                                                                     | /                                                             | Meetings of Audit<br>and Supervisory<br>Committee:<br>10 out of 10 times |                                                                                                              |

(Note) The Company made a transition to a company with audit and supervisory committee on June 24, 2015. The above table indicates the statuses of attendance at audit & supervisory board meetings before the transition and audit and supervisory committee meetings after the transition.

(4) Accounting Auditor

(i) Name of accounting auditor

Ernst & Young ShinNihon LLC

(ii) Remuneration

|                                                                                                                         | Amount       |
|-------------------------------------------------------------------------------------------------------------------------|--------------|
| Remuneration to the accounting auditor for this fiscal year                                                             | ¥171 million |
| Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the accounting auditor | ¥172 million |

(Notes) 1. Under the agreement between the Company and the accounting auditor, as the Company has not drawn any distinction between the remuneration for the audit services pursuant to the Companies Act and the Financial Instruments and Exchange Act of Japan and the remuneration for the audit services pursuant to the U.S. Securities and Exchange Act, the amount set forth above represents the aggregate amount of these audit services.

2. The Company's significant overseas subsidiaries have been audited by the Ernst & Young Group.

(iii) Reason that the Audit and Supervisory Committee gave consent to the amount of remuneration to the accounting auditor

The Audit and Supervisory Committee obtained necessary materials and received reports from directors, executive officers, the internal departments concerned, and the accounting auditor, and reviewed appropriateness of the content of the audit plan of the accounting auditor, the status of execution of accounting audit duties, the basis for calculation of the estimated amount of remuneration. As a result, the Audit and Supervisory Committee concluded that the amount of remuneration to the accounting auditor is appropriate and gave consent pursuant to Article 399, Paragraphs 1 and 3 of the Companies Act.

(iv) Policies on dismissal or non-reappointment of the accounting auditor

In the case that the accounting auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss the accounting auditor upon the unanimous consent of the audit and supervisory committee members. In such case, an audit and supervisory committee member who is appointed by the Audit and Supervisory Committee shall report the dismissal and its reasons at the first general meeting of shareholders convened after such dismissal. In addition, other than the above, if it is deemed to be difficult for the accounting auditor to conduct appropriate audits due to the occurrence of events that impair its qualification or independence, the Audit and Supervisory Committee shall determine the content of an agenda item about dismissal or non-reappointment of the accounting auditor to be submitted to a general meeting of shareholders.

v) Disciplinary action against the accounting auditor in the past two years

Outline of the disciplinary action announced by the Financial Services Agency on December 22, 2015

(a) Firm subject to disciplinary action

Ernst & Young ShinNihon LLC

(b) Description of the disciplinary action

- Suspension from accepting new engagements for three months (from January 1, 2016, to March 31, 2016)
- Operational improvement order (improvement of operational management and administration systems)

(c) Reasons for the disciplinary action

- Partners of the firm had, in negligence of due care, engaged in attestation and provided assurance for the financial statements containing misstatements
- The firm's operations are inappropriate.

(5) System to ensure the appropriateness of business

The Board of Directors resolved a system that ensures the appropriateness of its business as follows:

Basic Policy for the System to Ensure the Appropriateness of Business

Holding “Technology Support on the Leading Edge” as our corporate mission, the Advantest Group established the “The ADVANTEST Way & The Code of Conduct” (“Advantest Code of Conduct”), increased the transparency of its management, and worked to promote the enhancement of corporate value. To further promote these efforts, the Company\*1 will prepare a framework as described in each paragraph below, implement the establishment, development and management of the internal control system, and ensure the sound operations of the Company.

1. Framework to the effective performance of duties by Board Directors of the Company and the Subsidiaries\*2
  - (i) The Company promotes management efficiency by separating the management decision making function and supervisory function from the function of the execution of operations. The Board of Directors shall make management decisions and supervise management. As for execution of operations, executive officers (including the Representative Director) and employees shall execute operations based on the Board of Directors’ clarification of the function and authority of the body executing operations.
  - (ii) The Board of Directors of the Company, as the management decision making body, shall make decisions on significant matters with respect to the management policies and management strategies for the Advantest Group, and in its capacity to supervise management, the Board of Directors, including outside directors shall monitor and supervise the status of exercise of duties by executive officers while delegating necessary authorities to ensure the prompt and efficient performance of duties.
  - (iii) The Board of Directors of the Company shall approve the Advantest Group’s management plans, receive reports on business results based on monthly closing account, financial situation, status of the performance of duties by each department, and review the appropriateness of such plans.
2. Framework to ensure the compliance with applicable laws and ordinances as well as the articles of incorporation by directors, executive officers, and employees of the Company and the Subsidiaries in performing their duties
  - (i) To ensure compliance with laws and ordinances as well as the articles of incorporation, and to ensure that actions are taken faithfully and ethically, the Company shall establish the Advantest Code of Conduct for all directors, executive officers and employees of the Advantest Group, and notify such directors, executive officers and employees of these codes. Furthermore, the Company shall establish the “Code of Ethics for Executives” for directors and executive officers.
  - (ii) As a framework to realize full compliance with laws and ordinances, the Company shall establish the Corporate Ethics Committee that monitors the implementation of the Advantest Code of Conduct. In addition, to handle reports or consultation regarding questionable matters in light of the Advantest Code of Conduct, the Company shall establish the “Corporate Ethics Helpline”, a system in which a person who reports shall not be treated disadvantageously.
  - (iii) The Company shall establish subcommittees such as the Disclosure Committee, the Internal Control Committee, and the Human Rights Protection Committee in order to fulfill its corporate social responsibilities.
  - (iv) The Internal Control Committee shall report to the Board of Directors about the design and operation of Internal Control System as deemed necessary.

Note: \*1 The “Company” shall mean Advantest Corporation.

\*2 The “Subsidiaries” shall mean Advantest Corporation’s subsidiaries.

3. Rules relating to the management of risk of loss and other frameworks of the Company and the Subsidiaries
  - (i) With respect to potential risks behind management environment, business activities and corporate assets of Advantest Group, the Company shall identify and classify risk factors for each important business process, analyze the magnitude of risks, possibility of actual occurrence and frequency of such occurrence, etc., and create written policies and procedures regarding the appropriate response to and avoidance/ reduction of the risks, as part of the internal control activities.
  - (ii) With respect to emergency situations such as disasters, the Company shall establish the Risk Management Group, create written emergency action guidelines and prepare by implementing education and training programs on a regular base.
  - (iii) The Internal Control Committee shall thoroughly manage risks and report material risks to the Board of Directors.
  - (iv) The Company is making efforts to prevent occupational injuries, create a comfortable working environment, and promote the good health of its employees through the establishment of the Safety and Health Committee.
4. Framework regarding the retention and management of information with respect to the performance of duties by Board Directors of the Company
  - (i) The Company shall properly retain and manage the following information regarding the exercise of duties by directors, pursuant to the internal rules that stipulate details such as the period of retention, person in charge of retention and method of retention.
    - o Minutes of general meetings of shareholders and reference materials
    - o Minutes of meetings of the Board of Directors and reference materials
    - o Other important documents regarding the exercise of duties by directors
  - (ii) The Company shall establish the Information Security Committee that is responsible for protecting personal information and preventing confidential information from leaking.
5. Framework to ensure the appropriateness of operations of the Company, and the group as a whole, including its subsidiaries
  - (i) The Advantest Group shall establish and operate the same quality of internal control system for the Company and each company of the group in order to conduct the consolidated group management placing an emphasis on business evaluation based on consolidated accounting.
  - (ii) The internal control system of the Advantest Group is supported by each department of the Company that is responsible for each group company, and is established and operated as a unified system based on the policies of the group created by the Internal Control Committee. Significant matters concerning the status of each group company that is controlled by the Internal Control Committee shall be reported to the Board of Directors.
  - (iii) Auditing Group of the Company supervises an internal audit to each group company.
6. Matters relating to employee(s) who assist the Audit and Supervisory Committee
  - (i) The Company shall establish the Audit and Supervisory Committee Office and assign the employee(s) who assist the Audit and Supervisory Committee.
7. Matters relating to the independence of the employee(s) referred to in the preceding Section from Board Directors of the Company and the matters for ensuring the effectiveness of direction to the employee(s)
  - (i) The personnel matters including but not limited to assignment, transfer, performance appraisal and disciplinary action of the employee(s) referred to in Section 6 shall be subject to a prior consent of the Audit and Supervisory Committee.
  - (ii) The employee(s) referred to in Section 6 shall perform their duties exclusively pursuant to the instruction and order by member of the Audit and Supervisory Committee and their independence from any officers or employees other than the members of Audit and Supervisory Committee shall be ensured.



8. Framework for reporting to the Audit and Supervisory Committee of the Company
    - (i) The Company shall adopt a system that allows member(s) of Audit and Supervisory Committee to attend important meetings such as the meeting of the Board of Managing Executive Officers and to keep abreast important matters regarding the execution of operations.
    - (ii) In the event that a report or consultation is made to the Corporate Ethics Helpline with respect to corporate accounting, internal control or auditing, the Company shall adopt a system that such report or consultation shall be directly reported to the Audit and Supervisory Committee.
    - (iii) In the event that any violation or breach of applicable laws, Articles of Incorporation or Advantest Code of Conduct is detected or reported, such event shall be reported immediately to the Audit and Supervisory Committee.
    - (iv) The Company shall establish system for ensuring the person who reported to the Audit and Supervisory Committee against disadvantageous treatment.
  9. Other frameworks to ensure the effective implementation of audit by the Audit and Supervisory Committee
    - (i) The Company shall ensure that the Audit and Supervisory Committee cooperates with the Accounting Auditors, the Auditing Group (an internal audit division of the Company) and the corporate auditor of each Advantest Group Company, and that there are opportunities to exchange opinions with them as deemed necessary.
    - (ii) The Company shall ensure that there are opportunities to exchange opinions between the Representative Director and the Audit and Supervisory Committee and shall strive for communication between them.
    - (iii) In case that a member of Audit and Supervisory Committee requests a prepayment of expense necessary to perform his or her duties, the Company shall process the prepayment without delay in accordance with the designated procedure.
- (6) Status of implementation of the system to ensure the appropriateness of business
- (i) Framework for the effective performance of duties
 

To promote management efficiency, the Board of Directors performs management decision-making and supervision in accordance with the Board of Directors Regulations and executive officers and employees execute business in accordance with the Authorization Rules.

The Company made transition to a company with audit and supervisory committee at the 73rd Ordinary General Meeting of Shareholders in order to further strengthen the oversight function of the Board of Directors and the corporate governance system, thereby enhancing corporate value. The Board of Directors consists of nine members: six directors who are not audit and supervisory committee members (of whom two are outside directors) and three directors who are audit and supervisory committee members (of whom two are outside directors). The Board of Directors shall make decisions on significant matters with respect to the management policies and management strategies for the Advantest Group and monitors and oversees execution of duties by executive officers.
  - (ii) Framework concerning compliance
 

The Company has established the Corporate Ethics Committee as a framework to realize full compliance with laws and ordinances. The committee monitors the implementation of the ADVANTEST Way and the Code of Conduct, and reviews and implements countermeasures. The main activities of the committee include promotion of compliance activities, provision of education on human rights, as well as provision of consultation and responses to complaints.

Compliance education is provided to officers and employees. All the officers and employees have completed education via the e-learning system. Moreover, the officers received training offered by attorneys-at-law on the Companies Act and compliance.

(iii) Framework for risk management

The Internal Control Committee chaired by the representative director identifies and analyzes material risks throughout the Advantest Group and clarifies departments responsible for individual risks and the policies and procedures for responses. Moreover, the status of design and operation of internal control systems and significant results and material deficiencies detected in the course of evaluation of internal controls shall be reported to the Board of Directors.

(vi) Framework for retention and management of information

The Company retains and manages minutes of general meetings of shareholders and minutes of meetings of the Board of Directors and their reference materials, and important documents regarding the exercise of duties by directors pursuant to the internal rules. The Information Security Committee meets monthly and reviews and implements measures to protect personal information and prevent leakage of confidential information and maintains and enhances of security of IT systems. Moreover, e-learning on information security was provided to officers and employees and all the officers and employees have completed the education.

v) Framework to ensure the appropriateness of operations of the Group

The Company has defined important business processes of the Advantest Group and conducted risk analysis. The Company provides instructions to the Group companies about appropriate responses to those risks. In this way, the Company has established internal control systems that are homogeneous within the Group and is operating them. The Internal Control Committee identifies the internal control status of each important Group company by means of control self-assessment (CSA) and by means of audits performed by the internal audit division and provides instructions to Group companies to ensure operation in compliance with the policy for establishment of internal control systems. The Internal Control Committee reports important matters concerning internal control of Group companies to the Board of Directors.

vi) Framework for the implementation of audit by the Audit and Supervisory Committee

The Company has put in place a system whereby a standing audit and supervisory committee members attend important meetings such as the meeting of the Managing Executive Officers Committee and keep abreast of important matters regarding the execution of operations. The Audit and Supervisory Committee holds meetings with the accounting auditor and the internal audit division, as necessary, to ensure good communication. The Company provides opportunities for the representative director and the Audit and Supervisory Committee to exchange opinions periodically in order to ensure good communication.

The Company has established the Audit and Supervisory Committee Office to which a full-time employee who assists the Audit and Supervisory Committee is assigned. The employee who assists the Audit and Supervisory Committee performs his duties in accordance with instructions of the audit and supervisory committee members, and thus his independence from directors who are not audit and supervisory committee members and from other officers and employees is ensured.

(7) Policies on the distribution of surplus

Based on the premise that long-term and continued growth in corporate value is fundamental to the creation of shareholder value, the Company deems the consistent distribution of profits to be the most important management priority. Accordingly, the Company engages in active distribution of profits based on business performance.

With respect to the distribution of the surplus, the Company makes payout decisions after taking into consideration business performance, financial conditions, as well as the need for strategic investment for mid-to-long-term business development. While aiming to make consistent distributions, because of the fluctuation of the market in which it operates, the Company makes dividend payouts following a target payout ratio of 20% or more.

Retained earnings are devoted to research and development, streamlining efforts, overseas expansion, investments in new businesses and resources for M&A activities, with the aim of strengthening the Company's business position and enhancing its corporate value.

In order to maintain capital strategies responsive to changes in the operating environment, the Company plans to decide whether to conduct share buybacks, taking into account factors such as trends in stock price, capital efficiency and cash flow.

## Consolidated Financial Statements

### Consolidated Balance Sheets

(As of March 31, 2016)

(unit: million yen)

|                                       | FY2015  | FY2014<br>(reference) |                                               | FY2015   | FY2014<br>(reference) |
|---------------------------------------|---------|-----------------------|-----------------------------------------------|----------|-----------------------|
| Assets                                |         |                       | Liabilities                                   |          |                       |
| Current assets                        | 150,698 | 164,801               | Current liabilities                           | 29,817   | 49,686                |
| Cash and cash equivalents             | 85,430  | 97,574                | Trade accounts payable                        | 11,809   | 18,101                |
| Trade receivable, net                 | 26,362  | 24,960                | Accrued expenses                              | 9,190    | 10,482                |
| Inventories                           | 33,315  | 37,210                | Accrued income taxes                          | 1,533    | 2,106                 |
| Other current assets                  | 5,591   | 5,057                 | Accrued warranty expenses                     | 1,709    | 1,525                 |
| Investment securities                 | 1,292   | 2,249                 | Corporate bonds maturing<br>within one year   | -        | 10,000                |
| Property, plant and<br>equipment, net | 35,561  | 38,480                | Customer prepayments                          | 2,649    | 4,900                 |
| Intangible assets, net                | 3,269   | 4,085                 | Other current liabilities                     | 2,927    | 2,572                 |
| Goodwill                              | 51,227  | 54,590                | Corporate bonds                               | 15,000   | 15,000                |
| Other assets                          | 7,422   | 8,836                 | Convertible bonds                             | 30,089   | 30,119                |
|                                       |         |                       | Accrued pension and severance<br>costs        | 40,682   | 35,034                |
|                                       |         |                       | Other liabilities                             | 1,759    | 2,264                 |
|                                       |         |                       | Total liabilities                             | 117,347  | 132,103               |
|                                       |         |                       | Commitments and contingent<br>liabilities     |          |                       |
|                                       |         |                       | Stockholders' equity                          |          |                       |
|                                       |         |                       | Common stock                                  | 32,363   | 32,363                |
|                                       |         |                       | Capital surplus                               | 43,761   | 43,770                |
|                                       |         |                       | Retained earnings                             | 145,491  | 141,104               |
|                                       |         |                       | Accumulated other<br>comprehensive income     | 5,092    | 18,387                |
|                                       |         |                       | Treasury stock                                | (94,585) | (94,686)              |
|                                       |         |                       | Total stockholders' equity                    | 132,122  | 140,938               |
| Total assets                          | 249,469 | 273,041               | Total liabilities and<br>stockholders' equity | 249,469  | 273,041               |

## Consolidated Statements of Operations

(From April 1, 2015 to March 31, 2016)

(unit: million yen)

|                                                                         | FY2015  | FY2014<br>(reference) |
|-------------------------------------------------------------------------|---------|-----------------------|
| Net sales                                                               | 162,463 | 163,329               |
| Cost of sales                                                           | 70,488  | 72,903                |
| Gross profit                                                            | 91,975  | 90,426                |
| Research and development expenses                                       | 31,837  | 29,876                |
| Selling, general and administrative expenses                            | 48,235  | 45,720                |
| Impairment charge                                                       | -       | 211                   |
| Operating income                                                        | 11,903  | 14,619                |
| Other income (expense):                                                 |         |                       |
| Interest and dividend income                                            | 301     | 203                   |
| Interest expense                                                        | (103)   | (137)                 |
| Gain on sale of investment securities                                   | 174     | 750                   |
| Other, net                                                              | (828)   | 3,424                 |
| Income before income taxes and equity in earnings of affiliated company | 11,447  | 18,859                |
| Income taxes                                                            | 3,509   | 5,911                 |
| Net income                                                              | 7,938   | 12,948                |

## Consolidated Statements of Comprehensive Income (Loss)

(From April 1, 2015 to March 31, 2016)

(unit: million yen)

|                                               | FY2015   | FY2014<br>(reference) |
|-----------------------------------------------|----------|-----------------------|
| Comprehensive income (loss)                   |          |                       |
| Net income                                    | 7,938    | 12,948                |
| Other comprehensive income (loss), net of tax |          |                       |
| Foreign currency translation adjustments      | (8,563)  | 17,474                |
| Net unrealized gains on investment securities | (466)    | (266)                 |
| Pension related adjustment                    | (4,266)  | (4,147)               |
| Total other comprehensive income(loss)        | (13,295) | 13,061                |
| Total comprehensive income (loss)             | (5,357)  | 26,009                |

## Consolidated Statements of Stockholders' Equity

(From April 1, 2015 to March 31, 2016)

(unit: million yen)

|                                                      | FY2015   | FY2014<br>(reference) |
|------------------------------------------------------|----------|-----------------------|
| <b>Common stock</b>                                  |          |                       |
| Balance at beginning of year                         | 32,363   | 32,363                |
| Changes in the year                                  |          |                       |
| Total changes in the year                            | -        | -                     |
| Balance at end of year                               | 32,363   | 32,363                |
| <b>Capital surplus</b>                               |          |                       |
| Balance at beginning of year                         | 43,770   | 43,906                |
| Changes in the year                                  |          |                       |
| Exercise of stock option                             | (9)      | (136)                 |
| Total changes in the year                            | (9)      | (136)                 |
| Balance at end of year                               | 43,761   | 43,770                |
| <b>Retained earnings</b>                             |          |                       |
| Balance at beginning of year                         | 141,104  | 130,740               |
| Changes in the year                                  |          |                       |
| Net income                                           | 7,938    | 12,948                |
| Cash dividends                                       | (3,491)  | (1,742)               |
| Sale of treasury stock                               | (60)     | (842)                 |
| Total changes in the year                            | 4,387    | 10,364                |
| Balance at end of year                               | 145,491  | 141,104               |
| <b>Accumulated other comprehensive income (loss)</b> |          |                       |
| Balance at beginning of year                         | 18,387   | 5,326                 |
| Changes in the year                                  |          |                       |
| Other comprehensive income (loss), net of tax        | (13,295) | 13,061                |
| Total changes in the year                            | (13,295) | 13,061                |
| Balance at end of year                               | 5,092    | 18,387                |
| <b>Treasury stock</b>                                |          |                       |
| Balance at beginning of year                         | (94,686) | (96,083)              |
| Changes in the year                                  |          |                       |
| Purchases of treasury stock                          | (1)      | (33)                  |
| Sale of treasury stock                               | 102      | 1,430                 |
| Total changes in the year                            | 101      | 1,397                 |
| Balance at end of year                               | (94,585) | (94,686)              |
| <b>Total stockholders' equity</b>                    |          |                       |
| Balance at beginning of year                         | 140,938  | 116,252               |
| Changes in the year                                  |          |                       |
| Net income                                           | 7,938    | 12,948                |
| Other comprehensive income (loss), net of tax        | (13,295) | 13,061                |
| Cash dividends                                       | (3,491)  | (1,742)               |
| Decrease by exercise of stock option                 | (9)      | (136)                 |
| Purchases of treasury stock                          | (1)      | (33)                  |
| Sale of treasury stock                               | 42       | 588                   |
| Total changes in the year                            | (8,816)  | 24,686                |
| Balance at end of year                               | 132,122  | 140,938               |

## Notes to Consolidated Financial Statements

### 1. Notes to significant matters based on which the consolidated financial statements were prepared

(1) Basis of presentation

The consolidated financial statements including the consolidated balance sheets and the consolidated statements of operations have been prepared on the basis of accounting principles generally accepted in the United States of America (“U.S. GAAP”), pursuant to paragraph 1 of Article 120-3 of the Ordinance on Accounting of Companies(*kaisha keisan kisoku*). However, certain disclosures required on the basis of U.S. GAAP are omitted, pursuant to the second sentence of Article 120, Paragraph 1 (as applied accordingly to Article 120-3, Paragraph 3) of the Ordinance on Accounting of Companies.

(2) Scope of consolidation

Consolidated subsidiaries

- (a) Number of consolidated subsidiaries                      30
- (b) Names of major consolidated subsidiaries are omitted, as they are described in “1. Current Conditions of the Advantest Group, (3) Significant Subsidiaries” of the Business Report.

(3) Significant accounting policies

(i) Cash equivalents

Cash equivalents consist of deposits and negotiable certificates of deposit due to mature within 3 months.

(ii) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the average cost method.

(iii) Securities

Available-for-sale securities are recorded at fair value. Unrealized gains and losses are accounted for as a separate component of stockholders’ equity. Cost of other securities sold is determined using the moving average method.

Other securities are accounted for using the acquisition cost method.

(iv) Depreciation of property, plant, and equipment

The Company uses the straight-line method based on the estimated useful life of the fixed asset to calculate depreciation.

(v) Goodwill and other intangible assets

Goodwill and other intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with definite useful lives are amortized over their respective estimated useful lives using the straight-line method.

(vi) Impairment of long-lived assets

Long-lived assets and certain identifiable intangibles with definite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the carrying amount exceeds the future recoverable amount, the Company recognizes the difference between the fair value and the carrying amount as an impairment loss.

(vii) Allowances

Allowances for doubtful accounts

The Company recognizes allowance for doubtful accounts to ensure that trade accounts receivable are not overstated due to uncollectibility, in an amount which represents the Company’s best estimate of the amount of probable credits losses in the Company’s existing trade accounts receivable.

#### Accrued warranty expenses

To provide for future repairs during warranty periods, estimated repair expenses, etc. over the warranty period are accrued based on the historical ratio of actual repair expenses to corresponding sales.

#### Accrued pension and severance costs

The Company provides for employees' retirement, severance and pension costs in accrued amounts based on the projected benefit obligations and the fair value of plan assets as of the end of this consolidated fiscal year. Prior service benefit and cost, and actuarial gain and loss recognized in accumulated other comprehensive income (loss) are amortized using the straight-line method over the average remaining service period of active employees.

#### (viii) Translation of foreign financial statements

In financial statements of foreign subsidiaries utilizing local currencies as a functional currency, assets and liabilities are translated at rates of exchange prevailing at the end of the fiscal year, profits and expenses are translated at average rates of exchange in effect during the year, and foreign currency translation adjustments resulting from the above translation of items are included as other accumulated comprehensive income (loss). In financial statements for foreign subsidiaries utilizing Japanese Yen as the functional currency, the items are remeasured into Japanese Yen, and any currency translation adjustments resulting from the above translation of items are included as "Other profits (expenses)" realized during the period in which the items were remeasured.

#### (ix) Implementation of a Consolidated Tax System

The Company has implemented a consolidated tax system.

### 2. Notes to Consolidated Balance Sheets

- (1) Allowance for doubtful accounts: ¥523 million
- (2) Accumulated depreciation on property, plant and equipment: ¥44,723 million

### 3. Notes to Consolidated Statements of Stockholders' Equity

- (1) Total number of issued shares as of March 31, 2016

Common stock                      199,566,770 shares

- (2) Distribution of surplus

#### (i) Amount of distribution

| Resolution                                                                   | Class of shares | Aggregate amount of distribution | Amount of distribution per share | Record date        | Effective date   |
|------------------------------------------------------------------------------|-----------------|----------------------------------|----------------------------------|--------------------|------------------|
| Resolution at the meeting of the Board of Directors held on May 27, 2015     | Common stock    | ¥1,745 million                   | ¥10                              | March 31, 2015     | June 2, 2015     |
| Resolution at the meeting of the Board of Directors held on October 26, 2015 | Common stock    | ¥1,746 million                   | ¥10                              | September 30, 2015 | December 1, 2015 |

#### (ii) Distribution with a record date in fiscal year 2015 and an effective date in fiscal year 2016

| Resolution                                                               | Class of shares | Source of distribution | Aggregate amount of distribution | Amount of distribution per share | Record date    | Effective date |
|--------------------------------------------------------------------------|-----------------|------------------------|----------------------------------|----------------------------------|----------------|----------------|
| Resolution at the meeting of the Board of Directors held on May 25, 2016 | Common stock    | Retained earnings      | ¥1,746 million                   | ¥10                              | March 31, 2016 | June 2, 2016   |



- (3) Stock acquisition rights outstanding as of March 31, 2016  
 (Excluding stock acquisition rights for which the exercise period has not begun)
- Pursuant to the resolution adopted at the meeting of the Board of Directors of July 4, 2011  
     Common stock           76,184 shares
- Pursuant to the resolution adopted at the meeting of the Board of Directors of June 26, 2012  
     Common stock           1,600,000 shares
- Pursuant to the resolution adopted at the meeting of the Board of Directors of June 26, 2013  
     Common stock           2,332,000 shares

4. Notes to Financial Products

(1) Financial Products

The Advantest group limits its fund management to short-term instruments including deposits at financial institutions with high credit ratings. Credit risk of trade notes receivable and accounts receivable pertaining to customers are minimized through credit administration standards.

Advantest's investment securities mainly consist of stock. Advantest keeps track of fair market value of its listed stock on a quarterly basis, and reviews its non-listed stock regularly to determine whether such stock needs to be impaired. In addition, Advantest annually reviews its securities, including the stock it owns, to determine whether Advantest should continuously hold such securities. Furthermore, Advantest will not make any speculative derivative transactions other than to conduct derivative exchange rate transactions in order to cope with actual demand risks, pursuant to its fund management guidelines with high credit rating financial institutions.

(2) Market Value of Financial Products

The following table shows Advantest's consolidated balance sheet amounts, market value and the difference between such balance sheet amount and market value as of March 31, 2016. Market values of cash and cash equivalents, trade receivables-net and trade accounts payable are excluded as such are almost the same as the consolidated balance sheet amounts.

(unit: million yen)

|                               | Consolidated balance sheet amount (*) | Market value (*) | Difference |
|-------------------------------|---------------------------------------|------------------|------------|
| (1) Investment securities     |                                       |                  |            |
| Available-for-sale securities | 819                                   | 819              | —          |
| (2) Corporate Bonds           | (15,000)                              | (15,063)         | (63)       |
| (3) Convertible Bonds         | (30,089)                              | (30,495)         | (406)      |

(\*) “( )” means such amount is recorded as a liability.

(Notes) 1. Matters with respect to calculation method of market value of financial products and transactions of securities and derivatives

- (1) With respect to investment securities, those with fair value are presented with estimation, those that are listed on the stock exchanges are at market value.
- (2) Amount of exchange forward contracts is based on the amount calculated by the executing financial institution, and is included in “Other current assets (liabilities)” in the consolidated balance sheet.
- (3) Amounts of corporate bonds and convertible bonds are based on the published market value.

2. Non-listed stock (¥473 million of consolidated balance sheet amount) is not included in “(1) Investment securities” above, as such stock has no market value and estimation of fair value is not practical.

5. Notes to per share information

Net assets per share: ¥756.83

Basic net income per share: ¥45.47

6. Notes to significant subsequent events

Not applicable.

7. Other notes

Amounts less than one million yen are rounded.

## Financial Statements

### Balance Sheets (Non-Consolidated)

(As of March 31, 2016)

(Unit: million yen)

| Items                                   | FY2015         | FY2014<br>(reference) | Items                                         | FY2015         | FY2014<br>(reference) |
|-----------------------------------------|----------------|-----------------------|-----------------------------------------------|----------------|-----------------------|
| Assets                                  |                |                       | Liabilities                                   |                |                       |
| Current assets                          | 115,870        | 75,197                | Current liabilities                           | 74,555         | 36,682                |
| Cash and deposits                       | 66,362         | 29,508                | Trade accounts payable                        | 11,381         | 12,581                |
| Trade notes receivables                 | 28             | 71                    | Other accounts payable                        | 4,819          | 3,895                 |
| Electronically recorded monetary claims | 202            | 1,002                 | Accrued expenses                              | 3,768          | 4,244                 |
| Accounts receivable                     | 21,578         | 22,096                | Income tax payable                            | 244            | 181                   |
| Merchandises and finished goods         | 5,280          | 4,181                 | Deposits received                             | 51,751         | 3,918                 |
| Work in progress                        | 12,194         | 9,265                 | Accrued warranty expenses                     | 1,705          | 1,143                 |
| Raw materials and supplies              | 8,144          | 5,549                 | Corporate bonds maturing within one year      | -              | 10,000                |
| Other                                   | 2,115          | 3,578                 | Bonus accrual for directors                   | 82             | 123                   |
| Allowance for doubtful accounts         | (33)           | (53)                  | Other                                         | 805            | 597                   |
| Noncurrent assets                       | 131,437        | 131,098               | Noncurrent liabilities                        | 58,090         | 57,381                |
| Property, plant and equipment           | 21,516         | 22,442                | Corporate bonds                               | 15,000         | 15,000                |
| Buildings and structures                | 6,597          | 7,271                 | Convertible bonds                             | 30,089         | 30,119                |
| Land                                    | 12,168         | 12,559                | Allowance for retirement benefits             | 12,677         | 11,525                |
| Other                                   | 2,751          | 2,612                 | Deferred tax liabilities                      | 22             | 145                   |
| Intangible fixed assets                 | 3,137          | 691                   | Asset retirement obligations                  | 38             | 62                    |
| Patent right                            | 2,616          | 54                    | Other                                         | 264            | 530                   |
| Other                                   | 521            | 637                   | <b>Total liabilities</b>                      | <b>132,645</b> | <b>94,063</b>         |
| Investments and other assets            | 106,784        | 107,965               | <b>Net assets</b>                             |                |                       |
| Investment securities                   | 1,207          | 2,071                 | Stockholders' equity                          | 112,821        | 109,202               |
| Investment in affiliated companies      | 104,196        | 104,416               | Common stock                                  | 32,363         | 32,363                |
| Long-term loans receivable              | 22             | 38                    | Capital surplus                               | 32,973         | 32,973                |
| Other                                   | 1,368          | 1,449                 | Capital reserve                               | 32,973         | 32,973                |
| Allowance for doubtful accounts         | (9)            | (9)                   | Retained earnings                             | 142,070        | 138,552               |
|                                         |                |                       | Legal reserve                                 | 3,083          | 3,083                 |
|                                         |                |                       | Other retained earnings                       | 138,987        | 135,469               |
|                                         |                |                       | [Reserve for losses in foreign investments]   | [27,062]       | [27,062]              |
|                                         |                |                       | [General reserve]                             | [146,880]      | [146,880]             |
|                                         |                |                       | [Retained earnings (accumulated loss)]        | [(34,955)]     | [(38,473)]            |
|                                         |                |                       | Treasury stock                                | (94,585)       | (94,686)              |
|                                         |                |                       | Difference of appreciation and conversion     | 163            | 610                   |
|                                         |                |                       | Net unrealized gains on investment securities | 163            | 610                   |
|                                         |                |                       | Stock acquisition rights                      | 1,678          | 2,420                 |
|                                         |                |                       | <b>Total net assets</b>                       | <b>114,662</b> | <b>112,232</b>        |
| <b>Total assets</b>                     | <b>247,307</b> | <b>206,295</b>        | <b>Total liabilities and net assets</b>       | <b>247,307</b> | <b>206,295</b>        |

## Statements of Operations (Non-Consolidated)

(From April 1, 2015 to March 31, 2016)

(unit: million yen)

| Items                                             | FY2015  | FY2014<br>(reference) |
|---------------------------------------------------|---------|-----------------------|
| Net sales                                         | 123,642 | 84,916                |
| Cost of sales                                     | 61,473  | 46,194                |
| Gross profit                                      | 62,169  | 38,722                |
| Selling, general and administrative expenses      | 68,987  | 40,378                |
| Operating income (loss)                           | (6,818) | (1,656)               |
| Non-operating income                              |         |                       |
| Interest and dividends income                     | 14,874  | 11,437                |
| Received rent                                     | 376     | 579                   |
| Gain on sale of investment securities             | 152     | 677                   |
| Other                                             | 110     | 1,848                 |
| Non-operating expenses                            |         |                       |
| Interest expenses                                 | 198     | 137                   |
| Bad debts expenses                                | 1,970   | -                     |
| Other                                             | 673     | 462                   |
| Ordinary income                                   | 5,853   | 12,286                |
| Extraordinary income                              |         |                       |
| Gain on reversal of subscription rights to shares | 732     | 436                   |
| Extraordinary loss                                |         |                       |
| Impairment loss                                   | -       | 211                   |
| Income before income taxes                        | 6,585   | 12,511                |
| Income taxes – current                            | (479)   | (107)                 |
| Income taxes – deferred                           | (5)     | (3)                   |
| Net income                                        | 7,069   | 12,621                |

## Statements of Changes in Net Assets

(From April 1, 2015 to March 31, 2016)

(unit: million yen)

|                                           | FY2015    | FY2014<br>(reference) |
|-------------------------------------------|-----------|-----------------------|
| Stockholders' Equity                      |           |                       |
| Common stock                              |           |                       |
| Balance at beginning of year              | 32,363    | 32,363                |
| Changes in the year                       |           |                       |
| Total changes in the year                 | -         | -                     |
| Balance at end of year                    | 32,363    | 32,363                |
| Capital surplus                           |           |                       |
| Capital reserve                           |           |                       |
| Balance at beginning of year              | 32,973    | 32,973                |
| Changes in the year                       |           |                       |
| Total changes in the year                 | -         | -                     |
| Balance at end of year                    | 32,973    | 32,973                |
| Retained earnings                         |           |                       |
| Legal reserve                             |           |                       |
| Balance at beginning of year              | 3,083     | 3,083                 |
| Changes in the year                       |           |                       |
| Total changes in the year                 | -         | -                     |
| Balance at end of year                    | 3,083     | 3,083                 |
| Other retained earnings                   |           |                       |
| Reserve for losses in foreign investments |           |                       |
| Balance at beginning of year              | 27,062    | 27,062                |
| Changes in the year                       |           |                       |
| Total changes in the year                 | -         | -                     |
| Balance at end of year                    | 27,062    | 27,062                |
| General reserve                           |           |                       |
| Balance at beginning of year              | 146,880   | 146,880               |
| Changes in the year                       |           |                       |
| Total changes in the year                 | -         | -                     |
| Balance at end of year                    | 146,880   | 146,880               |
| Retained earnings (accumulated loss)      |           |                       |
| Balance at beginning of year              | (38,473)  | (48,509)              |
| Changes in the year                       |           |                       |
| Dividends from retained earnings          | (3,491)   | (1,742)               |
| Net income                                | 7,069     | 12,621                |
| Sale of treasury stock                    | (60)      | (843)                 |
| Total changes in the year                 | 3,518     | 10,036                |
| Balance at end of year                    | (34,955)  | (38,473)              |
| Treasury stock                            |           |                       |
| Balance at beginning of year              | (94,686)  | (96,083)              |
| Changes in the year                       |           |                       |
| Purchases of treasury stock               | (1)       | (33)                  |
| Sale of treasury stock                    | 102       | 1,430                 |
| Total changes in the year                 | 101       | 1,397                 |
| Balance at end of year                    | ( 94,585) | (94,686)              |
| Total stockholders' equity                |           |                       |
| Balance at beginning of year              | 109,202   | 97,769                |
| Changes in the year                       |           |                       |
| Dividends from retained earnings          | (3,491)   | (1,742)               |
| Net income                                | 7,069     | 12,621                |
| Purchases of treasury stock               | (1)       | (33)                  |
| Sale of treasury stock                    | 42        | 587                   |
| Total changes in the year                 | 3,619     | 11,433                |
| Balance at end of year                    | 112,821   | 109,202               |

|                                                       | FY2015  | FY2014<br>(reference) |
|-------------------------------------------------------|---------|-----------------------|
| Difference of appreciation and conversion             |         |                       |
| Net unrealized gains on securities                    |         |                       |
| Balance at beginning of year                          | 610     | 916                   |
| Changes in the year                                   |         |                       |
| Changes of items other than stockholders' equity, net | (447)   | (306)                 |
| Total changes in the year                             | (447)   | (306)                 |
| Balance at end of year                                | 163     | 610                   |
| Stock acquisition rights                              |         |                       |
| Balance at beginning of year                          | 2,420   | 2,991                 |
| Changes in the year                                   |         |                       |
| Changes of items other than stockholders' equity, net | (742)   | (571)                 |
| Total changes in the year                             | (742)   | (571)                 |
| Balance at end of year                                | 1,678   | 2,420                 |
| Total net assets                                      |         |                       |
| Balance at beginning of year                          | 112,232 | 101,676               |
| Changes in the year                                   |         |                       |
| Dividends from retained earnings                      | (3,491) | (1,742)               |
| Net income                                            | 7,069   | 12,621                |
| Purchases of treasury stock                           | (1)     | (33)                  |
| Sale of treasury stock                                | 42      | 587                   |
| Changes of items other than stockholders' equity, net | (1,189) | (877)                 |
| Total changes in the year                             | 2,430   | 10,556                |
| Balance at end of year                                | 114,662 | 112,232               |

## Notes to Non-Consolidated Financial Statements

1. Notes to significant accounting policies
  - (1) Valuation of securities
    - (i) Investments in subsidiaries: Stated at cost using the moving average method
    - (ii) Other securities
      - (a) Securities with quoted value  
Stated at fair value based on market prices at the end of the relevant period (evaluation difference is accounted for as a component of stockholders' equity; cost of other securities sold is determined using the moving average method)
      - (b) Securities not practicable to estimate fair value  
Stated at cost using the moving average method
  - (2) Valuation of inventories  
Stated principally at cost using the gross average method (balance sheet value of assets are calculated using a method in which book values are written down in accordance with decreased profitability)
  - (3) Depreciation and amortization of noncurrent assets
    - (i) Depreciation of plant and equipment (excluding lease assets)  
Based on the straight-line method
    - (ii) Amortization of intangible fixed assets (excluding lease assets)  
Based on the straight-line method  
However, software for internal use is amortized using the straight-line method over its estimated useful life of 5 years.
  - (4) Allowances
    - (i) Allowance for doubtful accounts  
To prepare for credit losses on accounts receivable and loans, etc., an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on a historical write-off ratio and for bad receivables based on a case-by-case determination of collectability.
    - (ii) Accrued warranty expenses  
To reasonably account for repair costs covered under product warranty in the respective periods in which they arise, the allowance for a given year is provided in an amount determined based on the ratio of repair costs in that year to net sales in the preceding year.
    - (iii) Bonus accrual for directors  
In preparation for the payment of bonuses to directors of the total amount expected to be paid, an estimated amount for fiscal year 2015 is reported.
    - (iv) Allowance for retirement benefits  
To provide for employee retirement benefits, an allowance is provided in an amount determined based on the estimated retirement benefit obligations and pension assets at the end of the fiscal year.  
Prior service cost is amortized on a straight-line basis over the average remaining service period of employees.  
Any actuarial gains and losses are amortized on a straight-line basis over the average remaining service period of employees, and the amount is recorded in the fiscal year subsequent to its occurrence.
  - (5) Accounting for consumption taxes  
Consumption taxes are accounted using the net-of-tax method.

2. Notes to changes in line items

“Patent right,” which amounted to ¥54 million for the previous fiscal year and was included in “Other” under “Intangible fixed assets” for the previous fiscal year, and “Deposits received,” which amounted to ¥3,918 million for the previous fiscal year and was included in “Other” under “Current liabilities” for the previous fiscal year, are presented as separate line items for the current fiscal year because of increased materiality of the amount of “Patent right” and “Deposits received.”

“Software,” which was a separate line item for the previous fiscal year, is included in “Other” for the fiscal year due to lack of materiality of the amount of “Software.”

3. Notes to balance sheets

|                                                                                                          |                 |
|----------------------------------------------------------------------------------------------------------|-----------------|
| (1) Accumulated depreciation on property, plant and equipment (including accumulated impairment losses): | ¥53,304 million |
| (2) Short-term receivables from affiliates:                                                              | ¥14,696 million |
| Short-term payables to affiliates:                                                                       | ¥57,547 million |

4. Notes to statements of operations

Transactions with affiliated companies

|                             |                  |
|-----------------------------|------------------|
| Sales:                      | ¥94,939 million  |
| Purchases:                  | ¥56,939 million  |
| Non-operating transactions: | ¥20,367 million* |

\*This includes bad debt expenses concerning affiliated companies amounting to ¥1,970 million.

5. Notes to Statements of Changes in Net Assets

Total number of treasury shares as of March 31, 2016

|              |                   |
|--------------|-------------------|
| Common stock | 24,994,162 shares |
|--------------|-------------------|

6. Notes to tax effect accounting

Breakdown by major causes of deferred tax assets and deferred tax liabilities

| Deferred tax assets               | (Unit: million yen) |
|-----------------------------------|---------------------|
| Appraised value of inventories    | 2,232               |
| Research and development expenses | 3,160               |
| Allowance for retirement benefits | 3,854               |
| Impairment loss                   | 844                 |
| Loss carried forward              | 37,199              |
| Other                             | <u>3,020</u>        |
| Subtotal of deferred tax assets   | 50,309              |
| Valuation allowance               | <u>(50,309)</u>     |
| Total of deferred tax assets      | -                   |



|                                          |      |
|------------------------------------------|------|
| Deferred tax liabilities                 |      |
| Valuation difference in other securities | (20) |
| Other                                    | (2)  |
| Total of deferred tax liabilities        | (22) |
| Net deferred tax liabilities             | (22) |

Following the establishment of the Act for Partial Amendment of the Income Tax Act, etc. and the Act for Partial Amendment of the Local Tax Act, etc. by the Diet on March 29, 2016, corporate tax rates have been reduced for fiscal years beginning April 1, 2016 or later. Following the Act, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 32.0% to 30.7% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2016 and to 30.4% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2018 or thereafter. The impact of this change on the non-consolidated financial statements is immaterial.

#### 7. Notes to transactions with related parties

##### (1) Parent company and major corporate shareholders

Not applicable.

##### (2) Officers and major individual investors

Not applicable.

##### (3) Subsidiaries

| Company name                    | Address                | Common stock                        | Principal Activities                                           | Percentage of Voting Rights | Description of relationships                                     |                                                              | Details of transactions          | Amount of transactions | Items                  | Balance at fiscal year end |
|---------------------------------|------------------------|-------------------------------------|----------------------------------------------------------------|-----------------------------|------------------------------------------------------------------|--------------------------------------------------------------|----------------------------------|------------------------|------------------------|----------------------------|
|                                 |                        |                                     |                                                                |                             | Officer of subsidiaries temporarily transferred from the Company | Business relationship                                        |                                  |                        |                        |                            |
| Advantest Finance Inc.          | Chiyoda-ku, Tokyo      | 1 billion Yen                       | Leasing of test systems and sales of used products             | 100.0%                      | Yes                                                              | Leasing of the Company's products and sales of used products | Receipt of dividends             | ¥2,500 million         | -                      | -                          |
| Cloud Testing Service, Inc.     | Chiyoda-ku, Tokyo      | 80 million Yen                      | Planning and sales of testing services by testing IP licensing | 100.0%                      | Yes                                                              | Planning and sales of testing services                       | Waiver of obligation             | ¥1,970 million         | -                      | -                          |
| Advantest America, Inc.         | California, U.S.A.     | 4,059 thousand USD                  | Development and sale of test systems, etc.                     | 100.0%                      | Yes                                                              | Development and sale of the Company's products               | Sales                            | ¥39,042 million        | Accounts receivable    | ¥7,008 million             |
|                                 |                        |                                     |                                                                |                             |                                                                  |                                                              | Contracting of development, etc. | ¥13,114 million        | Other accounts payable | ¥2,038 million             |
|                                 |                        |                                     |                                                                |                             |                                                                  |                                                              | Depositing of money              | -                      | Deposits received      | ¥2,939 million             |
| Advantest Europe GmbH           | Munich, Germany        | 10,793 thousand Euro                | Development and sale of test systems, etc.                     | 100.0%                      | Yes                                                              | Development and sale of the Company's products               | Contracting of development, etc. | ¥13,485 million        | Other accounts payable | ¥1,306 million             |
|                                 |                        |                                     |                                                                |                             |                                                                  |                                                              | Depositing of money              | -                      | Deposits received      | ¥9,016 million             |
| Advantest Taiwan Inc.           | Hsin-Chu Hsien, Taiwan | 760,000 thousand New Taiwan Dollars | Sale of test systems, etc.                                     | 100.0%                      | Yes                                                              | Sale of the Company's products                               | Sales                            | ¥29,291 million        | Accounts receivable    | ¥3,614 million             |
|                                 |                        |                                     |                                                                |                             |                                                                  |                                                              | Depositing of money              | -                      | Deposits received      | ¥3,718 million             |
| Advantest (Singapore) Pte. Ltd. | Singapore              | 15,300 thousand Singapore Dollars   | Sale of test systems, etc.                                     | 100.0%                      | Yes                                                              | Sale of the Company's products                               | Purchase of noncurrent assets    | ¥3,005 million         | -                      | --                         |
|                                 |                        |                                     |                                                                |                             |                                                                  |                                                              | Receipt of dividends             | ¥12,235 million        | -                      | -                          |
|                                 |                        |                                     |                                                                |                             |                                                                  |                                                              | Depositing of money              | -                      | Deposits received      | ¥33,211 million            |

Terms and conditions of transactions and determination of policies thereof

1. With respect to sales, the price is determined by referring to the market price, among others.

2. With respect to deposit, the interest rate is determined by taking into account the market interest rate.

8. Notes to per share information

|                       |         |
|-----------------------|---------|
| Net assets per share: | ¥647.20 |
| Net profit per share: | ¥40.50  |

9. Notes to significant subsequent events

Not applicable.

10. Other notes


Amounts less than one million yen are rounded.


Report of Independent Auditors


May 16, 2016

The Board of Directors Advantest Corporation:

Ernst & Young ShinNihon LLC

Makoto Usui   
Certified Public Accountant  
Designated and Engagement Partner

Takuya Tanaka   
Certified Public Accountant  
Designated and Engagement Partner

Keiichi Wakimoto   
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of operation, the consolidated statement of comprehensive income (loss), the consolidated statement of stockholders' equity and the notes to the consolidated financial statements of Advantest Corporation (the "Company") applicable to the fiscal year from April 1, 2015 through March 31, 2016.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America with certain disclosure items omitted pursuant to the second sentence of Article 120, Paragraph 1 (as applied accordingly to Article 120-3, Paragraph 3) of the Ordinance on Accounting of Companies, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America with certain disclosure items omitted pursuant to the second sentence of Article 120, Paragraph 1 (as applied accordingly to Article 120-3, Paragraph 3) of the Ordinance on Accounting of Companies referred to above present fairly, in all material respects, the financial position and results of operations of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2016.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of the Company, prepared in Japanese, for the year ended March 31, 2016. Ernst & Young ShinNihon LLC have not audited the English language version of the consolidated financial statements for the above-mentioned year.


Copy of Report of Independent Auditors


Report of Independent Auditors


May 16, 2016

The Board of Directors Advantest Corporation:

Ernst & Young ShinNihon LLC

Makoto Usui   
Certified Public Accountant  
Designated and Engagement Partner

Takuya Tanaka   
Certified Public Accountant  
Designated and Engagement Partner

Keiichi Wakimoto   
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operation, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Advantest Corporation (the “Company”) applicable to the 74th fiscal year from April 1, 2015 through March 31, 2016.

*Management’s Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

*Auditors’ Responsibility*

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2016 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the financial statements of the Company, prepared in Japanese, for the year ended March 31, 2016. Ernst & Young ShinNihon LLC have not audited the English language version of the financial statements for the above-mentioned year.

## Copy of Audit and Supervisory Committee's Audit Report

### Audit Report

The Audit and Supervisory Committee of Advantest Corporation (the "Company") has audited the performance of duties by Directors during the 74th fiscal year (from April 1, 2015 to March 31, 2016). We hereby report the method and result thereof as follows.

#### 1. Methods and Content of Audit

Regarding the content of the resolution of the Board of Directors relating to matters stipulated in Article 399-13, Paragraph 1, Item 1(b) and (c) of the Companies Act of Japan and the status of the system being developed pursuant to such resolutions (internal controls system), the Audit and Supervisory Committee periodically received reports from the Directors, Executive Officers, and employees and other personnel concerning the establishment and management of such system, sought explanations as necessary, and expressed opinions. In addition, the Audit and Supervisory Committee carried out audits according to the following method:

- (i) In compliance with the Rules for Audit by the Audit and Supervisory Committee established by the Audit and Supervisory Committee, pursuant to the audit policies, audit plans, allocation of duties, etc., and in coordination with the internal audit division and other relevant departments with jurisdiction over internal control, the audit and supervisory committee members attended important meetings, received reports from Directors, Executive Officers and employees on the performance of their duties, requested further explanations as deemed necessary, reviewed important approval-granting documents, and inspected the state of business operations and assets at the head office and other important branch offices.

With respect to subsidiaries, we communicated with and exchanged information with the directors and corporate auditors of the subsidiaries and received business reports from subsidiaries as deemed necessary, and conducted site visits to the Company's main consolidated subsidiaries overseas, and confirmed their state of business operations and assets.

- (ii) In addition, we monitored and reviewed whether the Independent Auditors maintained their independent positions and conducted the audit properly, received reports from the Independent Auditors on the performance of their duties, and requested further explanations as deemed necessary. Furthermore, we were informed by the Independent Auditors that they are establishing a "System to ensure the appropriate performance of duties" (*Syokumu no Suikou ga Tekisei ni Okonawareru Koto o Kakuho Suru Tameno Taisei*) (Matters as defined in each Item of Article 131 of the Company Accounting Regulations) pursuant to "Quality control standards of audit" (*Kansa ni Kansuru Hinshitsu Kanri Kijyun*) (the Business Accounting Counsel, October 28, 2005), and requested their explanations as deemed necessary.

Based on the above methods, we reviewed the business report and the related supplementary schedules, the consolidated financial statements (the consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive income (loss), consolidated statements of stockholders' equity, and notes to consolidated financial statements), and the financial statements (the balance sheets, statements of operations, statements of changes in net assets, notes to non-consolidated financial statements) as well as the related supplementary schedules for the 74th fiscal year.

#### 2. Results of Audit

##### (1) Results of audit of the business report and other documents

- (i) The business report and the related supplementary schedules of the Company accurately present the financial conditions of the Company in conformity with applicable laws and regulations and the Articles of Incorporation of the Company.
- (ii) No irregularity or material violation of applicable laws or regulations or the Articles of Incorporation of the Company was found with respect to the activities of the Directors.

(iii) The contents of the resolutions of the meeting of the Board of Directors with respect to the internal control system are appropriate. In addition, there are no matters to be pointed out regarding the entries in the business report and the performance of duties of Directors with respect to the internal control system.

(2) Results of audit of the consolidated financial statements and the related supplementary schedules

The methods and results of audit performed by Ernst & Young ShinNihon LLC, the independent auditor of the Company, are appropriate.

(3) Results of audit of the financial statements and the related supplementary schedules

The methods and results of audit performed by Ernst & Young ShinNihon LLC, the independent auditor of the Company, are appropriate.

May 20, 2016

Audit and Supervisory Committee of Advantest Corporation

Yuichi Kurita

Standing Audit and Supervisory Committee Member



Megumi Yamamuro

Audit and Supervisory Committee Member



Yasushige Hagio

Audit and Supervisory Committee Member



Note: Audit and Supervisory Committee Members Megumi Yamamuro and Yasushige Hagio are outside directors provided in Article 2, Item 15, and Article 331, Paragraph 6 of the Companies Act of Japan.



Memorandum to Shareholders

|                                                                |                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Fiscal Year:</b>                                            | Starting from April 1 of each year and ending on March 31 of the following year                                                                                                                                                                                                                                                                                    |
| <b>Ordinary general meeting of shareholders:</b>               | June of each year                                                                                                                                                                                                                                                                                                                                                  |
| <b>Date of decision on shareholders of record qualified to</b> | <b>attend ordinary general meeting of shareholders:</b> March 31 of each year                                                                                                                                                                                                                                                                                      |
|                                                                | <b>receive dividends:</b> March 31 of each year                                                                                                                                                                                                                                                                                                                    |
|                                                                | <b>receive interim dividends:</b> September 30 of each year                                                                                                                                                                                                                                                                                                        |
| <b>Number of shares comprising one unit:</b>                   | 100 shares                                                                                                                                                                                                                                                                                                                                                         |
| <b>Share registration agent:</b>                               | Mitsubishi UFJ Trust and Banking Corporation                                                                                                                                                                                                                                                                                                                       |
| <b>Contact information of the aforementioned agent</b>         | Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation<br>7-10-11, Higashi-suna, Koto-ku, Tokyo 137-8081<br>Toll free number: 0120-232-711                                                                                                                                                                                                        |
| <b>Method for public notice:</b>                               | Public notices will be posted on the Company's website ( <a href="https://www.advantest.com/investors">https://www.advantest.com/investors</a> ).<br>However, in case of accidents or other inevitable circumstances that prevent the Company from posting public notices on such Company's website, public notices will be published in the Nihon Keizai Shimbun. |

**(Notice)**

1. Please inform the securities firm at which you hold an account of changes of address, demands for sales and purchases of fractional shares or other various services. Share registration agent (Mitsubishi UFJ Trust and Banking Corporation) is not able to provide such services.
2. For various services in connection with those shares that are recorded in the special account, please contact the firm responsible for administering such special account described below.
3. Unpaid dividends shall be paid at the head office or any branch office of Mitsubishi UFJ Trust and Banking Corporation.

|                                                                |                                                                                                                                           |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| <b>The firm responsible for administering special account:</b> | Tokyo Securities Transfer Agent Co., Ltd.                                                                                                 |
| <b>Contact information of the aforementioned firm</b>          | Business Center, Tokyo Securities Transfer Agent Co., Ltd.<br>2-8-4, Izumi, Suginami-ku, Tokyo 168-8522<br>Toll free number: 0120-49-7009 |