

(English translation and a part of summary of the Quarterly Report for the fiscal second quarter ended September 30, 2021, pursuant to the Japanese Financial Instrument and Exchange Law.)

# Quarterly Financial Report

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For the fiscal second quarter ended September 30, 2021

**Advantest Corporation**

# 1. Condensed Consolidated Financial Statements

## (1) Condensed Consolidated Statement of Financial Position

		Millions of Yen	
	Note	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>			
Current assets			
Cash and cash equivalents		149,164	146,716
Trade and other receivables		57,028	55,747
Inventories		64,340	75,742
Other current assets		8,563	9,922
Total current assets		<u>279,095</u>	<u>288,127</u>
Non-current assets			
Property, plant and equipment, net		41,613	43,334
Right-of-use assets		11,668	10,701
Goodwill and intangible assets, net	12	54,543	54,033
Other financial assets	11	10,211	13,196
Deferred tax assets		25,242	25,088
Other non-current assets		269	475
Total non-current assets		<u>143,546</u>	<u>146,827</u>
Total assets		<u><u>422,641</u></u>	<u><u>434,954</u></u>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Current liabilities			
Trade and other payables		58,558	55,574
Income tax payables		8,619	13,114
Provisions		4,058	4,575
Lease liabilities		2,486	2,496
Other financial liabilities	11	3,509	4,740
Other current liabilities		12,581	18,292
Total current liabilities		<u>89,811</u>	<u>98,791</u>
Non-current liabilities			
Lease liabilities		9,364	8,390
Retirement benefit liabilities		36,891	35,958
Deferred tax liabilities		4,473	4,180
Other non-current liabilities		1,733	1,506
Total non-current liabilities		<u>52,461</u>	<u>50,034</u>
Total liabilities		<u>142,272</u>	<u>148,825</u>
<b>Equity</b>			
Share capital		32,363	32,363
Share premium		44,573	44,236
Treasury shares	6	(15,001)	(30,732)
Retained earnings		214,858	233,860
Other components of equity		3,576	6,402
Total equity attributable to owners of the parent		<u>280,369</u>	<u>286,129</u>
Total equity		<u>280,369</u>	<u>286,129</u>
Total liabilities and equity		<u><u>422,641</u></u>	<u><u>434,954</u></u>

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

**Condensed Consolidated Statement of Profit or Loss**

		Millions of Yen	
	Note	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	5, 8	144,102	187,990
Cost of sales		<u>(64,476)</u>	<u>(83,237)</u>
Gross profit		79,626	104,753
Selling, general and administrative expenses		(51,253)	(57,071)
Other income	9	2,646	344
Other expenses		<u>(82)</u>	<u>(550)</u>
Operating income	5	30,937	47,476
Financial income		78	33
Financial expenses		<u>(1,695)</u>	<u>(249)</u>
Income before income taxes		29,320	47,260
Income taxes		<u>(4,829)</u>	<u>(12,014)</u>
Net income		<u>24,491</u>	<u>35,246</u>
Net income attributable to:			
Owners of the parent		24,491	35,246
Earnings per share:	10	Yen	Yen
Basic		<u>123.61</u>	<u>179.52</u>
Diluted		122.97	178.60

		Millions of Yen	
	Note	Three months ended September 30, 2020	Three months ended September 30, 2021
Net sales	5	77,377	90,874
Cost of sales		<u>(35,704)</u>	<u>(40,866)</u>
Gross profit		41,673	50,008
Selling, general and administrative expenses		(26,721)	(28,801)
Other income		2,574	181
Other expenses		<u>(47)</u>	<u>(37)</u>
Operating income	5	17,479	21,351
Financial income		32	202
Financial expenses		<u>(1,086)</u>	<u>(34)</u>
Income before income taxes		16,425	21,519
Income taxes		<u>(2,484)</u>	<u>(5,617)</u>
Net income		<u>13,941</u>	<u>15,902</u>
Net income attributable to:			
Owners of the parent		13,941	15,902
Earnings per share:	10	Yen	Yen
Basic		<u>70.48</u>	<u>81.08</u>
Diluted		70.12	80.72

## Condensed Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Net income	24,491	35,246
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	(333)	1,985
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,427)	841
Total other comprehensive income (loss)	(1,760)	2,826
Total comprehensive income for the period	<u>22,731</u>	<u>38,072</u>
Comprehensive income attributable to:		
Owners of the parent	22,731	38,072

	Millions of Yen	
	Three months ended September 30, 2020	Three months ended September 30, 2021
Net income	13,941	15,902
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	(349)	1,713
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(998)	582
Total other comprehensive income (loss)	(1,347)	2,295
Total comprehensive income for the period	<u>12,594</u>	<u>18,197</u>
Comprehensive income attributable to:		
Owners of the parent	12,594	18,197

### (3) Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 2020

Millions of Yen

	Note	Equity attributable to owners of the parent					Total	Total Equity
		Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity		
Balance as of April 1, 2020		32,363	43,550	(4,179)	159,803	(85)	231,452	231,452
Net income					24,491		24,491	24,491
Other comprehensive income (loss), net of tax						(1,760)	(1,760)	(1,760)
Total comprehensive income for the period		—	—	—	24,491	(1,760)	22,731	22,731
Purchase of treasury shares	6		(13)	(11,732)			(11,745)	(11,745)
Disposal of treasury shares			(142)	1,357	(539)		676	676
Dividends	7				(8,135)		(8,135)	(8,135)
Share-based payments			518				518	518
Total transactions with the owners		—	363	(10,375)	(8,674)	—	(18,686)	(18,686)
Balance as of September 30, 2020		<u>32,363</u>	<u>43,913</u>	<u>(14,554)</u>	<u>175,620</u>	<u>(1,845)</u>	<u>235,497</u>	<u>235,497</u>

Six months ended September 30, 2021

Millions of Yen

	Note	Equity attributable to owners of the parent					Total	Total Equity
		Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity		
Balance as of April 1, 2021		32,363	44,573	(15,001)	214,858	3,576	280,369	280,369
Net income					35,246		35,246	35,246
Other comprehensive income (loss), net of tax						2,826	2,826	2,826
Total comprehensive income for the period		—	—	—	35,246	2,826	38,072	38,072
Purchase of treasury shares	6		(1)	(17,760)			(17,761)	(17,761)
Disposal of treasury shares			(978)	1,963	(468)		517	517
Cancellation of treasury shares				66	(66)		—	—
Dividends	7				(15,715)		(15,715)	(15,715)
Share-based payments			642				642	642
Other					5		5	5
Total transactions with the owners		—	(337)	(15,731)	(16,244)	—	(32,312)	(32,312)
Balance as of September 30, 2021		<u>32,363</u>	<u>44,236</u>	<u>(30,732)</u>	<u>233,860</u>	<u>6,402</u>	<u>286,129</u>	<u>286,129</u>

**(4) Condensed Consolidated Statement of Cash Flows**

Millions of Yen

	Note	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities:			
Income before income taxes		29,320	47,260
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization		5,503	6,951
Changes in assets and liabilities:			
Trade and other receivables		1,748	1,668
Inventories		(6,326)	(11,382)
Trade and other payables		(3,169)	(2,564)
Warranty provisions		200	520
Advance receipt		1,605	5,456
Retirement benefit liabilities		695	(984)
Other		38	1,989
Subtotal		29,614	48,914
Interest and dividends received		87	35
Interest paid		(86)	(72)
Income taxes paid		(5,199)	(8,432)
Net cash provided by (used in) operating activities		24,416	40,445
Cash flows from investing activities:			
Proceeds from sale of debt instruments		—	124
Purchases of equity instruments		(6,817)	(881)
Purchases of property, plant and equipment		(5,841)	(7,461)
Purchases of intangible assets		(397)	(343)
Proceeds from transfer of business		3,295	—
Other		10	(143)
Net cash provided by (used in) investing activities		(9,750)	(8,704)
Cash flows from financing activities:			
Proceeds from disposal of treasury shares		701	506
Purchases of treasury shares	6	(13,866)	(18,006)
Dividends paid	7	(8,129)	(15,701)
Payments for lease liabilities		(1,107)	(1,263)
Other		—	—
Net cash provided by (used in) financing activities		(22,401)	(34,464)
Net effect of exchange rate changes on cash and cash equivalents		(956)	275
Net change in cash and cash equivalents		(8,691)	(2,448)
Cash and cash equivalents at the beginning of period		127,703	149,164
Cash and cash equivalents at the end of period		119,012	146,716

## Notes to the Condensed Consolidated Financial Statements

### 1. Reporting Entity

Advantest Corporation (the “Company”) is a public company located in Japan.

The Company’s condensed consolidated financial statements consist of the Company and its subsidiaries (collectively, “Advantest”).

Advantest manufactures and sells semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. Advantest also engages in research and development activities and provides maintenance and support services associated with these products.

### 2. Basis of Preparation

#### (1) Compliance with IFRS

As the Company meets the requirements of a “Specified Companies applying Designated IFRS” pursuant to Article 1-2 of the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements”, Advantest prepares the condensed consolidated financial statements in accordance with IAS 34 under Article 93 of the same ordinance.

As the condensed consolidated financial statements do not contain all the information required in annual consolidated financial statements, they should be read in combination with the consolidated financial statements for the fiscal year ended March 31, 2021.

The condensed consolidated financial statements were approved on November 12, 2021 by Yoshiaki Yoshida, Representative Director, President and CEO and Atsushi Fujita, Chief Financial Officer of the Company.

#### (2) Basis of Measurement

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at their fair values.

#### (3) Functional Currency and Presentation Currency

The condensed consolidated financial statements are presented in Japanese Yen, which is the Company’s functional currency.

#### (4) Changes in Presentation

The "Changes in advance receipt" that was included in "Other" of "Cash flows from operating activities" in the condensed consolidated statement of cash flows for the six months ended September 30, 2020 has increased in materiality and will be classified separately in the condensed consolidated statement of cash flows for the six months ended September 30, 2021. As a result, the (Y) 1,643 million of “Other” in “Cash flows from operating activities” in the condensed consolidated statement of cash flows for the six months ended September 30, 2020 is reclassified to “Changes in advance receipt” at (Y) 1,605 million and “Other” at (Y) 38 million.

### 3. Significant Accounting Policies

The condensed consolidated financial statements are prepared based on the same accounting policies as those applied in the Advantest’s consolidated financial statements for the fiscal year ended March 31, 2021.

### 4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the condensed consolidated financial statements requires Advantest to make judgments, accounting estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable according to the situation. The global epidemic of the new coronavirus (COVID-19) is not expected to have a material impact on Advantest’s estimates and assumptions. Given their nature, however, actual results may differ from those

estimates and assumptions. There is no material change from the estimates and assumptions used for the fiscal year ended March 31, 2021.

The estimates and underlying assumptions are continuously reviewed. The effects of a change in these estimates and assumptions are recognized in the period of the change and subsequent periods.

## **5. Segment Information**

### **(1) Overview of Reporting Segments**

Advantest manufactures and sells semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. Advantest also engages in research and development activities and provides maintenance and support services associated with these products. Advantest's organizational structure consists of three reportable operating segments, which are the design, manufacturing, and sale of semiconductor and component test systems, mechatronics systems and services, support and others. These reportable operating segments are determined based on the nature of the products and the markets. Segment information is prepared on the same basis that management reviews financial information for operational decision making purposes.

The semiconductor and component test system segment provides customers with test system products for the semiconductor industry and the electronic parts industry. Product lines provided in the semiconductor and component test system segment include test systems for SoC semiconductor devices and test systems for memory semiconductor devices.

The mechatronics system segment provides product lines such as test handlers, mechatronic-applied products, for handling semiconductor devices, device interfaces that serve as interfaces with the devices that are measured and operations related to nano-technology products.

The services, support and others segment consists of comprehensive customer solutions provided in connection with the above segments, test solutions of system level testing for such as semiconductor and modules, support services, sales of consumables, sales of used products, equipment lease business and others.

### **(2) Information of Reporting Segments**

Accounting treatment applied to operating segments is the same as in the note "3. Significant Accounting Policies."

Advantest uses the operating income (loss) before share-based compensation expense for management's analysis of operating segment results.

Share-based compensation expense represents expenses for stock options, performance-based stock remuneration expense and restricted stock compensation expense.

Segment income (loss) is presented on the basis of operating income (loss) before share-based compensation expense.

Inter-segment sales are based on market prices.



Six months ended September 30, 2020

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	89,499	20,381	34,222	—	144,102
Inter-segment sales	334	—	—	(334)	—
Total	89,833	20,381	34,222	(334)	144,102
Segment income (loss) (operating income (loss) before share-based compensation expense)	24,812	3,647	6,965	(3,884)	31,540
Adjustment:					
Share-based compensation expense	—	—	—	—	(603)
Operating income	—	—	—	—	30,937
Financial income	—	—	—	—	78
Financial expenses	—	—	—	—	(1,695)
Income before income taxes	—	—	—	—	29,320

Six months ended September 30, 2021

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	127,312	20,944	39,734	—	187,990
Inter-segment sales	48	—	—	(48)	—
Total	127,360	20,944	39,734	(48)	187,990
Segment income (loss) (operating income (loss) before share-based compensation expense)	43,596	2,997	7,698	(6,062)	48,229
Adjustment:					
Share-based compensation expense	—	—	—	—	(753)
Operating income	—	—	—	—	47,476
Financial income	—	—	—	—	33
Financial expenses	—	—	—	—	(249)
Income before income taxes	—	—	—	—	47,260

Three months ended September 30, 2020

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	47,540	11,502	18,335	—	77,377
Inter-segment sales	2	—	—	(2)	—
Total	47,542	11,502	18,335	(2)	77,377
Segment income (loss) (operating income (loss) before share-based compensation expense)	12,998	3,464	3,252	(2,007)	17,707
Adjustment: Share-based compensation expense	—	—	—	—	(228)
Operating income	—	—	—	—	17,479
Financial income	—	—	—	—	32
Financial expenses	—	—	—	—	(1,086)
Income before income taxes	—	—	—	—	16,425

Three months ended September 30, 2021

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	60,014	9,481	21,379	—	90,874
Inter-segment sales	28	—	—	(28)	—
Total	60,042	9,481	21,379	(28)	90,874
Segment income (loss) (operating income (loss) before share-based compensation expense)	19,202	999	4,453	(2,877)	21,777
Adjustment: Share-based compensation expense	—	—	—	—	(426)
Operating income	—	—	—	—	21,351
Financial income	—	—	—	—	202
Financial expenses	—	—	—	—	(34)
Income before income taxes	—	—	—	—	21,519

(Notes)

- Adjustments to segment income (loss) in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments.

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

## 6. Equity and Other Equity Items

Six months ended September 30, 2020

Advantest resolved to acquire its own shares at the Board of Directors' meeting held on July 30, 2020. The status of share repurchase for the six months ended September 30, 2020 is as follows:

Status of share repurchase

1. Type of shares acquired  
Shares of common stock
2. Total number of shares acquired  
2,088,100 shares
3. Total cost of acquisition  
10,865,196,000 yen
4. Method of acquisition  
Purchased on the Tokyo Stock Exchange

(Reference) Details of the resolution of the Board of Directors' meeting held on July 30, 2020

1. Type of shares to be acquired  
Shares of common stock
2. Total number of shares to be acquired  
Up to 2.5 million shares (Equivalent to 1.3% of outstanding shares excluding treasury stock)
3. Total cost of acquisition  
Up to 15 billion yen
4. Method of acquisition  
Purchase on the Tokyo Stock Exchange
5. Period of acquisition  
From July 31, 2020 to October 30, 2020

Six months ended September 30, 2021

Advantest resolved to acquire its own shares at the Board of Directors' meeting held on July 28, 2021. The status of share repurchase for the six months ended September 30, 2021 is as follows:

Status of share repurchase

1. Type of shares acquired  
Shares of common stock
2. Total number of shares acquired  
1,803,100 shares
3. Total cost of acquisition  
17,753,624,000 yen
4. Method of acquisition  
Purchased on the Tokyo Stock Exchange

(Reference) Details of the resolution of the Board of Directors' meeting held on July 28, 2021

1. Type of shares to be acquired  
Shares of common stock
2. Total number of shares to be acquired  
Up to 10 million shares (Equivalent to 5.1% of outstanding shares excluding treasury stock)
3. Total cost of acquisition  
Up to 70 billion yen

#### 4. Method of acquisition

Purchase on the Tokyo Stock Exchange

#### 5. Period of acquisition

From August 2, 2021 to March 24, 2022

### 7. Dividends

#### (1) Dividends Paid

Six months ended September 30, 2020

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2020	Ordinary shares	8,157	41	March 31, 2020	June 2, 2020

(Note) Dividend of (Y) 22 million to treasury shares for the BIP Trust and the ESOP Trust is included in the amount of dividend which was resolved at the Board of Directors' meeting held on May 21, 2020.

Six months ended September 30, 2021

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2021	Ordinary shares	15,770	80	March 31, 2021	June 3, 2021

(Note) Dividend of (Y) 56 million to treasury shares for the BIP Trust and the ESOP Trust is included in the amount of dividend which was resolved at the Board of Directors' meeting held on May 21, 2021.

#### (2) Dividends Whose Record Date is in the Second Quarter but Whose Effective Date is in the Following Quarter

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on October 28, 2021	Ordinary shares	9,776	50	September 30, 2021	December 1, 2021

(Note) Dividend of (Y) 21 million to treasury shares for the BIP Trust and the ESOP Trust is included in the above amount of dividend.

## 8. Revenue

Advantest sells test system products of semiconductor and mechatronics-related products such as test handlers that handling semiconductor devices. When control of such products is transferred to customers, the performance obligation is satisfied and revenue is recognized.

Additionally, Advantest has performance obligation towards customers on the service contracts. Revenue from such service contracts is recognized over the contract term on the straight-line basis. Net sales disaggregated by region and segment were as follows:

Six months ended September 30, 2020					Millions of Yen
	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	3,540	1,282	2,013	(334)	6,501
Americas	3,181	1,540	12,330	—	17,051
Europe	3,306	240	1,104	—	4,650
Asia	79,806	17,319	18,775	—	115,900
Total	89,833	20,381	34,222	(334)	144,102

Six months ended September 30, 2021					Millions of Yen
	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	3,645	879	2,205	(48)	6,681
Americas	3,426	533	4,141	—	8,100
Europe	3,802	452	1,170	—	5,424
Asia	116,487	19,080	32,218	—	167,785
Total	127,360	20,944	39,734	(48)	187,990

The breakdown of semiconductor and component test system business was as follows:

Six months ended September 30, 2020			Millions of Yen
	SoC	Memory	Total
Semiconductor and Component Test System Business	53,173	36,660	89,833

Six months ended September 30, 2021			Millions of Yen
	SoC	Memory	Total
Semiconductor and Component Test System Business	98,393	28,967	127,360

## 9. Other Income

The breakdown of other income was as follows:

	Millions of Yen	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Gain on the transfer of probe card business <sup>(Note)</sup>	2,451	—
Others	195	344
Total	2,646	344

<sup>(Note)</sup> Gain on the transfer of probe card business on July 30, 2020 is in relation to mechatronics system segment.

## 10. Earnings per Share

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

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net income attributable to owners of the parent (Millions of Yen)	24,491	35,246
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	24,491	35,246
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	24,491	35,246
Weighted average number of ordinary shares—basic	198,130,909	196,337,662
Dilutive effect of stock options	748,491	606,226
Dilutive effect of performance-based stock remuneration	289,441	394,848
Dilutive effect of restricted stock compensation	—	6,016
Weighted average number of ordinary shares—diluted	199,168,841	197,344,752
Basic earnings per share (Yen)	123.61	179.52
Diluted earnings per share (Yen)	122.97	178.60
Financial instruments not included in the calculation of diluted earnings per share because they have anti- dilutive effect	Certain share options	—

	Three months ended September 30, 2020	Three months ended September 30, 2021
Net income attributable to owners of the parent (Millions of Yen)	13,941	15,902
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	13,941	15,902
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	13,941	15,902
Weighted average number of ordinary shares—basic	197,783,798	196,126,953
Dilutive effect of stock options	716,372	581,393
Dilutive effect of performance-based stock remuneration	294,104	278,686
Dilutive effect of restricted stock compensation	—	12,031
Weighted average number of ordinary shares—diluted	198,794,274	196,999,063
Basic earnings per share (Yen)	70.48	81.08
Diluted earnings per share (Yen)	70.12	80.72
Financial instruments not included in the calculation of diluted earnings per share because they have anti- dilutive effect	Certain share options	—

## 11. Financial Instruments

### (1) Carrying Amounts and Fair Value of Financial Instruments

Financial instruments are settled mainly on a short-term basis, and their fair values approximate their carrying amounts.

### (2) Fair Value Hierarchy of Financial Instruments

Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three levels of the fair value hierarchy based on the measurement inputs' observability and materiality as follows:

Level 1: Fair value measured at quoted prices for identical assets or liabilities in active markets

Level 2: Fair value measured by direct or indirect observable inputs other than Level 1

Level 3: Fair value measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input with the lowest level in the fair value measurement as a whole.

The transfers between levels in the fair value hierarchy are deemed at the beginning of each quarter period.

There were no transfers of financial instruments between Level during the year ended March 31, 2021 and the six months ended September 30, 2021.

The financial assets and financial liabilities measured at fair value on a recurring basis were classified by hierarchy as follows:

As of March 31, 2021

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through profit or loss				
Debt instruments	—	—	371	371
Financial assets that are measured at fair value through other comprehensive income <sup>(Note 1)</sup>				
Equity instruments	7,627	—	752	8,379
Total financial assets	7,627	—	1,123	8,750
Financial liabilities that are measured at fair value through profit or loss				
Derivatives	—	11	—	11
Contingent consideration <sup>(Note 2)</sup>	—	—	2,642	2,642
Total financial liabilities	—	11	2,642	2,653

As of September 30, 2021

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through profit or loss				
Debt instruments	—	—	238	238
Financial assets that are measured at fair value through other comprehensive income <sup>(Note 1)</sup>				
Equity instruments	9,669	—	1,660	11,329
Total financial assets	9,669	—	1,898	11,567
Financial liabilities that are measured at fair value through profit or loss				
Derivatives	—	54	—	54
Contingent consideration <sup>(Note 2)</sup>	—	—	2,671	2,671
Total financial liabilities	—	54	2,671	2,725

<sup>(Note 1)</sup> The Company holds equity investments to accomplish expansion of revenue base by maintaining and enforcing relationships with investees. These equity investments are designated as financial assets measured at fair value through other comprehensive income (“FVTOCI”).

<sup>(Note 2)</sup> The contingent consideration represents an earn-out payment of up to USD35 million based on certain performance milestones. The fair value of the contingent consideration was calculated considering the future sales forecast and the probability of its achievement.



The movement of financial assets categorized within Level 3 of the fair value hierarchy was as follows:

Millions of Yen

	Six months ended September 30, 2020	Six months ended September 30, 2021
Balance at beginning of period	1,475	1,123
Gains or losses		
Other comprehensive income <sup>(Note)</sup>	22	18
Purchase	—	881
Sales	—	(125)
Others	15	1
Balance at end of period	1,512	1,898

<sup>(Note)</sup> Gains or losses recognized in other comprehensive income are presented in net change in fair value measurements of equity instruments at FVTOCI of the condensed consolidated statement of comprehensive income.

The movement of financial liabilities categorized within Level 3 of the fair value hierarchy was as follows:

Millions of Yen

	Six months ended September 30, 2020	Six months ended September 30, 2021
Balance at beginning of period	1,487	2,642
Changes in fair value <sup>(Note)</sup>	—	—
Others	(42)	29
Balance at end of period	1,445	2,671

<sup>(Note)</sup> If applicable, changes in fair value are included in financial expenses of the condensed consolidated statement of profit or loss.

## 12. Business Combinations

Six months ended September 30, 2020

(Business combination through acquisition)

Advantest America, Inc., the Company's U.S. subsidiary, acquired all outstanding ordinary shares of U.S. company Essai, Inc. ("Essai") on January 29, 2020, and Essai became a wholly owned subsidiary of Advantest America, Inc.

The fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were provisional as of March 31, 2020, but they were revised because the purchase price allocation was completed during the second quarter of the fiscal year ended March 31, 2021.

	Millions of Yen		
	Provisional fair value	Revision	Revised fair value
Assets acquired			
Cash and cash equivalents	6,027	—	6,027
Trade and other receivables	1,578	—	1,578
Other current assets	648	—	648
Property, plant and equipment, net	1,998	—	1,998
Right-of-use-assets	942	—	942
Intangible assets, net	1,806	19,008	20,814
Assets total	12,999	19,008	32,007
Liabilities assumed			
Trade and other payables	1,354	(95)	1,259
Other current liabilities	233	—	233
Long-term debt	2,277	—	2,277
Lease liabilities	942	—	942
Deferred tax liabilities	663	4,201	4,864
Liabilities total	5,469	4,106	9,575
Goodwill	25,885	(14,741)	11,144
Total	33,415	161	33,576
Fair value of consideration paid			
Cash and cash equivalents	33,415	161	33,576

Six months ended September 30, 2021

Not applicable.

## 13. Additional Information

(Acquisition of R&D Altanova, Inc.)

Advantest entered into an agreement to acquire US based R&D Altanova, Inc. ("R&D Altanova") in September 2021. R&D Altanova, which is headquartered in South Plainfield, New Jersey, will become a wholly owned subsidiary of Advantest America, Inc., Advantest's U.S. subsidiary. The closing of the transaction is tied to regulatory approvals, which we expect in the fourth calendar quarter of 2021.