

(English translation and a part of summary of the Quarterly Report for the fiscal third quarter ended December 31, 2020, pursuant to the Japanese Financial Instrument and Exchange Law.)

Quarterly Financial Report

For the fiscal third quarter ended December 31, 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 December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		127,703	111,494
Trade and other receivables		46,426	54,026
Inventories		58,943	64,727
Other current assets		6,871	6,994
Subtotal		239,943	237,241
Assets held for sale		199	—
Total current assets		240,142	237,241
Non-current assets			
Property, plant and equipment, net		35,072	38,518
Right-of-use assets		11,184	9,743
Goodwill and intangible assets, net	12	51,025	51,542
Other financial assets	11	2,867	11,120
Deferred tax assets		15,351	14,245
Other non-current assets		136	297
Total non-current assets		115,635	125,465
Total assets		355,777	362,706
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables		46,660	41,119
Income tax payables		7,793	5,514
Provisions		3,335	3,495
Lease liabilities		2,275	2,307
Other financial liabilities	11	1,892	4,436
Other current liabilities		8,582	10,000
Total current liabilities		70,537	66,871
Non-current liabilities			
Lease liabilities		9,013	7,597
Retirement benefit liabilities		40,622	42,976
Deferred tax liabilities		1,563	3,979
Other non-current liabilities		2,590	2,609
Total non-current liabilities		53,788	57,161
Total liabilities		124,325	124,032
Equity			
Share capital		32,363	32,363
Share premium		43,550	44,070
Treasury shares	6	(4,179)	(16,089)
Retained earnings		159,803	179,852
Other components of equity		(85)	(1,522)
Total equity attributable to owners of the parent		231,452	238,674
Total equity		231,452	238,674
Total liabilities and equity		355,777	362,706

(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	Nine months ended December 31, 2019	Nine months ended December 31, 2020		
Net sales	5, 8	207,668	222,174		
Cost of sales		(87,889)	(102,364)		
Gross profit		119,779	119,810		
Selling, general and administrative expenses		(72,509)	(76,253)		
Other income	9	224	2,736		
Other expenses		(363)	(115)		
Operating income	5	47,131	46,178		
Financial income		743	858		
Financial expenses		(117)	(3,868)		
Income before income taxes		47,757	43,168		
Income taxes		(9,045)	(6,650)		
Net income		<u>38,712</u>	<u>36,518</u>		
Net income attributable to:					
Owners of the parent		38,712	36,518		
Earnings per share:					
Basic	10	Yen	Yen		
Diluted		195.40	184.91		
		194.62	183.91		

				Millions of Yen	
	Note	Three months ended December 31, 2019	Three months ended December 31, 2020		
Net sales	5	69,917	78,072		
Cost of sales		(30,509)	(37,888)		
Gross profit		39,408	40,184		
Selling, general and administrative expenses		(24,940)	(25,000)		
Other income		120	90		
Other expenses		(335)	(33)		
Operating income	5	14,253	15,241		
Financial income		267	781		
Financial expenses		(42)	(2,174)		
Income before income taxes		14,478	13,848		
Income taxes		(2,538)	(1,821)		
Net income		<u>11,940</u>	<u>12,027</u>		
Net income attributable to:					
Owners of the parent		11,940	12,027		
Earnings per share:					
Basic	10	Yen	Yen		
Diluted		60.21	61.29		
		59.92	60.97		

Condensed Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net income	38,712	36,518
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	(17)	664
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	<u>(1,750)</u>	<u>(2,101)</u>
Total other comprehensive income (loss)	<u>(1,767)</u>	<u>(1,437)</u>
Total comprehensive income for the period	<u>36,945</u>	<u>35,081</u>
Comprehensive income attributable to:		
Owners of the parent	36,945	35,081

	Millions of Yen	
	Three months ended December 31, 2019	Three months ended December 31, 2020
Net income	11,940	12,027
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	0	997
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	<u>2,422</u>	<u>(674)</u>
Total other comprehensive income (loss)	<u>2,422</u>	<u>323</u>
Total comprehensive income for the period	<u>14,362</u>	<u>12,350</u>
Comprehensive income attributable to:		
Owners of the parent	14,362	12,350

(3) Condensed Consolidated Statement of Changes in Equity

Nine months ended December 31, 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					38,712		38,712	38,712
Other comprehensive income (loss), net of tax						(1,767)	(1,767)	(1,767)
Total comprehensive income for the period		—	—	—	38,712	(1,767)	36,945	36,945
Purchase of treasury shares				(1,122)			(1,122)	(1,122)
Disposal of treasury shares			(299)	3,044	(1,116)		1,629	1,629
Dividends	7				(16,439)		(16,439)	(16,439)
Share-based payments			522				522	522
Transfer from other components of equity to retained earnings					111	(111)	—	—
Total transactions with the owners		—	223	1,922	(17,444)	(111)	(15,410)	(15,410)
Balance as of December 31, 2019		32,363	43,241	(4,340)	147,195	1,807	220,266	220,266

Nine months ended December 31, 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					36,518		36,518	36,518
Other comprehensive income (loss), net of tax						(1,437)	(1,437)	(1,437)
Total comprehensive income for the period		—	—	—	36,518	(1,437)	35,081	35,081
Purchase of treasury shares	6		(47)	(13,947)			(13,994)	(13,994)
Disposal of treasury shares			(207)	2,037	(867)		963	963
Dividends	7				(15,602)		(15,602)	(15,602)
Share-based payments			774				774	774
Total transactions with the owners		—	520	(11,910)	(16,469)	—	(27,859)	(27,859)
Balance as of December 31, 2020		32,363	44,070	(16,089)	179,852	(1,522)	238,674	238,674

(4) Condensed Consolidated Statement of Cash Flows

Millions of Yen

	Note	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Cash flows from operating activities:			
Income before income taxes		47,757	43,168
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization		6,729	8,470
Changes in assets and liabilities:			
Trade and other receivables		10,906	(7,872)
Inventories		1,520	(5,763)
Trade and other payables		(6,323)	(5,115)
Warranty provisions		18	156
Deposits received		1,705	2,144
Advance receipt		1,739	1,099
Retirement benefit liabilities		1,129	1,201
Other		(879)	(166)
Subtotal		64,301	37,322
Interest and dividends received		703	128
Interest paid		(118)	(136)
Income taxes paid		(11,007)	(8,879)
Net cash provided by (used in) operating activities		53,879	28,435
Cash flows from investing activities:			
Proceeds from sale of equity instruments		111	—
Purchases of equity instruments		—	(6,817)
Purchases of debt instruments		(548)	—
Purchases of property, plant and equipment		(4,903)	(8,818)
Purchases of intangible assets		(295)	(571)
Proceed from transfer of business		—	3,295
Acquisition of subsidiary		—	(156)
Other		98	60
Net cash provided by (used in) investing activities		(5,537)	(13,007)
Cash flows from financing activities:			
Proceeds from disposal of treasury shares		1,630	989
Purchases of treasury shares	6	(1,122)	(14,022)
Dividends paid	7	(16,217)	(15,392)
Payments for lease liabilities		(1,549)	(1,697)
Other		—	—
Net cash provided by (used in) financing activities		(17,258)	(30,122)
Net effect of exchange rate changes on cash and cash equivalents		(1,238)	(1,515)
Net change in cash and cash equivalents		29,846	(16,209)
Cash and cash equivalents at the beginning of period		119,943	127,703
Cash and cash equivalents at the end of period		149,789	111,494

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 February 12, 2021 by Yoshiaki Yoshida, Representative Director, President and CEO and Atsushi Fujita, Chief Financial Officer of the Company.

(2) Basis of Measurement

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

(3) Functional Currency and Presentation Currency

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

(4) Changes in Presentation

“Proceeds from sale of property, plant and equipment” of (Y) 68 million, which was presented separately under cash flows from investing activities in the condensed consolidated statement of cash flows for the nine months ended December 31, 2019, was included in “Other” in the condensed consolidated statement of cash flows for the nine months ended December 31, 2020 due to the decrease in materiality.

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.

Nine months ended December 31, 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	152,208	26,070	29,390	—	207,668
Inter-segment sales	10	—	9	(19)	—
Total	152,218	26,070	29,399	(19)	207,668
Segment income (loss) (operating income (loss) before share-based compensation expense)	52,056	(1,581)	3,732	(6,438)	47,769
Adjustment: Share-based compensation expense	—	—	—	—	(638)
Operating income	—	—	—	—	47,131
Financial income	—	—	—	—	743
Financial expenses	—	—	—	—	(117)
Income before income taxes	—	—	—	—	47,757

Nine months ended December 31, 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	141,531	30,110	50,533	—	222,174
Inter-segment sales	520	—	—	(520)	—
Total	142,051	30,110	50,533	(520)	222,174
Segment income (loss) (operating income (loss) before share-based compensation expense)	41,069	4,773	8,095	(6,740)	47,197
Adjustment: Share-based compensation expense	—	—	—	—	(1,019)
Operating income	—	—	—	—	46,178
Financial income	—	—	—	—	858
Financial expenses	—	—	—	—	(3,868)
Income before income taxes	—	—	—	—	43,168

Three months ended December 31, 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	49,292	10,084	10,541	—	69,917
Inter-segment sales	—	—	8	(8)	—
Total	49,292	10,084	10,549	(8)	69,917
Segment income (loss) (operating income (loss) before share-based compensation expense)	15,700	(28)	1,615	(2,795)	14,492
Adjustment: Share-based compensation expense	—	—	—	—	(239)
Operating income	—	—	—	—	14,253
Financial income	—	—	—	—	267
Financial expenses	—	—	—	—	(42)
Income before income taxes	—	—	—	—	14,478

Three months ended December 31, 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	52,032	9,729	16,311	—	78,072
Inter-segment sales	186	—	—	(186)	—
Total	52,218	9,729	16,311	(186)	78,072
Segment income (loss) (operating income (loss) before share-based compensation expense)	16,257	1,126	1,130	(2,856)	15,657
Adjustment: Share-based compensation expense	—	—	—	—	(416)
Operating income	—	—	—	—	15,241
Financial income	—	—	—	—	781
Financial expenses	—	—	—	—	(2,174)
Income before income taxes	—	—	—	—	13,848

(Notes)

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

2. For the mechatronics system business, (Y) 2,451 million income is included for the nine months ended December 31, 2020. This is due to the transfer of probe card business on July 30, 2020.

6. Equity and Other Equity Items

Advantest resolved to acquire its own shares at the Board of Directors' meeting held on July 30, 2020 and executed the share repurchase for the nine months ended December 31, 2020.

1. Type of shares acquired
Shares of common stock
2. Total number of shares acquired
2,494,600 shares
3. Total cost of acquisition
13,077,323,000 yen
4. Method of acquisition
Purchased on the Tokyo Stock Exchange

7. Dividends

Dividends Paid

Nine months ended December 31, 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
Board of Directors' meeting held on October 30, 2019	Ordinary shares	8,151	41	September 30, 2019	December 2, 2019

- (Note) 1. 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.
2. 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 October 30, 2019.

Nine months ended December 31, 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
Board of Directors' meeting held on October 29, 2020	Ordinary shares	7,493	38	September 30, 2020	December 1, 2020

- (Note) 1. 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.
2. Dividend of (Y) 26 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 October 29, 2020.

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:

Nine months ended December 31, 2019					Millions of Yen
	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	4,279	2,858	3,372	(19)	10,490
Americas	4,659	2,192	6,935	—	13,786
Europe	2,378	289	1,583	—	4,250
Asia	140,902	20,731	17,509	—	179,142
Total	152,218	26,070	29,399	(19)	207,668

Nine months ended December 31, 2020					Millions of Yen
	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	5,055	2,689	3,102	(520)	10,326
Americas	4,727	2,014	18,612	—	25,353
Europe	4,278	484	1,708	—	6,470
Asia	127,991	24,923	27,111	—	180,025
Total	142,051	30,110	50,533	(520)	222,174

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

Nine months ended December 31, 2019			Millions of Yen
	SoC	Memory	Total
Semiconductor and Component Test System Business	124,553	27,665	152,218

Nine months ended December 31, 2020			Millions of Yen
	SoC	Memory	Total
Semiconductor and Component Test System Business	92,311	49,740	142,051

9. Other Income

The breakdown of other income was as follows:

	Millions of Yen	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Gain on the transfer of probe card business ^(Note)	—	2,451
Others	224	285
Total	224	2,736

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

10. Earnings per Share

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

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net income attributable to owners of the parent (Millions of Yen)	38,712	36,518
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	38,712	36,518
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	38,712	36,518
Weighted average number of ordinary shares—basic	198,111,619	197,495,822
Dilutive effect of stock options	733,561	741,158
Dilutive effect of performance-based stock remuneration	63,629	328,724
Weighted average number of ordinary shares—diluted	198,908,809	198,565,704
Basic earnings per share (Yen)	195.40	184.91
Diluted earnings per share (Yen)	194.62	183.91
Financial instruments not included in the calculation of diluted earnings per share because they have anti- dilutive effect	—————	Certain share options

	Three months ended December 31, 2019	Three months ended December 31, 2020
Net income attributable to owners of the parent (Millions of Yen)	11,940	12,027
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	11,940	12,027
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	11,940	12,027
Weighted average number of ordinary shares—basic	198,308,521	196,232,550
Dilutive effect of stock options	851,250	700,658
Dilutive effect of performance-based stock remuneration	81,872	336,334
Weighted average number of ordinary shares—diluted	199,241,643	197,269,542
Basic earnings per share (Yen)	60.21	61.29
Diluted earnings per share (Yen)	59.92	60.97
Financial instruments not included in the calculation of diluted earnings per share because they have anti- dilutive effect	—————	Certain share options

11. Financial Instruments

(1) Carrying Amounts and Fair Value of Financial Instruments

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

(2) Fair Value Hierarchy of Financial Instruments

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

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

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

Level 3: Fair value measured by significant unobservable inputs

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

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

There were no transfers of financial instruments between Level during the year ended March 31, 2020 and the nine months ended December 31, 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 ^(Note)				
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 December 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	—	—	1,558	1,558
Financial assets that are measured at fair value through other comprehensive income ^(Note)				
Equity instruments	7,402	—	730	8,132
Total financial assets	7,402	—	2,288	9,690
Financial liabilities that are measured at fair value through profit or loss	—	—	2,538	2,538
Total financial liabilities	—	—	2,538	2,538

^(Note) 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 movement of financial assets categorized within Level 3 of the fair value hierarchy was as follows:

Millions of Yen

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Balance at beginning of period	1,287	1,475
Gains or losses		
Profit or loss ^(Note 1)	—	738
Other comprehensive income ^(Note 2)	(25)	22
Purchase	548	—
Sales	(111)	—
Other	(10)	53
Balance at end of period	1,689	2,288

^(Note) 1. Gains or losses recognized in profit or loss are included in financial income and financial expenses of the condensed consolidated statement of profit or loss.

2. Gains or losses recognized in other comprehensive income are presented in net change in fair value measurements of equity instruments at FVTOCI of the condensed consolidated statement of comprehensive income.

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

Millions of Yen

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Balance at beginning of period	—	1,487
Business Combinations	483	—
Changes in fair value ^(Note)	—	1,122
Other	(6)	(71)
Balance at end of period	477	2,538

^(Note) Changes in fair value are included in financial expenses of the condensed consolidated statement of profit or loss.

12. Business Combinations

Nine months ended December 31, 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 March 31, 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 ^(Note)	—	483	483
Total	11,098	483	11,581

^(Note) 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.

Nine months ended December 31, 2020

(Business combination through acquisition)

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

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

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

13. Subsequent Event

Advantest Europe GmbH, the Company's subsidiary in Germany, has had various post-employment plans, mainly defined benefit corporate pension plans. As of January 1, 2021, these plans were transferred to one defined benefit corporate pension plan.

The impact to the consolidated financial results due to the transfer to one defined benefit corporate pension plan is currently under evaluation.