

(English translation and a part of summary of the Quarterly Report for the fiscal first quarter ended June 30, 2020, pursuant to the Japanese Financial Instrument and Exchange Law.)

# Quarterly Financial Report

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For the fiscal first quarter ended June 30, 2020

**Advantest Corporation**

## 1. Condensed Consolidated Financial Statements

### (1) Condensed Consolidated Statement of Financial Position

		Millions of Yen	
	Note	As of March 31, 2020	As of June 30, 2020
<b>Assets</b>			
Current assets			
Cash and cash equivalents		127,703	126,161
Trade and other receivables		46,426	38,650
Inventories		58,943	66,972
Other current assets		6,871	8,843
Subtotal		<u>239,943</u>	<u>240,626</u>
Assets held for sale		199	199
Total current assets		<u>240,142</u>	<u>240,825</u>
Non-current assets			
Property, plant and equipment, net		35,072	35,834
Right-of-use assets		11,184	10,604
Goodwill and intangible assets, net	10	51,025	54,392
Other financial assets	9	2,867	2,935
Deferred tax assets		15,351	14,120
Other non-current assets		136	351
Total non-current assets		<u>115,635</u>	<u>118,236</u>
Total assets		<u>355,777</u>	<u>359,061</u>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Current liabilities			
Trade and other payables		46,660	41,358
Income tax payables		7,793	6,139
Provisions		3,335	3,317
Lease liabilities		2,275	2,265
Other financial liabilities		1,892	4,666
Other current liabilities		8,582	10,566
Total current liabilities		<u>70,537</u>	<u>68,311</u>
Non-current liabilities			
Lease liabilities		9,013	8,459
Retirement benefit liabilities		40,622	41,231
Deferred tax liabilities		1,563	4,190
Other non-current liabilities		2,590	2,628
Total non-current liabilities		<u>53,788</u>	<u>56,508</u>
Total liabilities		<u>124,325</u>	<u>124,819</u>
<b>Equity</b>			
Share capital		32,363	32,363
Share premium		43,550	43,755
Treasury shares		(4,179)	(3,353)
Retained earnings		159,803	161,975
Other components of equity		(85)	(498)
Total equity attributable to owners of the parent		<u>231,452</u>	<u>234,242</u>
Total equity		<u>231,452</u>	<u>234,242</u>
Total liabilities and equity		<u>355,777</u>	<u>359,061</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	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	5, 7	66,165	66,725
Cost of sales		<u>(26,814)</u>	<u>(28,772)</u>
Gross profit		39,351	37,953
Selling, general and administrative expenses		(24,215)	(24,532)
Other income		46	76
Other expenses		(22)	(39)
Operating income	5	<u>15,160</u>	<u>13,458</u>
Financial income		232	47
Financial expenses		<u>(443)</u>	<u>(610)</u>
Income before income taxes		14,949	12,895
Income taxes		<u>(2,865)</u>	<u>(2,345)</u>
Net income		<u><u>12,084</u></u>	<u><u>10,550</u></u>
Net income attributable to:			
Owners of the parent		12,084	10,550
Earnings per share:	8	Yen	Yen
Basic		<u>61.07</u>	<u>53.16</u>
Diluted		60.93	52.89

**Condensed Consolidated Statement of Comprehensive Income**

	Millions of Yen	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Net income	12,084	10,550
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	(18)	16
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	<u>(3,364)</u>	<u>(429)</u>
Total other comprehensive income (loss)	<u>(3,382)</u>	<u>(413)</u>
Total comprehensive income for the period	<u><u>8,702</u></u>	<u><u>10,137</u></u>
Comprehensive income attributable to:		
Owners of the parent	8,702	10,137

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

Three months ended June 30, 2019

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, 2019		32,363	43,018	(6,262)	125,927	3,685	198,731	198,731
Net income					12,084		12,084	12,084
Other comprehensive income (loss), net of tax						(3,382)	(3,382)	(3,382)
Total comprehensive income for the period		—	—	—	12,084	(3,382)	8,702	8,702
Purchase of treasury shares				(0)			(0)	(0)
Disposal of treasury shares			(35)	363	(181)		147	147
Dividends	6				(8,309)		(8,309)	(8,309)
Share-based payments			128				128	128
Transfer from other components of equity to retained earnings					111	(111)	—	—
Total transactions with the owners		—	93	363	(8,379)	(111)	(8,034)	(8,034)
Balance as of June 30, 2019		<u>32,363</u>	<u>43,111</u>	<u>(5,899)</u>	<u>129,632</u>	<u>192</u>	<u>199,399</u>	<u>199,399</u>

Three months ended June 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					10,550		10,550	10,550
Other comprehensive income (loss), net of tax						(413)	(413)	(413)
Total comprehensive income for the period		—	—	—	10,550	(413)	10,137	10,137
Purchase of treasury shares				(1)			(1)	(1)
Disposal of treasury shares			(83)	827	(243)		501	501
Dividends	6				(8,135)		(8,135)	(8,135)
Share-based payments			288				288	288
Total transactions with the owners		—	205	826	(8,378)	—	(7,347)	(7,347)
Balance as of June 30, 2020		<u>32,363</u>	<u>43,755</u>	<u>(3,353)</u>	<u>161,975</u>	<u>(498)</u>	<u>234,242</u>	<u>234,242</u>

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

Millions of Yen

	Note	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from operating activities:			
Income before income taxes		14,949	12,895
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization		2,389	2,646
Changes in assets and liabilities:			
Trade and other receivables		(5,635)	7,737
Inventories		(2,514)	(7,978)
Trade and other payables		(4,750)	(4,806)
Warranty provisions		1	(19)
Deposits received		2,463	2,702
Advance receipt		1,826	1,852
Retirement benefit liabilities		353	341
Other		342	(1,725)
Subtotal		9,424	13,645
Interest and dividends received		229	54
Interest paid		(38)	(44)
Income taxes paid		(6,288)	(3,901)
Net cash provided by (used in) operating activities		3,327	9,754
Cash flows from investing activities:			
Proceeds from sale of equity instruments		111	—
Purchases of property, plant and equipment		(1,652)	(2,862)
Purchases of intangible assets		(17)	(172)
Other		32	16
Net cash provided by (used in) investing activities		(1,526)	(3,018)
Cash flows from financing activities:			
Proceeds from disposal of treasury shares		147	503
Dividends paid	6	(7,981)	(7,882)
Payments for lease liabilities		(578)	(554)
Other		(0)	(0)
Net cash provided by (used in) financing activities		(8,412)	(7,933)
Net effect of exchange rate changes on cash and cash equivalents		(1,974)	(345)
Net change in cash and cash equivalents		(8,585)	(1,542)
Cash and cash equivalents at the beginning of period		119,943	127,703
Cash and cash equivalents at the end of period		111,358	126,161

## **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, 2020.

The condensed consolidated financial statements were approved on August 13, 2020 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.

### **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, 2020.

### **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, 2020.

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 and performance-based stock remuneration expense.

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

Inter-segment sales are based on market prices.

Three months ended June 30, 2019

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	50,909	6,645	8,611	—	66,165
Inter-segment sales	10	—	—	(10)	—
Total	50,919	6,645	8,611	(10)	66,165
Segment income (loss) (operating income (loss) before share-based compensation expense)	17,659	(952)	513	(1,911)	15,309
Adjustment:					
Share-based compensation expense	—	—	—	—	(149)
Operating income	—	—	—	—	15,160
Financial income	—	—	—	—	232
Financial expenses	—	—	—	—	(443)
Income before income taxes	—	—	—	—	14,949

Three months ended June 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	41,959	8,879	15,887	—	66,725
Inter-segment sales	332	—	—	(332)	—
Total	42,291	8,879	15,887	(332)	66,725
Segment income (loss) (operating income (loss) before share-based compensation expense)	11,814	183	3,713	(1,877)	13,833
Adjustment:					
Share-based compensation expense	—	—	—	—	(375)
Operating income	—	—	—	—	13,458
Financial income	—	—	—	—	47
Financial expenses	—	—	—	—	(610)
Income before income taxes	—	—	—	—	12,895

(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.



## 6. Dividends

### Dividends Paid

Three months ended June 30, 2019

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 22, 2019	Ordinary shares	8,320	42	March 31, 2019	June 4, 2019

(Note) Dividend of (Y) 11 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 22, 2019.

Three months ended June 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.

## 7. 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 at the straight-line basis. Net sales disaggregated by region and segment were as follows:

Three months ended June 30, 2019

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	902	598	1,245	(10)	2,735
Americas	1,858	1,110	2,066	—	5,034
Europe	1,022	68	498	—	1,588
Asia	47,137	4,869	4,802	—	56,808
Total	50,919	6,645	8,611	(10)	66,165

Three months ended June 30, 2020

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
<b>Main regions</b>					
Japan	1,133	350	1,036	(332)	2,187
Americas	1,955	739	4,070	—	6,764
Europe	1,082	97	573	—	1,752
Asia	38,121	7,693	10,208	—	56,022
Total	42,291	8,879	15,887	(332)	66,725

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

Three months ended June 30, 2019

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	44,861	6,058	50,919

Three months ended June 30, 2020

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	25,111	17,180	42,291

## 8. Earnings per Share

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

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net income attributable to owners of the parent (Millions of Yen)	12,084	10,550
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	12,084	10,550
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	12,084	10,550
Weighted average number of ordinary shares—basic	197,881,414	198,481,834
Dilutive effect of stock options	428,817	767,968
Dilutive effect of performance-based stock remuneration	27,922	237,653
Weighted average number of ordinary shares—diluted	198,338,153	199,487,455
Basic earnings per share (Yen)	61.07	53.16
Diluted earnings per share (Yen)	60.93	52.89
Financial Instruments not included in the calculation of diluted earnings per share because they have anti- dilutive effect	Certain share options	Certain financial instruments related to share-based compensation

## 9. 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, 2020 and the three months ended June 30, 2020.

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

As of March 31, 2020

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through profit or loss				
Debt instruments	—	—	772	772
Financial assets that are measured at fair value through other comprehensive income <sup>(Note)</sup>				
Equity instruments	—	—	703	703
Total financial assets	—	—	1,475	1,475
Financial liabilities that are measured at fair value through profit or loss	—	—	1,487	1,487
Total financial liabilities	—	—	1,487	1,487

As of June 30, 2020

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through profit or loss				
Debt instruments	—	—	779	779
Financial assets that are measured at fair value through other comprehensive income <sup>(Note)</sup>				
Equity instruments	—	—	723	723
Total financial assets	—	—	1,502	1,502
Financial liabilities that are measured at fair value through profit or loss	—	—	1,472	1,472
Total financial liabilities	—	—	1,472	1,472

<sup>(Note)</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”). The fair value of each financial assets measured at FVTOCI as of March 31, 2020 and June 30, 2020 was immaterial.

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

Millions of Yen

	Three months ended June 30, 2019	Three months ended June 30, 2020
Balance at beginning of period	1,287	1,475
Gains or losses		
Other comprehensive income <sup>(Note)</sup>	(26)	22
Sales	(111)	—
Other	(34)	5
Balance at end of period	1,116	1,502

<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.

## 10. Business Combinations

Three months ended June 30, 2019

(Business combination through acquisition)

Advantest purchased commercial Semiconductor System Level Test business (“Test Systems”) from Astronics Corporation. Test Systems is now a fully owned subsidiary of Advantest’s U.S. subsidiary, Advantest America, Inc., and is now operating under a newly created entity, Advantest Test Solutions, Inc.

The fair value of the assets acquired and consideration paid as of the acquisition date were provisional as of June 30, 2019, but they were revised because the purchase price allocation was completed during the second quarter of the fiscal year ended March 31, 2020.

Millions of Yen

	Provisional fair value	Revision	Revised fair value
Assets acquired			
Inventories	641	—	641
Property, plant and equipment, net	377	—	377
Intangible assets, net	—	3,808	3,808
Assets total	1,018	3,808	4,826
Goodwill	10,080	(3,325)	6,755
Total	11,098	483	11,581
Fair value of consideration paid			
Cash and cash equivalents	11,098	—	11,098
Contingent consideration <sup>(Note)</sup>	—	483	483
Total	11,098	483	11,581

<sup>(Note)</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 hierarchy of the contingent consideration was Level 3.

Three months ended June 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 and liabilities assumed as of the acquisition date were provisional as of March 31, 2020, but they were revised because the purchase price allocation was revised for the three months ended June 30, 2020. The purchase price allocation procedures have not been completed.

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	—	1,354
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	4,201	9,670
Goodwill	25,885	(14,807)	11,078
Total	33,415	—	33,415
Fair value of consideration paid			
Cash and cash equivalents	33,415	—	33,415

## 11. Subsequent Event

(Share repurchase)

Advantest resolved to acquire its own shares under Article 459, paragraph 1 of the Companies Act, at the Board of Directors meeting held on July 30, 2020 as follows:

### (1) Reason for acquisition of own shares

In consideration of the current cash position and medium- to long-term growth investment, Advantest intends to acquire its own shares in order to promote efficient use of capital in accordance with the capital policy of the Company's medium- to long-term management policy "Grand Design" and to deliver shares upon exercise of share options (stock acquisition rights).

**(2) Details of acquisition**

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) Period of acquisition

From July 31, 2020 to October 30, 2020

5) Repurchase method

Purchase on the Tokyo Stock Exchange