

FY2017 Third Quarter Consolidated Financial Results

(Advantest's consolidated financial statements are prepared in accordance with IFRS)
(Period ended December 31, 2017)

January 30, 2018

Company Name : **Advantest Corporation**
(URL <https://www.advantest.com/investors>)
Stock Exchange on which shares are listed : First section of the Tokyo Stock Exchange
Stock Code Number : 6857
Company Representative : Yoshiaki Yoshida, Representative Director, President and CEO
Contact Person : Atsushi Fujita, Managing Executive Officer and Executive Vice President, Corporate Administration Group
(03) 3214-7500
Quarterly Report Filing Date (as planned) : February 13, 2018
Dividend Payable Date (as planned) : –
Quarterly Results Supplemental Materials : Yes
Quarterly Results Presentation Meeting : Yes

(Rounded to the nearest million yen)

1. Consolidated Results of FY2017 Q3 (April 1, 2017 through December 31, 2017)

(1) Consolidated Financial Results (Accumulated)

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

| | Net sales | | Operating income | | Income before income taxes | | Net income | | Net income attributable to owners of the parent | | Total comprehensive income for the period | |
|------------------|----------------|-----------------------|------------------|-----------------------|----------------------------|-----------------------|--------------|-----------------------|---|-----------------------|---|-----------------------|
| | Million yen | % increase (decrease) | Million yen | % increase (decrease) | Million yen | % increase (decrease) | Million yen | % increase (decrease) | Million yen | % increase (decrease) | Million yen | % increase (decrease) |
| FY2017 Q3 | 139,288 | 29.5 | 10,645 | 14.6 | 9,771 | 0.2 | 7,473 | 1.4 | 7,473 | 1.4 | 9,862 | 3.0 |
| FY2016 Q3 | 107,571 | (7.5) | 9,291 | 43.9 | 9,746 | 51.9 | 7,373 | 176.0 | 7,373 | 176.0 | 9,570 | 244.4 |

| | Basic earnings per share | Diluted earnings per share |
|------------------|--------------------------|----------------------------|
| | Yen | Yen |
| FY2017 Q3 | 42.13 | 38.52 |
| FY2016 Q3 | 42.16 | 38.66 |

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity attributable to owners of the parent | Ratio of equity attributable to owners of the parent |
|------------------|----------------|----------------|---|--|
| | Million yen | Million yen | Million yen | % |
| FY2017 Q3 | 234,408 | 117,218 | 117,218 | 50.0 |
| FY2016 | 231,603 | 109,517 | 109,517 | 47.3 |

2. Dividends

| | Dividend per share | | | | |
|-------------------|--------------------|--------------------|-------------------|----------|--------------|
| | First quarter end | Second quarter end | Third quarter end | Year end | Annual total |
| | Yen | Yen | Yen | Yen | Yen |
| FY2016 | – | 13.00 | – | 12.00 | 25.00 |
| FY2017 | – | 9.00 | – | N/A | N/A |
| FY2017 (forecast) | N/A | N/A | N/A | 17.00 | 26.00 |

(Note) Revision of dividends forecast for this period: **No**

3. Projected Results for FY2017 (April 1, 2017 through March 31, 2018)

(% changes as compared to the previous fiscal year)

| | Net sales | | Operating income | | Income before income taxes | | Net income | | Net income attributable to Owners of the parent | | Earning per share |
|--------|-------------|------|------------------|------|----------------------------|------|-------------|-----|---|-----|-------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| FY2017 | 195,000 | 25.1 | 20,000 | 43.8 | 19,000 | 26.5 | 15,000 | 5.6 | 15,000 | 5.6 | 84.52 |

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

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

4. Others

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

(2) Changes in accounting policies and accounting estimates

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

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

- 1) Number of issued and outstanding share at the end of each fiscal period (including treasury share):
FY2017 Q3 199,566,770 shares; FY2016 199,566,770 shares.
- 2) Number of treasury share at the end of each fiscal period:
FY2017 Q3 21,730,026 shares; FY2016 22,736,166 shares.
- 3) Average number of outstanding share for each period (cumulative term):
FY2017 Q3 177,360,795 shares; FY2016 Q3 174,864,691 shares.

Status of Quarterly Review Procedures

This quarterly financial results report is not subject to quarterly review procedures by independent auditors.

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

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

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1. Overview of Business Results

(1) Overview of Business Results

Consolidated Financial Results of FY2017 Q3 (April 1, 2017 through December 31, 2017)

(in billion yen)

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | As compared to the corresponding period of the previous fiscal year increase (decrease) |
|----------------------------|--|--|---|
| Orders received | 116.3 | 162.4 | 39.6% |
| Net sales | 107.6 | 139.3 | 29.5% |
| Operating income | 9.3 | 10.6 | 14.6% |
| Income before income taxes | 9.7 | 9.8 | 0.2% |
| Net income | 7.4 | 7.5 | 1.4% |

The global economy continued its overall recovery during the nine-month period ended December 31, 2017. In developed countries, in addition to the strong US economy, the pace of recovery was seen to be accelerating in Europe and Japan as well. Economic growth continued in emerging countries such as China.

In semiconductor-related markets, there was a slump in capex for semiconductors used in smartphones due to prolonged Chinese smartphone inventory adjustments. However, solid growth in demand for automotive semiconductors and sensors continued amid the development of advances in automotive electronics. Moreover, as demand continued to expand amid growth in demand for 3D NAND flash memory and DRAM for data centers, memory semiconductor manufacturers actively invested to expand production capacity.

Average currency exchange rates in the period were 1 USD to 112 JPY (106 JPY in the corresponding period of the previous fiscal year) and 1 EUR to 127 JPY (118 JPY in the corresponding period of the previous fiscal year).

In this business environment, Advantest is taking steps to expand sales further for semiconductor testing equipment and peripheral devices, especially in memory semiconductors and automotive semiconductors, where capex is actively expanding.

As a result, orders received were (Y) 162.4 billion (39.6 % increase in comparison to the corresponding period in the previous fiscal year) and net sales were (Y) 139.3 billion (29.5% increase in comparison to the corresponding period in the previous fiscal year). Operating income was (Y) 10.6 billion (14.6% increase in comparison to the corresponding period in the previous fiscal year) due to the decrease in the proportion of sales of the highly profitable products for smartphone-related semiconductors in comparison to the corresponding period in the previous fiscal year, the increase in outsourcing as a result of product supply capacity expansion, and write-down of inventories in our nanotechnology business. Because of the effects of foreign exchange losses incurred in the first half for the dollar-denominated assets of European subsidiaries resulting from appreciation of the Euro versus the USD, income before income taxes was (Y) 9.8 billion (0.2% increase in comparison to the corresponding period in the previous fiscal year), and net income was (Y) 7.5 billion (1.4% increase in comparison to the corresponding period in the previous fiscal year). The percentage of net sales to overseas customers was 92.4% (88.3% in the corresponding period in the previous fiscal year).

Conditions of business segments are described below.

<Semiconductor and Component Test System Segment>

(in billion yen)

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | As compared to the corresponding period of the previous fiscal year increase (decrease) |
|-----------------|--|--|---|
| Orders received | 76.5 | 109.5 | 43.2% |
| Net sales | 70.1 | 91.4 | 30.3% |
| Segment income | 12.2 | 14.1 | 15.1% |

In this segment, Advantest's non-memory semiconductor test system business saw continued strong demand for products for use in automotive semiconductors, OLED display drivers, and LCD display drivers. Demand for smartphone-related semiconductor test equipment that had been stalled since the beginning of this fiscal year began to pick up at the end of 2017. In our memory semiconductor test system business, orders received and sales both grew in comparison to the corresponding period in the previous fiscal year due to the large-scale increase in capex by semiconductor manufacturer customers and Advantest's increase in market share.

As a result of the above, orders received were (Y) 109.5 billion (43.2% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 91.4 billion (30.3% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 14.1 billion (15.1% increase in comparison to the corresponding period in the previous fiscal year).

< Mechatronics System Segment >

(in billion yen)

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | As compared to the corresponding period of the previous fiscal year increase (decrease) |
|-----------------|--|--|---|
| Orders received | 19.3 | 29.9 | 54.9% |
| Net sales | 16.2 | 25.9 | 59.9% |
| Segment income | (2.2) | (2.6) | — |

In the Mechatronics System Segment, sales of device interfaces, which correlate highly with memory semiconductor test system demand, increased due to the active investment of memory semiconductor manufacturers in capacity expansion. As investment for mass production of automotive semiconductors expanded, the demand for test handlers grew as well. However, our nanotechnology business recorded a loss of (Y) 3.3 billion in write-down to inventories related to the cancellation of some products' mass production during the third quarter.

As a result of the above, orders received were (Y) 29.9 billion (54.9% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 25.9 billion (59.9% increase in comparison to the corresponding period in the previous fiscal year), and segment loss was (Y) 2.6 billion ((Y) 0.4 billion declines in comparison to the corresponding period in the previous fiscal year).

<Services, Support and Others Segment>

(in billion yen)

| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 | As compared to the corresponding period of the previous fiscal year increase (decrease) |
|-----------------|--|--|---|
| Orders received | 20.5 | 23.0 | 11.9% |
| Net sales | 21.3 | 22.0 | 3.4% |
| Segment income | 3.7 | 2.9 | (21.6%) |

The Services Support and Others Segment saw stable demand for field services, supported by robust activity in the semiconductor market. Meanwhile, field service and SSD tester business has been strengthened for the future expansion of our business platforms.

As a result of the above, orders received were (Y) 23.0 billion (11.9% increase in comparison to the corresponding period in the previous fiscal year), net sales were (Y) 22.0 billion (3.4% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 2.9 billion (21.6% decrease in comparison to the corresponding period in the previous fiscal year).

(2) Overview of Financial Condition

Total assets at December 31, 2017 amounted to (Y) 234.4 billion, an increase of (Y) 2.8 billion compared to March 31, 2017, primarily due to an increase of (Y) 5.9 billion in inventories, offset by a decrease of (Y) 3.3 billion in cash and cash equivalents. The amount of total liabilities was (Y) 117.2 billion, a decrease of (Y) 4.9 billion compared to March 31, 2017, primarily due to a decrease of (Y) 15.0 billion in redemption of corporate bonds, offset by an increase of (Y) 3.4 billion in retirement benefit liabilities, (Y) 3.1 billion in other current liabilities mainly due to advance receipt, and (Y) 1.4 billion in trade and other payables respectively. Total Equity was (Y) 117.2 billion. Ratio of equity attributable to owners of the parent was 50.0%, an increase of 2.7 percentage points from March 31, 2017.

(3) Overview of Cash Flows

Cash and cash equivalents held at December 31, 2017 were (Y) 92.1 billion, a decrease of (Y) 3.3 billion from March 31, 2017. Significant cash flows during the nine-month period of this fiscal year and their causes are described below.

Net cash provided by operating activities was (Y) 13.1 billion (net cash inflow of (Y) 12.0 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to a decrease of (Y) 2.3 billion in trade and other receivables, an increase of (Y) 5.3 billion in inventories and adjustments of non-cash items such as depreciation and amortization in addition to the income before income taxes of (Y) 9.8 billion.

Net cash used in investing activities was (Y) 0.5 billion (net cash outflow of (Y) 2.4 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to purchases of property, plant and equipment in the amount of (Y) 2.3 billion and proceeds from sale of property, plant and equipment in the amount of (Y) 1.9 billion.

Net cash used in financing activities was (Y) 17.1 billion (net cash outflow of (Y) 3.0 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to redemption of corporate bonds of (Y) 15.0 billion and dividends paid of (Y) 3.6 billion.

(4) Near-term Prospects

We expect future growth in the semiconductor industry and related markets to be driven by a growing social emphasis on convenience and security, such as an increased adoption of AI and the IoT, as well as data center growth to support these technologies, Advanced Driver Assistance Systems (ADAS) in the automotive industry, an increase in popularity of advanced smartphones, and the roll out of fifth-generation mobile telecommunications systems (5G).

The outlook for the semiconductor test equipment market, which is Advantest's primary profit base, is that the strong business environment for automotive semiconductors and display drivers will continue for non-memory test systems. Furthermore, the demand for smartphone-related semiconductor test equipment that stalled since the beginning of this fiscal year has been recovering since the end of 2017, and in the fourth quarter further improvement in the market is expected.

For memory test systems, vigorous demand for memory semiconductors is expected to continue for the time being, as our leading customers also continue to significantly increase investment in their production capacity.

Based on these forecasts, Advantest anticipates further improvement in its performance in the fourth quarter, which is expected to see a better business environment. As a result, Advantest's consolidated results forecast for FY2017 have been revised upwards from our forecast published in October 2017. This upward revision is based on trends in earnings in the first nine months of the fiscal year, trends in demand for each business segment, and recent foreign exchange rates. Our new forecast projects sales of (Y) 195.0 billion (formerly (Y) 180.0 billion). We now expect operating income of (Y) 20.0 billion (formerly (Y) 18.0 billion), income before income taxes of (Y) 19.0 billion (formerly (Y) 17.0 billion), and net income of (Y) 15.0 billion (formerly (Y) 14.5 billion). The exchange rates on which the consolidated results forecast for FY2017 is premised are 1 USD to 111 JPY and 1 Euro to 129 JPY.

This favorable business environment is also expected to continue in the next fiscal year. Advantest will endeavor to expand sales opportunities and improve market share by seizing favorable opportunities for even better growth in the future, strengthening customer support, and increasing our production capacity. Furthermore, at the same time we will promote investment in the development of areas of medium-to-long term growth and work to strengthen our business platforms in a bid to sustain growth.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

| | Millions of Yen | |
|------------------------------------|-------------------------|----------------------------|
| | As of March 31, 2017 | As of December 31, 2017 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 95,324 | 92,073 |
| Trade and other receivables | 32,451 | 30,806 |
| Inventories | 39,093 | 44,984 |
| Other current assets | 2,976 | 5,315 |
| Subtotal | 169,844 | 173,178 |
| Assets held for sale | 1,295 | 851 |
| Total current assets | 171,139 | 174,029 |
| Non-current assets | | |
| Property, plant and equipment, net | 29,915 | 29,002 |
| Goodwill and intangible assets | 16,479 | 16,801 |
| Other financial assets | 3,625 | 2,708 |
| Deferred tax assets | 10,282 | 11,443 |
| Other non-current assets | 163 | 425 |
| Total non-current assets | 60,464 | 60,379 |
| Total assets | 231,603 | 234,408 |

Millions of Yen

| | As of March 31, 2017 | As of December 31, 2017 |
|---|-------------------------|----------------------------|
| Liabilities and Equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 28,489 | 29,872 |
| Bonds | 15,000 | — |
| Income tax payables | 1,927 | 2,829 |
| Provisions | 1,643 | 2,470 |
| Other financial liabilities | 626 | 1,492 |
| Other current liabilities | 3,749 | 6,853 |
| Total current liabilities | <u>51,434</u> | <u>43,516</u> |
| Non-current liabilities | | |
| Bonds | 29,745 | 29,840 |
| Other financial liabilities | 39 | 6 |
| Retirement benefit liabilities | 38,865 | 42,226 |
| Deferred tax liabilities | 420 | 335 |
| Other non-current liabilities | 1,583 | 1,267 |
| Total non-current liabilities | <u>70,652</u> | <u>73,674</u> |
| Total liabilities | <u>122,086</u> | <u>117,190</u> |
| Equity | | |
| Share capital | 32,363 | 32,363 |
| Share premium | 44,319 | 43,925 |
| Treasury shares | (86,039) | (82,230) |
| Retained earnings | 113,676 | 115,573 |
| Other components of equity | 5,198 | 7,587 |
| Total equity attributable to owners of the parent | <u>109,517</u> | <u>117,218</u> |
| Total equity | <u>109,517</u> | <u>117,218</u> |
| Total liabilities and equity | <u><u>231,603</u></u> | <u><u>234,408</u></u> |

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

Condensed Consolidated Statements of Profit or Loss

| | Millions of Yen | |
|---|--|--|
| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 |
| Net sales | 107,571 | 139,288 |
| Cost of sales | (43,167) | (70,540) |
| Gross profit | 64,404 | 68,748 |
| Selling, general and administrative expenses | (55,275) | (58,736) |
| Other income | 306 | 686 |
| Other expenses | (144) | (53) |
| Operating income | 9,291 | 10,645 |
| Financial income | 621 | 684 |
| Financial expenses | (166) | (1,558) |
| Income before income taxes | 9,746 | 9,771 |
| Income taxes | (2,373) | (2,298) |
| Net income | <u>7,373</u> | <u>7,473</u> |
| Net income attributable to: Owners of the parent | 7,373 | 7,473 |
| Earnings per share: | | Yen |
| Basic | 42.16 | 42.13 |
| Diluted | 38.66 | 38.52 |

Millions of Yen

| | Three months ended December 31, 2016 | Three months ended December 31, 2017 |
|---|---|---|
| Net sales | 31,376 | 50,876 |
| Cost of sales | (13,317) | (27,584) |
| Gross profit | 18,059 | 23,292 |
| Selling, general and administrative expenses | (17,147) | (20,148) |
| Other income | 75 | 108 |
| Other expenses | (14) | (19) |
| Operating income | 973 | 3,233 |
| Financial income | 79 | 198 |
| Financial expenses | (421) | (32) |
| Income before income taxes | 631 | 3,399 |
| Income taxes | (519) | (852) |
| Net income | 112 | 2,547 |
| Net income attributable to: | | |
| Owners of the parent | 112 | 2,547 |
| Earnings per share: | | Yen |
| Basic | 0.64 | 14.33 |
| Diluted | 0.64 | 13.09 |

Condensed Consolidated Statements of Comprehensive Income

| | Millions of Yen | |
|--|--|--|
| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 |
| Net income | 7,373 | 7,473 |
| Other comprehensive income | | |
| Items that may be subsequently reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 2,113 | 2,933 |
| Net change in fair values of available-for-sale financial assets | 84 | (544) |
| Total other comprehensive income | 2,197 | 2,389 |
| Total comprehensive income for the period | <u>9,570</u> | <u>9,862</u> |
| Comprehensive income attributable to: | | |
| Owners of the parent | 9,570 | 9,862 |

| | Millions of Yen | |
|--|---|---|
| | Three months ended December 31, 2016 | Three months ended December 31, 2017 |
| Net income | 112 | 2,547 |
| Other comprehensive income | | |
| Items that may be subsequently reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 12,126 | 1,731 |
| Net change in fair values of available-for-sale financial assets | 271 | 14 |
| Total other comprehensive income | 12,397 | 1,745 |
| Total comprehensive income for the period | <u>12,509</u> | <u>4,292</u> |
| Comprehensive income attributable to: | | |
| Owners of the parent | 12,509 | 4,292 |

(3) Condensed Consolidated Statements of Changes in Equity

Nine months ended December 31, 2016

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

Nine months ended December 31, 2017

| | Millions of Yen | | | | | | |
|---|---|---------------|-----------------|-------------------|----------------------------|---------|--------------|
| | Equity attributable to owners of the parent | | | | | Total | Total Equity |
| | Share capital | Share premium | Treasury shares | Retained earnings | Other components of equity | | |
| Balance at April 1, 2017 | 32,363 | 44,319 | (86,039) | 113,676 | 5,198 | 109,517 | 109,517 |
| Net income | | | | 7,473 | | 7,473 | 7,473 |
| Other comprehensive income | | | | | 2,389 | 2,389 | 2,389 |
| Total comprehensive income for the period | — | — | — | 7,473 | 2,389 | 9,862 | 9,862 |
| Purchase of treasury shares | | | (2) | | | (2) | (2) |
| Disposal of treasury shares | | (415) | 3,811 | (1,857) | | 1,539 | 1,539 |
| Dividends | | | | (3,719) | | (3,719) | (3,719) |
| Share-based payments | | 21 | | | | 21 | 21 |
| Total transactions with the owners | — | (394) | 3,809 | (5,576) | — | (2,161) | (2,161) |
| Balance at December 31, 2017 | 32,363 | 43,925 | (82,230) | 115,573 | 7,587 | 117,218 | 117,218 |

(4) Condensed Consolidated Statements of Cash Flows

| | Millions of Yen | |
|--|--|--|
| | Nine months ended December 31, 2016 | Nine months ended December 31, 2017 |
| Cash flows from operating activities: | | |
| Income before income taxes | 9,746 | 9,771 |
| Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 3,507 | 3,601 |
| Gain on sales of available-for-sale financial assets | (226) | (353) |
| Changes in assets and liabilities: | | |
| Trade and other receivables | 4,638 | 2,279 |
| Inventories | (6,816) | (5,279) |
| Trade and other payables | (956) | 928 |
| Warranty provisions | (102) | 822 |
| Retirement benefit liabilities | 1,550 | 1,617 |
| Other | 3,382 | 2,789 |
| Subtotal | 14,723 | 16,175 |
| Interest and dividends received | 243 | 381 |
| Interest paid | (95) | (48) |
| Income taxes paid | (2,841) | (3,406) |
| Net cash provided by (used in) operating activities | 12,030 | 13,102 |
| Cash flows from investing activities: | | |
| Proceeds from sale of available-for-sale financial assets | 626 | 879 |
| Purchases of available-for-sale financial assets | — | (216) |
| Proceeds from sale of property, plant and equipment | 83 | 1,866 |
| Purchases of property, plant and equipment | (2,927) | (2,281) |
| Purchases of intangible assets | (266) | (557) |
| Other | 47 | (158) |
| Net cash provided by (used in) investing activities | (2,437) | (467) |
| Cash flows from financing activities: | | |
| Proceeds from disposal of treasury shares | 946 | 1,545 |
| Redemption of bonds | — | (15,000) |
| Dividends paid | (3,863) | (3,636) |
| Other | (43) | (10) |
| Net cash provided by (used in) financing activities | (2,960) | (17,101) |
| Net effect of exchange rate changes on cash and cash equivalents | 603 | 1,215 |
| Net change in cash and cash equivalents | 7,236 | (3,251) |
| Cash and cash equivalents at beginning of period | 85,430 | 95,324 |
| Cash and cash equivalents at end of period | 92,666 | 92,073 |

(5) Notes to the Condensed Consolidated Financial Statements

(Notes on Going Concern): None

(Segment Information)

Nine months ended December 31, 2016

Millions of Yen

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

Nine months ended December 31, 2017

Millions of Yen

| | Semiconductor and Component Test System Business | Mechatronics System Business | Services, Support and Others | Elimination and Corporate | Consolidated |
|--|---|------------------------------------|------------------------------------|------------------------------|--------------|
| Net sales | | | | | |
| Net sales to unaffiliated customers | 91,377 | 25,908 | 22,003 | — | 139,288 |
| Inter-segment sales | 26 | — | — | (26) | — |
| Total | 91,403 | 25,908 | 22,003 | (26) | 139,288 |
| Segment income (loss) (operating income (loss) before share option compensation expense) | 14,097 | (2,585) | 2,933 | (3,779) | 10,666 |
| Adjustment: Share option compensation expense | — | — | — | — | (21) |
| Operating income | — | — | — | — | 10,645 |
| Financial income | — | — | — | — | 684 |
| Financial expenses | — | — | — | — | (1,558) |
| Income before income taxes | — | — | — | — | 9,771 |

Three months ended December 31, 2016

Millions of Yen

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

Three months ended December 31, 2017

Millions of Yen

| | Semiconductor and Component Test System Business | Mechatronics System Business | Services, Support and Others | Elimination and Corporate | Consolidated |
|--|---|------------------------------------|------------------------------------|------------------------------|--------------|
| Net sales | | | | | |
| Net sales to unaffiliated customers | 33,741 | 9,063 | 8,072 | — | 50,876 |
| Inter-segment sales | — | — | — | — | — |
| Total | 33,741 | 9,063 | 8,072 | — | 50,876 |
| Segment income (loss) (operating income (loss) before share option compensation expense) | 6,410 | (3,236) | 1,800 | (1,720) | 3,254 |
| Adjustment: | | | | | |
| Share option compensation expense | — | — | — | — | (21) |
| Operating income | — | — | — | — | 3,233 |
| Financial income | — | — | — | — | 198 |
| Financial expenses | — | — | — | — | (32) |
| Income before income taxes | — | — | — | — | 3,399 |

(Notes)

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

FY2017 Third Quarter Consolidated Financial Results Overview

1. Orders received • Backlog

(in billion yen)

| | FY2016 | FY2017 | | | | | | FY2017 Forecast | |
|-----------------|--------------|-------------|-------------|-------------|---|-----------------------------|--|-----------------------|--------------------------------------|
| | | 1Q | 2Q | 3Q | vs. FY2017 2Q increase (decrease) | FY2017 9 months total | vs. FY2016 9 months total increase (decrease) | Annual total | vs. FY2016 increase (decrease) |
| Orders received | 164.7 | 49.4 | 56.2 | 56.8 | 1.0% | 162.4 | 39.6% | 188.0 220.0 | 33.6% |
| Backlog | 42.2 | 50.9 | 59.4 | 65.3 | 9.9% | 65.3 | 54.9% | 50.2 67.2 | 59.2% |

Upper data is the forecast amount released on Oct 25, 2017.

2. Profit or Loss

(in billion yen)

| | FY2016 | FY2017 | | | | | | FY2017 Forecast | |
|--|--------------|-------------|-------------|-------------|---|-----------------------------|--|-----------------------|--------------------------------------|
| | | 1Q | 2Q | 3Q | vs. FY2017 2Q increase (decrease) | FY2017 9 months total | vs. FY2016 9 months total increase (decrease) | Annual total | vs. FY2016 increase (decrease) |
| Net sales | 155.9 | 40.7 | 47.7 | 50.9 | 6.6% | 139.3 | 29.5% | 180.0 195.0 | 25.1% |
| Cost of sales | (66.2) | (20.1) | (22.8) | (27.7) | 20.8% | (70.6) | 63.4% | - | - |
| Selling, general and administrative expenses | (76.1) | (18.5) | (20.1) | (20.1) | (0.1%) | (58.7) | 6.3% | - | - |
| Other income | 0.5 | 0.1 | 0.4 | 0.2 | (78.4%) | 0.7 | 124.2% | - | - |
| Other expenses | (0.2) | (0.0) | (0.0) | (0.1) | 18.8% | (0.1) | (63.2%) | - | - |
| Operating income | 13.9 | 2.2 | 5.2 | 3.2 | (37.7%) | 10.6 | 14.6% | 18.0 20.0 | 43.8% |
| Sales ratio | 8.9% | 5.5% | 10.9% | 6.4% | | 7.6% | | 10.3% | |
| Financial income - expenses | 1.1 | (0.6) | (0.4) | 0.2 | - | (0.8) | - | - | - |
| Income before income taxes | 15.0 | 1.6 | 4.8 | 3.4 | (29.3%) | 9.8 | 0.2% | 17.0 19.0 | 26.5% |
| Sales ratio | 9.6% | 3.9% | 10.1% | 6.7% | | 7.0% | | 9.7% | |
| Income taxes | (0.8) | (0.6) | (0.9) | (0.8) | (2.1%) | (2.3) | (3.2%) | - | - |
| Net income | 14.2 | 1.0 | 3.9 | 2.6 | (35.3%) | 7.5 | 1.4% | 14.5 15.0 | 5.6% |
| Sales ratio | 9.1% | 2.4% | 8.2% | 5.0% | | 5.4% | | 7.7% | |

Upper data is the forecast amount released on Oct 25, 2017.

3. Financial Condition

(in billion yen)

| | FY2016 | FY2017 | | | | vs. FY2017 2Q increase (decrease) |
|--|--------------|--------------|--------------|--------------|--------|---|
| | | 4Q End | 1Q End | 2Q End | 3Q End | |
| Total assets | 231.6 | 217.5 | 228.7 | 234.4 | 2.5% | |
| Equity attributable to owners of the parent | 109.5 | 109.3 | 113.9 | 117.2 | 2.9% | |
| Ratio of equity attributable to owners of the parent | 47.3% | 50.3% | 49.8% | 50.0% | - | |

4. Dividends

(in yen)

| (Record Date) | FY2016 | | | FY2017 | | |
|--------------------|--------------|--------------|--------------|-------------|---------------------|-------------------------|
| | Interim | Year end | Annual total | Interim | Year end (Forecast) | Annual total (Forecast) |
| Dividend per share | 13.00 | 12.00 | 25.00 | 9.00 | 17.00 | 26.00 |