

(Translation)

This document has been translated from the Quarterly Securities Report for the six-month period ended September 30, 2023, pursuant to the Financial Instruments and Exchange act of Japan. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Quarterly Securities Report

From July 1, 2023 to September 30, 2023
(Second Quarter of the 82nd term)

Advantest Corporation

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[Company Name]	Kabushiki Kaisha Advantest
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This is an English translation of the Quarterly Securities Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors’ NETWORK (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan.

In this report, “we,” “our,” “us,” “Advantest” and “Advantest Group” refer to Advantest Corporation and its consolidated subsidiaries, or, as the context requires, “the Company” and “Advantest Corporation” on a non-consolidated basis.

“¥”, “yen”, “JPY” or (Y) means Japanese yen.

Cautionary Statement with Respect to Forward-Looking Statements

This Quarterly Securities Report contains “forward-looking statements” that are based on Advantest’s current expectations, estimates and projections. These statements include, among other things, the discussion of Advantest’s business strategy, outlook and expectations as to market and business developments, production and capacity plans. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “project,” “should” and similar expressions. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause Advantest’s actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including:

- changes in demand for the products and services produced and offered by Advantest’s customers, including semiconductors, communications services and electronic goods;
- circumstances relating to Advantest’s investment in technology, including its ability to timely develop products that meet the changing needs of semiconductor manufacturers and communications network equipment and components makers and service providers;
- the environment in which Advantest purchases materials, components and supplies for the production of its products, including the availability of necessary materials, components and supplies during a significant expansion in the market in which Advantest operates; and
- changes in economic conditions, competitive environment, currency exchange rates or political stability in the major markets where Advantest produces, distributes or sells its products.

These risks, uncertainties and other factors also include those identified in “Risk Factors” and set forth elsewhere in Advantest’s most recent Annual Securities Report.

Part I. Information on the Company

Item 1. Company Overview

1. Trends in Main Management Indicators

Business Term		The 81st	The 82nd	The 81st
Accounting Period		Six months ended September 30, 2022	Six months ended September 30, 2023	Fiscal Year ended March 31, 2023
Net sales (Three months ended September 30)	Millions of Yen	274,806 (138,863)	217,511 (116,260)	560,191
Income before income taxes	Millions of Yen	95,247	33,317	171,270
Net income attributable to owners of the parent (Three months ended September 30)	Millions of Yen	71,161 (34,665)	25,938 (16,736)	130,400
Comprehensive income attributable to owners of the parent	Millions of Yen	87,492	44,628	146,882
Equity attributable to owners of the parent	Millions of Yen	342,407	401,813	368,694
Total assets	Millions of Yen	567,270	630,766	600,224
Basic earnings per share (Three months ended September 30)	Yen	93.88 (45.83)	35.18 (22.69)	174.35
Diluted earnings per share	Yen	93.53	35.06	173.68
Ratio of equity attributable to owners of the parent	%	60.4	63.7	61.4
Cash flows from operating activities	Millions of Yen	46,438	97	70,224
Cash flows from investing activities	Millions of Yen	(12,974)	(17,725)	(26,706)
Cash flows from financing activities	Millions of Yen	(42,076)	5,249	(77,434)
Cash and cash equivalents at the end of period	Millions of Yen	114,926	77,725	85,537

(Notes) 1. Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as the “IFRS”).

2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. “Basic earnings per share” and “Diluted earnings per share” are calculated based on the assumption that the share split was implemented at the beginning of the previous fiscal year.

2. Description of Business

There are no significant changes in the business operated by the Company and Advantest during the six months ended September 30, 2023. There are also no transfer changes in major affiliated companies.

Item2. Business Overview

1. Risk Factors

There were no risks newly identified during the six months ended September 30, 2023.

There was no material change in risk factors which were described in the Annual Securities Report for the fiscal year ended March 31, 2023.

2. Management's Discussion and Analysis of Financial Condition, Operating Results and Cash Flows

(1) Overview of Business Results

Consolidated Financial Results of FY2023 Q2 (April 1, 2023 through September 30, 2023)

(in billion yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	As compared to the corresponding period of the previous fiscal year increase (decrease)
Net sales	274.8	217.5	(20.8%)
Operating income	87.9	35.3	(59.9%)
Income before income taxes	95.2	33.3	(65.0%)
Net income	71.2	25.9	(63.5%)

During Advantest's six-month period ended September 30, 2023, the global economy saw normalization of activities compared with the same period last year, supported by policies such as "living with COVID-19." However, the outlook for the global economy remained highly uncertain due to persistent inflationary pressures, monetary tightening policies particularly in the U.S., and the economic slowdown in China.

In this uncertain global economic situation, due to a slow down in investments in data centers in addition to a decline in demand for semiconductors used in cornerstone consumer electronics products such as smartphones, personal computers and televisions, the semiconductor market saw a decline in demand for related semiconductors. Although some semiconductors, such as those used in automotive and industrial equipment, were firm, many semiconductor manufacturers continued to implement inventory adjustments and cut back on CapEx, resulting in an overall contraction of the semiconductor market.

In Advantest's semiconductor test equipment business, investment by customers which continued over the past three fiscal years has resulted in excess capacity in some of our customers' supply chains. In addition, weakness of the semiconductor market has resulted in a significant drop in demand for our products year-on-year.

As a result of the above, net sales were (Y) 217.5 billion (20.8% decrease in comparison to the corresponding period of the previous fiscal year). In terms of profit, due to a decline in sales and a lower sales mix of higher margin products, operating income was (Y) 35.3 billion (59.9% decrease in comparison to the corresponding period of the previous fiscal year). Income before income taxes was (Y) 33.3 billion (65.0% decrease in comparison to the corresponding period of the previous fiscal year) due to an increase in financial expenses caused by foreign exchange losses. Net income was (Y) 25.9 billion (63.5% decrease in comparison to the corresponding period of the previous fiscal year). Average currency exchange rates in the first half of the current consolidated cumulative period were 1 USD to 139 JPY (130 JPY in the corresponding period of the previous fiscal year) and 1 EUR to 151 JPY (137 JPY in the corresponding period of the previous fiscal year). The percentage of net sales to overseas customers was 95.4% (97.2% in the corresponding period of the previous fiscal year).

Conditions of business segments are described below.

<Semiconductor and Component Test System Segment>

(in billion yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	As compared to the corresponding period of the previous fiscal year increase (decrease)
Net sales	194.9	151.7	(22.1%)
Segment income (loss)	81.9	39.6	(51.7%)

In this segment, sales of SoC semiconductor test equipment for automotive and industrial equipment-related semiconductors were solid. However, stagnant smartphone market conditions and a slowdown in server investment led to a drop in sales of products for high-performance semiconductors related to these devices. Sales of memory semiconductor test equipment declined due to the deteriorating memory semiconductor market conditions for smartphones and other devices, despite solid demand for high-performance DRAM. Profitability in this segment also declined as a result of lower sales as well as a deteriorating product mix and higher parts procurement costs.

As a result of the above, net sales were (Y) 151.7 billion (22.1% decrease in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 39.6 billion (51.7% decrease in comparison to the corresponding period in the previous fiscal year).

<Mechatronics System Segment>

(in billion yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	As compared to the corresponding period of the previous fiscal year increase (decrease)
Net sales	28.2	21.0	(25.5%)
Segment income (loss)	7.1	1.7	(75.7%)

In this segment, sales of device interface products and test handlers decreased due to a decline in demand for semiconductor test equipment. Sales of SEM metrology products also decreased, as product deliveries to customers progressed in the previous fiscal year.

As a result of the above, net sales were (Y) 21.0 billion (25.5% decrease in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 1.7 billion (75.7% decrease in comparison to the corresponding period in the previous fiscal year).

<Services, Support and Others Segment>

(in billion yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	As compared to the corresponding period of the previous fiscal year increase (decrease)
Net sales	51.8	44.8	(13.5%)
Segment income (loss)	7.7	1.9	(76.0%)

In this segment, maintenance services sales increased as Advantest's installed base grew. However, in our system-level test (SLT) business, which currently has high sales exposure to a limited number of customers, sales were weak due to the impact of declining demand for consumer applications. Moreover, Advantest's ongoing investments in reinforcing SLT production and R&D capabilities in anticipation of mid/long-term business growth, which led costs to increase, caused profit in this segment to significantly decline year-on-year. The segment income for the six-month period ended September 30, 2023 includes approximately (Y) 3.2 billion income. This is mainly due to the settlement of a dispute with the counterparty.

As a result of the above, net sales were (Y) 44.8 billion (13.5% decrease in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 1.9 billion (76.0% decrease in comparison to the corresponding period in the previous fiscal year).

(2) Analysis of Financial Condition

Total assets at September 30, 2023 amounted to (Y) 630.8 billion, an increase of (Y) 30.5 billion compared to the fiscal year ended March 31, 2023. This was primarily attributable to increases of (Y) 28.6 billion in inventories, (Y) 12.4 billion in goodwill and intangible assets and (Y) 12.3 billion in property, plant and equipment offset by a decrease of (Y) 23.6 billion in trade and other receivables. The amount of total liabilities was (Y) 229.0 billion, a decrease of (Y) 2.6 billion compared to the fiscal year ended March 31, 2023. This was primarily attributable to decreases of (Y) 15.3 billion in trade and other payables and (Y) 15.0 billion in income taxes payables offset by an increase of (Y) 21.6 billion in borrowings. Total equity was (Y) 401.8 billion. Ratio of equity attributable to owners of the parent was 63.7%, an increase of 2.3 percentage point from March 31, 2023.

(3) Overview of Cash Flows

Cash and cash equivalents held at September 30, 2023 were (Y) 77.7 billion, a decrease of (Y) 7.8 billion from March 31, 2023. Significant cash flows during the six-month period of this fiscal year and details are described below.

Net cash provided by operating activities was (Y) 0.1 billion (net cash inflow of (Y) 46.4 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to a decrease of (Y) 27.1 billion in trade and other receivables, income taxes paid of (Y) 26.0 billion, an increase of (Y) 24.8 billion in inventories, a decrease of (Y) 18.3 billion in trade and other payables and adjustments of non-cash items such as depreciation and amortization in addition to the income before income taxes of (Y) 33.3 billion.

Net cash used in investing activities was (Y) 17.7 billion (net cash outflow of (Y) 13.0 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) 10.0 billion and acquisition of subsidiaries of (Y) 8.3 billion.

Net cash provided by financing activities was (Y) 5.2 billion (net cash outflow of (Y) 42.1 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to an increase of (Y) 20.0 billion in short-term borrowings and dividends paid of (Y) 12.9 billion.

(4) Business and Financial Issues to be Addressed

There were no material changes in issues to be addressed by Advantest for the six months ended September 30, 2023.

(5) Research and Development

Research and development expenses were ¥31.4 billion for the six months ended September 30, 2023.

There were no material changes in Advantest's research and development activities during the six months ended September 30, 2023.

(6) Management Policy and Management Indicators

There were no material changes in Advantest's management policy and management indicators during the six months ended September 30, 2023.

3. Material Contracts

On July 31, 2023, the Company has entered into an agreement to increase the maximum loan amount of the existing committed line of credit agreement, signed on September 1, 2022.

The maximum loan amount under this agreement	¥60.0 billion (previously ¥30.0 billion)
Term of this agreement	From July 31, 2023 to September 1, 2025
Collateral	Not applicable

Item3. Status of the Company

1. Status of Shares

(1) Total Number of Shares

1) Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common shares	440,000,000
Total	440,000,000

(Note) The Company has resolved at the Board of Directors' Meeting held on May 19, 2023 to implement a share split and partially amend the Company's Articles of Incorporation due to the share split. As a result of the share split, total number of shares authorized to be issued increased from 440,000,000 shares by 1,320,000,000 shares to 1,760,000,000 shares, effective October 1, 2023.

2) Total Number of Issued Shares

Class	Number of issued shares as of the end of the second quarter accounting period (shares) (September 30, 2023)	Number of issued shares as of the filing date (shares) (November 13, 2023)	Stock exchange on which the Company is listed	Description
Common shares	191,535,314	766,141,256	Tokyo Stock Exchange Prime Market	One unit of shares constitutes 100 shares
Total	191,535,314	766,141,256	—	—

(Notes)1. Number of issued shares as of the filing date of this Quarterly Securities Report does not include the number of issued shares between November 1, 2023 and such filing date.

2. At the resolution of the Board of Directors on May 19, 2023, the Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. As a result of the share split, the total number of issued shares increased by 574,605,942 shares to 766,141,256 shares.

(2) Status of Stock Acquisition Rights

1) Stock Acquisition Rights

Not Applicable.

2) Other Status of Share Options

Not Applicable.

(3) Status in the Exercise of Bonds with Share Options with Exercise Price Amendment

Not Applicable.

(4) Changes in the Total Number of Issued Shares and the Amount of Common Stock and Others

Date	Changes in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Changes in common stock (Millions of Yen)	Balance of common stock (Millions of Yen)	Changes in legal capital reserve (Millions of Yen)	Balance of legal capital reserve (Millions of Yen)
September 8, 2023	(6,951)	191,535,314	—	32,363	—	32,973

(Notes) 1. The decrease is due to the cancellation of treasury shares.

2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023, the total number of issued shares increased by 574,605,942 shares.

(5) Major Shareholders

As of September 30, 2023

Name	Address	Number of shares held (1000 shares)	Percentage of shares held to the total number of issued shares, less treasury shares(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	57,779	31.31
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	26,223	14.21
MOXLEY & CO LLC (Standing proxy: Mizuho Bank, Ltd.)	270 PARK AVE., NEW YORK, NY 10017, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	4,396	2.38
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	3,707	2.00
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	1 QUEEN'S ROAD CENTRAL, HONG KONG (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	3,096	1.67
BBH FOR UMB BANK, NA - WCM FOCUSED INTERNATIONAL GROWTH FUND (Standing proxy: MUFG Bank, Ltd.)	235 W GALENA ST MILWAUKEE WISCONSIN 53212 U.S.A. (2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	2,750	1.49
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1, Konan, Minato-ku, Tokyo)	2,455	1.33
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUETTS (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	2,089	1.13
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	1,730	0.93
JPMorgan Securities Japan Co., Ltd.	2-7-3, Marunouchi, Chiyoda-ku, Tokyo	1,729	0.93
Total	—	105,958	57.42

(Notes) 1. The number of shares held is rounded down to the nearest thousand shares.

2. According to the large shareholding report “change report” made available for public inspection on April 21, 2020, the following large shareholder is stated to jointly hold the following shares as of April 15, 2020, but the portion for which the Company cannot confirm the actual number of shares held by each shareholder is not included in the above table. The details of the report on large shareholding report “change report” are as follows.

Large Shareholder “Co-Owners”	Daiwa Asset Management Co. Ltd.
Number of shares held	12,269,000 shares
Shareholding ratio	6.15%

3. According to the large shareholding report “change report” made available for public inspection on December 8, 2021, the following large shareholders are stated to jointly hold the following shares as of December 2, 2021, but the portion for which the Company cannot confirm the actual number of shares held by each shareholder is not included in the above table. The details of the report on large shareholding report “change report” are as follows.

Large Shareholders “Co-Owners”	Nomura Securities Co., Ltd. and 1 other company
Number of shares held	26,618,620 shares
Shareholding ratio	13.34%

4. According to the large shareholding report “change report” made available for public inspection on May 19, 2022, the following large shareholders are stated to jointly hold the following shares as of May 13, 2022, but the portion for which the Company cannot confirm the actual number of shares held by each shareholder is not included in the above table. The details of the report on large shareholding report “change report” are as follows.

Large Shareholders “Co-Owners”	BlackRock Japan Co., Ltd. and 9 other companies
Number of shares held	15,459,133 shares
Shareholding ratio	7.75%

5. According to the large shareholding report “change report” made available for public inspection on May 25, 2023, the following large shareholders are stated to jointly hold the following shares as of May 19, 2023, but the portion for which the Company cannot confirm the actual number of shares held by each shareholder is not included in the above table. The details of the report on large shareholding report “change report” are as follows.

Large Shareholders “Co-Owners”	Sumitomo Mitsui Trust Asset Management Co., Ltd. and 1 other company
Number of shares held	19,575,300 shares
Shareholding ratio	10.22%

6. According to the large shareholding report “change report” made available for public inspection on September 19, 2023, the following large shareholders are stated to jointly hold the following shares as of September 11, 2023, but the portion for which the Company cannot confirm the actual number of shares held by each shareholder is not included in the above table. The details of the report on large shareholding report “change report” are as follows.

Large Shareholders “Co-Owners”	Mitsubishi UFJ Trust and Banking Corporation and 2 other companies
Number of shares held	12,363,568 shares
Shareholding ratio	6.45%

(6) Status of Voting Rights

1) Issued Shares

As of September 30, 2023

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares)	Common shares 7,003,100	—	—
Shares with full voting rights (others)	Common shares 184,369,500	1,843,695	—
Less than one unit shares	Common shares 162,714	—	—
Total number of issued shares	191,535,314	—	—
Total voting rights held by all shareholders	—	1,843,695	—

(Note) In the column of “Shares with full voting rights (others),” there are 3,400 shares in the name of Japan Securities Depository Center (34 voting rights) and in the column of “Less than one unit shares,” 46 shares in the name of Japan Securities Depository Center.

2) Treasury Shares

As of September 30, 2023

Shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total number of shares held (shares)	Percentage of shares held to the total number of issued shares (%)
Advantest Corporation	1-6-2, Marunouchi, Chiyoda-ku, Tokyo	7,003,100	—	7,003,100	3.65
Total	—	7,003,100	—	7,003,100	3.65

2. Directors

Not applicable.

Item4. Financial Information

1. Basis of Preparation of the Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements of Advantest Corporation (the “Company”) and its subsidiaries are prepared in accordance with International Accounting Standards (“IAS”) No. 34, “Interim Financial Reporting”, pursuant to Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (the Ordinance of the Cabinet Office No. 64 of 2007, hereinafter “Ordinance on Quarterly Consolidated Financial Statements.”)

The condensed quarterly consolidated financial statements are rounded to the nearest million yen.

2. Audit Certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the condensed quarterly consolidated financial statements for the second quarter accounting period (from July 1, 2023 to September 30, 2023) and the second quarter cumulative period (from April 1, 2023 to September 30, 2023) were reviewed by Ernst & Young ShinNihon LLC.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

Millions of Yen

	Note	As of March 31, 2023	As of September 30, 2023
Assets			
Current assets			
Cash and cash equivalents		85,537	77,725
Trade and other receivables		102,152	78,592
Inventories		169,082	197,639
Other current assets		17,924	29,363
Total current assets		<u>374,695</u>	<u>383,319</u>
Non-current assets			
Property, plant and equipment, net		64,046	76,390
Right-of-use assets		17,312	16,819
Goodwill and intangible assets, net	12	95,767	108,124
Other financial assets	11	21,488	19,293
Deferred tax assets		26,522	25,701
Other non-current assets		394	1,120
Total non-current assets		<u>225,529</u>	<u>247,447</u>
Total assets		<u><u>600,224</u></u>	<u><u>630,766</u></u>
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables		89,262	73,966
Short-term borrowings		13,357	34,958
Income taxes payable		30,635	15,649
Provisions		9,093	8,937
Lease liabilities		4,587	4,858
Other financial liabilities	11	4,903	2,356
Other current liabilities		22,852	31,836
Total current liabilities		<u>174,689</u>	<u>172,560</u>
Non-current liabilities			
Long-term borrowings	11	20,000	20,003
Lease liabilities		12,900	12,157
Retirement benefit liabilities		16,812	17,053
Deferred tax liabilities		5,773	5,648
Other non-current liabilities	11	1,356	1,532
Total non-current liabilities		<u>56,841</u>	<u>56,393</u>
Total liabilities		<u>231,530</u>	<u>228,953</u>
Equity			
Share capital		32,363	32,363
Share premium		44,622	44,306
Treasury shares	6	(59,099)	(56,926)
Retained earnings		319,171	331,743
Other components of equity		31,637	50,327
Total equity attributable to owners of the parent		<u>368,694</u>	<u>401,813</u>
Total equity		<u>368,694</u>	<u>401,813</u>
Total liabilities and equity		<u><u>600,224</u></u>	<u><u>630,766</u></u>

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

Condensed Quarterly Consolidated Statement of Profit or Loss

Millions of Yen

	Note	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	5,8	274,806	217,511
Cost of sales		(116,046)	(108,502)
Gross profit		158,760	109,009
Selling, general and administrative expenses		(71,022)	(77,164)
Other income	9	366	3,616
Other expenses		(188)	(192)
Operating income	5	87,916	35,269
Financial income		7,917	546
Financial expenses		(586)	(2,498)
Income before income taxes		95,247	33,317
Income taxes		(24,086)	(7,379)
Net income		71,161	25,938
Net income attributable to:			
Owners of the parent		71,161	25,938
Earnings per share:			
	10	Yen	Yen
Basic		93.88	35.18
Diluted		93.53	35.06

Millions of Yen

	Note	Three months ended September 30, 2022	Three months ended September 30, 2023
Net sales	5	138,863	116,260
Cost of sales		(59,022)	(58,202)
Gross profit		79,841	58,058
Selling, general and administrative expenses		(36,998)	(40,261)
Other income	9	307	3,289
Other expenses		(17)	(86)
Operating income	5	43,133	21,000
Financial income		3,925	252
Financial expenses		(227)	(896)
Income before income taxes		46,831	20,356
Income taxes		(12,166)	(3,620)
Net income		34,665	16,736
Net income attributable to:			
Owners of the parent		34,665	16,736
Earnings per share:			
Basic	10	Yen 45.83	Yen 22.69
Diluted		45.69	22.62

Condensed Quarterly Consolidated Statement of Comprehensive Income

Millions of Yen

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net income	71,161	25,938
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	(1,411)	(3,683)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	17,742	22,373
Total other comprehensive income (loss)	16,331	18,690
Total comprehensive income for the period	87,492	44,628
Comprehensive income attributable to:		
Owners of the parent	87,492	44,628

Millions of Yen

	Three months ended September 30, 2022	Three months ended September 30, 2023
Net income	34,665	16,736
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	1,314	(4,665)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	5,445	5,729
Total other comprehensive income (loss)	6,759	1,064
Total comprehensive income for the period	41,424	17,800
Comprehensive income attributable to:		
Owners of the parent	41,424	17,800

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Six months ended September 30, 2022

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, 2022		32,363	44,995	(81,547)	279,828	18,982	294,621	294,621
Net income					71,161		71,161	71,161
Other comprehensive income (loss), net of tax						16,331	16,331	16,331
Total comprehensive income for the period		—	—	—	71,161	16,331	87,492	87,492
Purchase of treasury shares	6		(2)	(27,273)			(27,275)	(27,275)
Disposal of treasury shares			(1,542)	1,599	(8)		49	49
Cancellation of treasury shares	6			68,279	(68,279)		—	—
Dividends	7				(13,294)		(13,294)	(13,294)
Share-based payments			814				814	814
Total transactions with the owners		—	(730)	42,605	(81,581)	—	(39,706)	(39,706)
Balance as of September 30, 2022		32,363	44,265	(38,942)	269,408	35,313	342,407	342,407

Six months ended September 30, 2023

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, 2023		32,363	44,622	(59,099)	319,171	31,637	368,694	368,694
Net income					25,938		25,938	25,938
Other comprehensive income (loss), net of tax						18,690	18,690	18,690
Total comprehensive income for the period		—	—	—	25,938	18,690	44,628	44,628
Purchase of treasury shares				(12)			(12)	(12)
Disposal of treasury shares			(1,128)	2,149	(435)		586	586
Cancellation of treasury shares				36	(36)		—	—
Dividends	7				(12,895)		(12,895)	(12,895)
Share-based payments			812				812	812
Total transactions with the owners		—	(316)	2,173	(13,366)	—	(11,509)	(11,509)
Balance as of September 30, 2023		32,363	44,306	(56,926)	331,743	50,327	401,813	401,813

(4) Condensed Quarterly Consolidated Statement of Cash Flows

Millions of Yen

	Note	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities:			
Income before income taxes		95,247	33,317
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization		9,903	12,492
Changes in assets and liabilities:			
Trade and other receivables		2,382	27,098
Inventories		(34,460)	(24,835)
Trade and other payables		8,046	(18,254)
Warranty provisions		1,138	(199)
Advance receipts		567	7,729
Retirement benefit liabilities		(907)	(381)
Other		(10,036)	(10,672)
Subtotal		71,880	26,295
Interest and dividends received		88	500
Interest paid		(117)	(720)
Income taxes paid		(25,413)	(25,978)
Net cash provided by (used in) operating activities		46,438	97
Cash flows from investing activities:			
Proceeds from sale of equity instruments		—	1,150
Purchases of property, plant and equipment		(9,416)	(9,957)
Purchases of intangible assets		(363)	(382)
Acquisition of subsidiaries	12	(3,502)	(8,260)
Other		307	(276)
Net cash provided by (used in) investing activities		(12,974)	(17,725)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		—	20,000
Proceeds from disposal of treasury shares		15	542
Purchases of treasury shares		(27,276)	(12)
Dividends paid	7	(13,281)	(12,893)
Payments for lease liabilities		(1,530)	(2,387)
Other		(4)	(1)
Net cash provided by (used in) financing activities		(42,076)	5,249
Net effect of exchange rate changes on cash and cash equivalents		6,956	4,567
Net change in cash and cash equivalents		(1,656)	(7,812)
Cash and cash equivalents at the beginning of period		116,582	85,537
Cash and cash equivalents at the end of period		114,926	77,725

Notes to the Condensed Quarterly Consolidated Financial Statements

1. Reporting Entity

Advantest Corporation is a public company located in Japan.

The Company's condensed quarterly 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 quarterly consolidated financial statements in accordance with IAS 34 under Article 93 of the same ordinance.

As the condensed quarterly 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, 2023.

The condensed quarterly consolidated financial statements were approved on November 13, 2023 by Yoshiaki Yoshida, Representative Director, President, Group CEO and Yasuo Mihashi, Senior Executive Officer, CFO & CSO of the Company.

(2) Functional Currency and Presentation Currency

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

3. Material Accounting Policies

The condensed quarterly 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, 2023.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the condensed quarterly 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. 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, 2023.

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. Material 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, 2022

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	194,849	28,153	51,804	—	274,806
Inter-segment sales	20	—	—	(20)	—
Total	194,869	28,153	51,804	(20)	274,806
Segment income (loss) (operating income (loss) before share-based compensation expense)	81,882	7,062	7,737	(8,030)	88,651
Adjustment:					
Share-based compensation expense	—	—	—	—	(735)
Operating income	—	—	—	—	87,916
Financial income	—	—	—	—	7,917
Financial expenses	—	—	—	—	(586)
Income before income taxes	—	—	—	—	95,247

Six months ended September 30, 2023

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	151,717	20,976	44,818	—	217,511
Inter-segment sales	—	—	—	—	—
Total	151,717	20,976	44,818	—	217,511
Segment income (loss) (operating income (loss) before share-based compensation expense)	39,568	1,719	1,854	(6,930)	36,211
Adjustment:					
Share-based compensation expense	—	—	—	—	(942)
Operating income	—	—	—	—	35,269
Financial income	—	—	—	—	546
Financial expenses	—	—	—	—	(2,498)
Income before income taxes	—	—	—	—	33,317

Three months ended September 30, 2022

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	98,787	12,727	27,349	—	138,863
Inter-segment sales	—	—	—	—	—
Total	98,787	12,727	27,349	—	138,863
Segment income (loss) (operating income (loss) before share-based compensation expense)	41,148	2,511	3,878	(4,022)	43,515
Adjustment:					
Share-based compensation expense	—	—	—	—	(382)
Operating income	—	—	—	—	43,133
Financial income	—	—	—	—	3,925
Financial expenses	—	—	—	—	(227)
Income before income taxes	—	—	—	—	46,831

Three months ended September 30, 2023

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	81,170	12,432	22,658	—	116,260
Inter-segment sales	—	—	—	—	—
Total	81,170	12,432	22,658	—	116,260
Segment income (loss) (operating income (loss) before share-based compensation expense)	21,236	1,716	2,488	(4,046)	21,394
Adjustment:					
Share-based compensation expense	—	—	—	—	(394)
Operating income	—	—	—	—	21,000
Financial income	—	—	—	—	252
Financial expenses	—	—	—	—	(896)
Income before income taxes	—	—	—	—	20,356

(Notes) 1. 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 services, support and others, the segment income for the six and three months ended September 30, 2023, respectively, includes (Y) 3,179 million income. This is mainly due to the settlement of a dispute with the counterparty.

6. Equity and Other Equity Items

Six months ended September 30, 2022

(Share repurchase)

Advantest resolved to acquire its own shares at the Board of Directors' meeting held on July 28, 2022. The status of share repurchase for the six months ended September 30, 2022 is as follows:

1. Type of shares acquired
The Company's common shares
2. Total number of shares acquired
3,445,000 shares
3. Total cost of acquisition
27,270,826,995 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, 2022

1. Type of shares to be acquired
The Company's common shares
2. Total number of shares to be acquired
Up to 10 million shares (Equivalent to 5.3% of outstanding shares excluding treasury shares)
3. Total cost of acquisition
Up to 50 billion yen
4. Method of acquisition
Purchase on the Tokyo Stock Exchange
5. Period of acquisition
From August 1, 2022 to December 23, 2022

(Cancellation of treasury shares)

Advantest resolved to cancel a portion of its own treasury shares in accordance with the provisions of Article 178 of the Companies Act, at the Board of Directors' meeting held on July 28, 2022 and executed as follows:

1. Type of shares cancelled
The Company's common shares
2. Total number of shares cancelled
8,000,000 shares (Equivalent to 4.01% of outstanding shares as of June 30, 2022)
3. Date of cancellation
September 9, 2022
4. Total number of shares outstanding after the cancellation
191,542,265 shares

Six months ended September 30, 2023

There were no significant share repurchase, cancellation and disposal for the six months ended September 30, 2023.

7. Dividends

(1) Dividends Paid

Six months ended September 30, 2022

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 20, 2022	Common shares	13,323	70	March 31, 2022	June 3, 2022

(Note) Dividend of (Y) 29 million to the Company 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 20, 2022.

Six months ended September 30, 2023

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 19, 2023	Common shares	12,906	70	March 31, 2023	June 5, 2023

(Note) Dividend of (Y) 11 million to the Company 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 19, 2023.

(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 31, 2023	Common shares	11,995	65	September 30, 2023	December 1, 2023

(Note) The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The above dividend per share presents the amount prior to the share split.

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, 2022

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	4,818	733	2,289	(20)	7,820
Americas	8,015	2,477	8,990	—	19,482
Europe	4,880	496	1,751	—	7,127
Asia	177,156	24,447	38,774	—	240,377
Total	194,869	28,153	51,804	(20)	274,806

Six months ended September 30, 2023

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	6,170	1,558	2,196	—	9,924
Americas	4,377	266	9,655	—	14,298
Europe	5,405	671	2,405	—	8,481
Asia	135,765	18,481	30,562	—	184,808
Total	151,717	20,976	44,818	—	217,511

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

Six months ended September 30, 2022

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	158,546	36,323	194,869

Six months ended September 30, 2023

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	123,579	28,138	151,717

9. Other Income

The breakdown of other income was as follows:

Millions of Yen

	Six months ended September 30, 2022	Six months ended September 30, 2023
Settlement of a dispute and others with the counterparty ^(Note)	—	3,179
Others	366	437
Total	366	3,616

(Note) Other income for six months ended September 2023 mainly includes the settlement of a dispute with the counterparty which is in relation to the service, support and others 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, 2022	Six months ended September 30, 2023
Net income attributable to owners of the parent (Millions of Yen)	71,161	25,938
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	71,161	25,938
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	71,161	25,938
Weighted average number of common shares—basic	758,033,876	737,318,084
Dilutive effect of stock options	1,344,304	745,780
Dilutive effect of performance-based stock remuneration	1,169,036	789,592
Dilutive effect of restricted stock compensation	321,292	1,002,648
Weighted average number of common shares—diluted	760,868,508	739,856,104
Basic earnings per share (Yen)	93.88	35.18
Diluted earnings per share (Yen)	93.53	35.06
Financial instruments not included in the calculation of diluted earnings per share because they have anti-dilutive effect	—	Certain financial instruments related to share-based compensation

	Three months ended September 30, 2022	Three months ended September 30, 2023
Net income attributable to owners of the parent (Millions of Yen)	34,665	16,736
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	34,665	16,736
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	34,665	16,736
Weighted average number of common shares—basic	756,312,632	737,722,707
Dilutive effect of stock options	1,273,848	625,736
Dilutive effect of performance-based stock remuneration	642,528	489,044
Dilutive effect of restricted stock compensation	430,616	1,043,180
Weighted average number of common shares—diluted	758,659,624	739,880,667
Basic earnings per share (Yen)	45.83	22.69
Diluted earnings per share (Yen)	45.69	22.62
Financial instruments not included in the calculation of diluted earnings per share because they have anti-dilutive effect	Certain financial instruments related to share-based compensation	Certain financial instruments related to share-based compensation

(Note) The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023.

“Basic earnings per share” and “Diluted earnings per share” are calculated based on the assumption that the share split was implemented at the beginning of the previous fiscal year.

11. Financial Instruments

(1) Carrying Amounts and Fair Value of Financial Instruments

(Borrowings)

Short-term borrowings are settled on a short-term basis, and their fair values approximate their carrying amounts. The fair value of long-term borrowings with floating rates is assumed to be quite similar to the carrying amounts, because it reflects market interest rates in a short period of time and the Advantest's credit status is not significantly different after the execution. The fair value of long-term borrowings with fixed rates is calculated by the total sum of the principal and interest discounted by using the interest rates that would be applied if similar new borrowings were conducted.

(Other non-current liabilities)

The fair value of other non-current liabilities is calculated based on the present value discounted by interest rate reflecting the effect of credit risk.

(Others)

Financial instruments other than above are settled mainly on a short-term basis, and their fair value approximates their carrying amount.

(2) Fair Value Hierarchy of Financial Instruments

Financial instruments 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 levels during the year ended March 31, 2023 and the six months ended September 30, 2023.

1) The financial assets and financial liabilities measured at amortized cost were classified by hierarchy as follows. The table does not include financial instruments whose fair values approximate their carrying amounts or are immaterial:

As of March 31, 2023

Millions of Yen

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Long-term borrowings	20,000	—	20,000	—	20,000
Other non-current liabilities	564	—	524	—	524
Total financial liabilities	20,564	—	20,524	—	20,524

As of September 30, 2023

Millions of Yen

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Long-term borrowings	20,000	—	19,980	—	19,980
Other non-current liabilities	611	—	556	—	556
Total financial liabilities	20,611	—	20,536	—	20,536

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

As of March 31, 2023

Millions of Yen

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through other comprehensive income				
Derivatives	—	0	—	0
Equity instruments ^(Note)	18,896	—	866	19,762
Total financial assets	18,896	0	866	19,762
Financial liabilities that are measured at fair value through profit or loss				
Derivatives	—	432	—	432
Total financial liabilities	—	432	—	432

As of September 30, 2023

Millions of Yen

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through other comprehensive income				
Equity instruments ^(Note)	16,160	—	1,043	17,203
Total financial assets	16,160	—	1,043	17,203
Financial liabilities that are measured at fair value through profit or loss				
Derivatives	—	2,441	—	2,441
Total financial liabilities	—	2,441	—	2,441

(Note) Advantest holds equity instruments to accomplish expansion of revenue base by maintaining and enforcing relationships with investees. These equity instruments are designated as financial assets measured at fair value through other comprehensive income (“FVTOCI”).

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, 2022	Six months ended September 30, 2023
Balance at beginning of period	1,082	866
Gains or losses		
Other comprehensive income ^(Note)	88	156
Others	37	21
Balance at end of period	1,207	1,043

(Note) 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 quarterly 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, 2022	Six months ended September 30, 2023
Balance at beginning of period	259	—
Changes in fair value ^(Note)	263	—
Others	77	—
Balance at end of period	599	—

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

12. Business Combinations

Six months ended September 30, 2022

(Business Combination through Acquisition)

(1) Overview of Acquired Business

Name of Company: Collaudi Elettronici Automatizzati S.r.l.

Business Description of acquired company:

development and production of test equipment for power semiconductors

Voting rights ratio after acquisition of shares: 100%

(2) Overview of Business Combination

Advantest Europe GmbH, the Company's European subsidiary, acquired all outstanding shares of Italy-based company, Collaudi Elettronici Automatizzati S.r.l. ("CREA") on August 10, 2022, and CREA became a wholly owned subsidiary of Advantest Europe GmbH.

CREA is a major supplier of power semiconductor test equipment. Its products are used to test all kinds of power devices, and are utilized by global semiconductor companies around the world. CREA has many years of extensive experience in the development and production of test equipment for power semiconductors, including the latest SiC /GaN semiconductors. This acquisition will enable Advantest to provide broader test and measurement solutions to a wider range of customers in high-growth sectors.

(3) Acquisition Date

August 10, 2022

(4) Legal Form of Business Combination

Acquisition of shares

(5) Acquisition-related Expense

Acquisition-related expense of ¥232 million is included in Selling, general and administrative expenses in the condensed quarterly consolidated statement of profit or loss for the six months ended September 30, 2022.

(6) Fair Value of Assets Acquired, Liabilities Assumed and Consideration Paid as of the Acquisition Date

The fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were provisional as of September 30, 2022, but they were revised because the purchase price allocation was completed during the fourth quarter of the fiscal year ended March 31, 2023.

Millions of Yen

	Provisional fair value	Revision	Revised fair value
Current assets	1,476	—	1,476
Non-current assets	424	2,398	2,822
Total assets	1,900	2,398	4,298
Current Liabilities	737	—	737
Non-current liabilities	142	701	843
Total liabilities	879	701	1,580
Goodwill	3,165	(1,716)	1,449
Total	4,186	(19)	4,167
Fair value of consideration paid			
Cash and cash equivalents	3,634	—	3,634
Accounts payable	552	(19)	533
Total	4,186	(19)	4,167

Goodwill generated from this business combination was attributable to the Semiconductor and Component Test System Business segment and was not deductible for tax purposes. Goodwill primarily represented a synergy effect with existing businesses and the excess earning power expected from the acquisition.

(7) Acquisition of subsidiary

Millions of Yen

	Amount
Consideration paid	3,634
Cash and cash equivalents of the acquired subsidiary	(129)
Acquisition of subsidiary	3,505

(Note) The acquisition of subsidiary has fluctuated due to the adjustment of the consideration paid during the fiscal year ended March 31, 2023.

(8) Impact on the Business Performance

Disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the fiscal year ended March 31, 2023 (unaudited information), was omitted because of its immateriality for the condensed quarterly consolidated statement of profit or loss.

(Business Combination through Acquisition)

Advantest America, Inc., the Company's U.S. subsidiary, acquired all outstanding shares of U.S. company, R&D Altanova, Inc. ("R&D Altanova") on November 17, 2021, and R&D Altanova 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, 2022, but they were revised because the purchase price allocation was completed during the first quarter of the fiscal year ended March 31, 2023.

Millions of Yen

	Provisional fair value	Revision	Revised fair value
Assets acquired			
Cash and cash equivalents	1,407	—	1,407
Trade and other receivables	1,847	—	1,847
Inventories	930	—	930
Other current assets	262	—	262
Property, plant and equipment, net	1,325	—	1,325
Right-of-use-assets	643	—	643
Intangible assets, net	366	8,145	8,511
Other non-current assets	127	—	127
Assets total	6,907	8,145	15,052
Liabilities assumed			
Trade and other payables	635	—	635
Other current liabilities	644	—	644
Long-term borrowings	4,472	—	4,472
Lease liabilities	526	—	526
Deferred tax liabilities	223	1,809	2,032
Other non-current liabilities	168	—	168
Liabilities total	6,668	1,809	8,477
Goodwill	25,282	(6,336)	18,946
Total	25,521	—	25,521
Fair value of consideration paid			
Cash and cash equivalents	25,521	—	25,521

(Notes) 1. Other non-current assets include deferred tax assets and others. Other current liabilities include income taxes payable and others. Other non-current liabilities include retirement benefit liabilities and others.

2. The total contract amount of trade and other receivables is the same as the fair value, and there are no items that are expected to be uncollectible.

Six months ended September 30, 2023

(Business combination through acquisition)

(1) Overview of Acquired Business

Name of Company: Shin Puu Technology Co., Ltd.

Business Description of acquired company:

Manufacture of printed circuit boards (PCBs) and printed circuit board assemblies (PCBAs)

Voting rights ratio after acquisition of shares: 100%

(2) Overview of Business Combination

R&D Altanova, the Company's subsidiary, acquired all outstanding shares of Taiwan-based company, Shin Puu Technology Co., Ltd. ("Shin Puu") on April 28, 2023, and Shin Puu became a wholly owned subsidiary of R&D Altanova.

Shin Puu is a supplier of PCBs that manufactures PCBs and PCBAs, key components used in electronics, in Taiwan, a global hub of the electronics industry. By combining R&D Altanova's high-performance, high-density PCB design technology with Shin Puu's manufacturing capabilities, Advantest will expand its manufacturing footprint for high-end test boards in the Asia region, enhancing Advantest's ability to provide turnkey solutions to its customers.

(3) Acquisition Date

April 28, 2023

(4) Legal Form of Business Combination

Acquisition of shares

(5) Acquisition-related Expense

Acquisition-related expense of ¥595 million is included in Selling, general and administrative expenses in the condensed quarterly consolidated statement of profit or loss for the six months ended September 30, 2023.

(6) Fair Value of Assets Acquired, Liabilities Assumed and Consideration Paid as of the Acquisition Date

The fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were provisional as of June 30, 2023, but they were revised because the purchase price allocation was revised during the second quarter of the fiscal year ending March 31, 2024. The purchase price allocation procedures have not been completed.

Millions of Yen

	Provisional fair value	Revision	Revised fair value
Current assets	1,899	19	1,918
Non-current assets	5,866	458	6,324
Total assets	7,765	477	8,242
Current Liabilities	1,135	—	1,135
Non-current liabilities	2,031	101	2,132
Total liabilities	3,166	101	3,267
Goodwill	2,948	(426)	2,522
Total	7,547	(50)	7,497
Fair value of consideration paid			
Cash and cash equivalents	7,547	(50)	7,497

Goodwill generated from this business combination was attributable to the Services, Support and Others segment and was not deductible for tax purposes. Goodwill primarily represented a synergy effect with existing businesses and the excess earning power expected from the acquisition.

(7) Acquisition of subsidiary

Millions of Yen

	Amount
Consideration paid	7,497
Cash and cash equivalents of the acquired subsidiary	(539)
Repayments of the long-term borrowings and others	1,302
Acquisition of subsidiary	8,260

(8) Impact on the Business Performance

Disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the fiscal year ending March 31, 2024 (unaudited information), was omitted because of its immateriality for the condensed quarterly consolidated statement of profit or loss.

13. Subsequent Events

The Company has resolved at the Board of Directors' Meeting held on May 19, 2023 to implement a share split and partially amend the Company's Articles of Incorporation due to the share split.

(1) Share split

1) Purpose of the share split

The purpose is to expand the investor base by reducing the Company's share price per investment unit, creating a more investment-friendly environment.

2) Method of the share split

Each share of common share owned by shareholders listed or recorded in the closing register of shareholders on the record date of September 30, 2023 was split into four shares per share.

3) Number of shares to be increased by the share split

a. Total number of issued shares before share split	191,535,314 shares
b. Number of shares to be increased by the share split	574,605,942 shares
c. Total number of issued shares following the share split	766,141,256 shares
d. Total number of authorized shares following the share split	1,760,000,000 shares

4) Schedule of the share split

Public notice of record date:	Friday, September 15, 2023
Record date:	Saturday, September 30, 2023
Effective date:	Sunday, October 1, 2023

5) Impact on per share information

Impact on per share information is included in Earnings per Share (see note 10 for additional details).

(2) Partial amendment to the Articles of Incorporation in connection with the share split

1) Purposes of the amendment

In connection with the share split, an associated article of the Articles of Incorporation was amended effective October 1, 2023, in accordance with Article 184, Paragraph 2 of the Companies Act.

2) Details of the amendment

Details of the amendment are as follows:

Before amendment	After amendment
(Total number of issuable shares) Article 5. The total number of the Company's issuable shares shall be four hundred and forty million (440,000,000) shares.	(Total number of issuable shares) Article 5. The total number of the Company's issuable shares shall be one billion seven hundred and sixty million (1,760,000,000) shares.

3) Schedule of the amendment

Date of resolution of Board of Directors' Meeting:	Friday, May 19, 2023
Effective date:	Sunday, October 1, 2023

(3) Other information

1) Changes in the amount of stated capital

There is no change in the amount of stated capital as a result of the share split.

2) Dividends

As the share split takes effect on October 1, 2023, the interim dividend for the fiscal year ending March 31, 2024 with a record date of September 30, 2023 will be paid based on the total number of issued shares before the share split.

3) Adjustment of exercise price for stock acquisition rights

Following the above share split, the per-share exercise price for the stock acquisition rights issued by the Company was adjusted as follows, effective October 1, 2023.

	Yen	
Stock acquisition rights	Exercise price before adjustment	Exercise price after adjustment
Resolution at the Board of Directors' Meeting held on June 26, 2019	3,090	773
Resolution at the Board of Directors' Meeting held on June 25, 2020	6,990	1,748

2. Others

The board of directors resolved on October 31, 2023 to pay the interim dividend of 65 yen per share (Total amount of 11,995 million yen) to shareholders listed or recorded in the shareholder list as of September 30, 2023. (Note) The above interim dividend per share presents the amount prior to the share split with an effective date of October 1, 2023, because the record date is September 30, 2023.

PartII. Information on the Guarantee Companies of the Company

Not applicable.

English Translation
Independent Auditor's Quarterly Review Report

November 13, 2023

The Board of Directors
Advantest Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Toshiyuki Matsumoto
Designated Engagement Partner
Certified Public Accountant

Minoru Ota
Designated Engagement Partner
Certified Public Accountant

Hiroyuki Nakada
Designated Engagement Partner
Certified Public Accountant

Auditor's Conclusion

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have reviewed the accompanying condensed quarterly consolidated financial statements of Advantest Corporation and its subsidiaries (the Group), which comprise the condensed quarterly consolidated statement of financial position as of September 30, 2023, and the condensed quarterly consolidated statements of profit or loss and comprehensive income for the three-month and six-month periods ended September 30, 2023, and the condensed quarterly consolidated statements of changes in equity and cash flows for the six-month period ended September 30, 2023, and notes to the condensed quarterly consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023 and its consolidated financial performance for the three-month and six-month periods ended September 30, 2023, and its consolidated cash flows for the six-month period ended September 30, 2023 in accordance with *International Accounting Standard 34, Interim Financial Reporting*, as provided for in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements.

Basis for Auditor's Conclusion

We conducted our review in accordance with review standards for quarterly financial statements generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Review of the Condensed Quarterly Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our review of the condensed quarterly consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained provides a basis for our conclusion.

Responsibilities of Management, the Audit and Supervisory Committee for the Condensed Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these condensed quarterly consolidated financial statements in accordance with *International Accounting Standard 34, Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed quarterly consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by *paragraph 4 of International Accounting Standard 1, Presentation of Financial Statements*, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Review of the Condensed Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion on these condensed quarterly consolidated financial statements based on our review.

As part of a review in accordance with review standards for quarterly financial statements generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the review. We also:

- Make inquiries, primarily of management and persons responsible for financial and accounting matters and apply analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude based on the evidence obtained whether anything has come to our attention that causes us to believe that the condensed quarterly consolidated financial statements are not presented fairly in accordance with *paragraph 4 of International Accounting Standard 1, Presentation of Financial Statements* should we determine that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Additionally, if we conclude that a material uncertainty exists, we are required to draw attention in our auditor's quarterly review report to the related disclosures in the condensed quarterly consolidated financial statements or, if such disclosures are inadequate, to modify our conclusion. Our conclusions are based on the evidence obtained up to the date of our auditor's quarterly review report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether anything has come to our attention that causes us to believe that the overall presentation and disclosure of the condensed quarterly consolidated financial statements are not in accordance with *International Accounting Standard 34, Interim Financial Reporting*, or that the overall presentation, structure and content of the condensed quarterly consolidated financial statements, including the disclosures, do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain evidence regarding the financial information of the entities or business activities within the Group to express a conclusion on the condensed quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the quarterly review. We remain solely responsible for our conclusion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the review and significant review findings.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our review of the condensed quarterly consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Quarterly Review Report:

This is an English translation of the Independent Auditor's Quarterly Review Report as required by the Financial Instruments and Exchange Act for the conveniences of the reader.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	November 13, 2023
[Company Name]	Kabushiki Kaisha Advantest
[Company Name in English]	ADVANTEST CORPORATION
[Title and Name of Representative]	Yoshiaki Yoshida, Representative Director, President, Group CEO
[Title and Name of CFO]	Yasuo Mihashi, Senior Executive Officer, CFO & CSO
[Address of Registered Office]	1-6-2, Marunouchi, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi, Kabuto-cho, Chuo-ku, Tokyo)

1. Matters Related to Adequacy of Statements Contained in the Quarterly Securities Report

Yoshiaki Yoshida, Representative Director, President, Group CEO and Yasuo Mihashi, Senior Executive Officer, CFO & CSO of Advantest Corporation, confirmed that statements contained in the Quarterly Securities Report for the second quarter of the 82nd Business Term (from July 1, 2023 to September 30, 2023) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.