

(English translation and a part of summary of the Quarterly Report for the fiscal third quarter ended December 31, 2021, pursuant to the Japanese Financial Instrument and Exchange Law.)

Quarterly Financial Report

For the fiscal third quarter ended December 31, 2021

Advantest Corporation

1. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

		Millions of Yen	
	Note	As of March 31, 2021	As of December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		149,164	121,713
Trade and other receivables		57,028	62,306
Inventories		64,340	85,827
Other current assets		8,563	12,260
Subtotal		279,095	282,106
Assets held for sale		—	188
Total current assets		279,095	282,294
Non-current assets			
Property, plant and equipment, net		41,613	46,867
Right-of-use assets		11,668	10,921
Goodwill and intangible assets, net	12	54,543	80,664
Other financial assets	11	10,211	15,953
Deferred tax assets		25,242	25,226
Other non-current assets		269	390
Total non-current assets		143,546	180,021
Total assets		422,641	462,315
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables		58,558	56,800
Short-term borrowings		—	28,738
Income tax payables		8,619	16,968
Provisions		4,058	6,164
Lease liabilities		2,486	2,668
Other financial liabilities	11	3,509	6,889
Other current liabilities		12,581	19,444
Total current liabilities		89,811	137,671
Non-current liabilities			
Lease liabilities		9,364	8,460
Retirement benefit liabilities		36,891	28,787
Deferred tax liabilities		4,473	4,187
Other non-current liabilities		1,733	1,750
Total non-current liabilities		52,461	43,184
Total liabilities		142,272	180,855
Equity			
Share capital		32,363	32,363
Share premium		44,573	44,530
Treasury shares	6	(15,001)	(58,025)
Retained earnings		214,858	249,424
Other components of equity		3,576	13,168
Total equity attributable to owners of the parent		280,369	281,460
Total equity		280,369	281,460
Total liabilities and equity		422,641	462,315

(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, 2020	Nine months ended December 31, 2021		
Net sales	5, 8	222,174	300,067		
Cost of sales		<u>(102,364)</u>	<u>(130,463)</u>		
Gross profit		119,810	169,604		
Selling, general and administrative expenses		(76,253)	(88,471)		
Other income	9	2,736	516		
Other expenses		<u>(115)</u>	<u>(607)</u>		
Operating income	5	46,178	81,042		
Financial income		858	422		
Financial expenses		<u>(3,868)</u>	<u>(129)</u>		
Income before income taxes		43,168	81,335		
Income taxes		<u>(6,650)</u>	<u>(20,442)</u>		
Net income		<u><u>36,518</u></u>	<u><u>60,893</u></u>		
Net income attributable to:					
Owners of the parent		36,518	60,893		
Earnings per share:					
	10	Yen	Yen		
Basic		<u>184.91</u>	<u>311.62</u>		
Diluted		183.91	310.03		

				Millions of Yen	
	Note	Three months ended December 31, 2020	Three months ended December 31, 2021		
Net sales	5	78,072	112,077		
Cost of sales		<u>(37,888)</u>	<u>(47,226)</u>		
Gross profit		40,184	64,851		
Selling, general and administrative expenses		(25,000)	(31,400)		
Other income		90	172		
Other expenses		<u>(33)</u>	<u>(57)</u>		
Operating income	5	15,241	33,566		
Financial income		781	565		
Financial expenses		<u>(2,174)</u>	<u>(56)</u>		
Income before income taxes		13,848	34,075		
Income taxes		<u>(1,821)</u>	<u>(8,428)</u>		
Net income		<u><u>12,027</u></u>	<u><u>25,647</u></u>		
Net income attributable to:					
Owners of the parent		12,027	25,647		
Earnings per share:					
	10	Yen	Yen		
Basic		<u>61.29</u>	<u>132.50</u>		
Diluted		60.97	131.91		

Condensed Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net income	36,518	60,893
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	664	5,347
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	<u>(2,101)</u>	<u>4,314</u>
Total other comprehensive income (loss)	<u>(1,437)</u>	<u>9,661</u>
Total comprehensive income for the period	<u>35,081</u>	<u>70,554</u>
Comprehensive income attributable to:		
Owners of the parent	35,081	70,554

	Millions of Yen	
	Three months ended December 31, 2020	Three months ended December 31, 2021
Net income	12,027	25,647
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	997	3,362
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	<u>(674)</u>	<u>3,473</u>
Total other comprehensive income (loss)	<u>323</u>	<u>6,835</u>
Total comprehensive income for the period	<u>12,350</u>	<u>32,482</u>
Comprehensive income attributable to:		
Owners of the parent	12,350	32,482

(3) Condensed Consolidated Statement of Changes in Equity

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

Nine months ended December 31, 2021

Millions of Yen

	Note	Equity attributable to owners of the parent					Total	Total Equity
		Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity		
Balance as of April 1, 2021		32,363	44,573	(15,001)	214,858	3,576	280,369	280,369
Net income					60,893		60,893	60,893
Other comprehensive income (loss), net of tax						9,661	9,661	9,661
Total comprehensive income for the period		—	—	—	60,893	9,661	70,554	70,554
Purchase of treasury shares	6		(43)	(45,711)			(45,754)	(45,754)
Disposal of treasury shares			(1,018)	2,621	(865)		738	738
Cancellation of treasury shares				66	(66)		—	—
Dividends	7				(25,470)		(25,470)	(25,470)
Share-based payments			1,018				1,018	1,018
Other					5		5	5
Transfer from other components of equity to retained earnings					69	(69)	—	—
Total transactions with the owners		—	(43)	(43,024)	(26,327)	(69)	(69,463)	(69,463)
Balance as of December 31, 2021		32,363	44,530	(58,025)	249,424	13,168	281,460	281,460

(4) Condensed Consolidated Statement of Cash Flows

Millions of Yen

	Note	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Cash flows from operating activities:			
Income before income taxes		43,168	81,335
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization		8,470	10,879
Changes in assets and liabilities:			
Trade and other receivables		(7,872)	(2,093)
Inventories		(5,763)	(20,060)
Trade and other payables		(5,115)	(2,260)
Warranty provisions		156	2,087
Deposits received		2,144	1,851
Advance receipt		1,099	6,413
Retirement benefit liabilities		1,201	(8,388)
Other		(166)	874
Subtotal		37,322	70,638
Interest and dividends received		128	53
Interest paid		(136)	(102)
Income taxes paid		(8,879)	(14,293)
Net cash provided by (used in) operating activities		28,435	56,296
Cash flows from investing activities:			
Proceeds from sale of equity instruments		—	920
Purchases of equity instruments		(6,817)	(881)
Proceeds from sale of debt instruments		—	404
Purchases of property, plant and equipment		(8,818)	(11,801)
Purchases of intangible assets		(571)	(767)
Proceed from transfer of business		3,295	—
Acquisition of subsidiaries	12	(156)	(28,991)
Other		60	(132)
Net cash provided by (used in) investing activities		(13,007)	(41,248)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		—	28,468
Proceeds from disposal of treasury shares		989	726
Purchases of treasury shares	6	(14,022)	(45,779)
Dividends paid	7	(15,392)	(25,260)
Payments for lease liabilities		(1,697)	(1,897)
Other		—	—
Net cash provided by (used in) financing activities		(30,122)	(43,742)
Net effect of exchange rate changes on cash and cash equivalents		(1,515)	1,243
Net change in cash and cash equivalents		(16,209)	(27,451)
Cash and cash equivalents at the beginning of period		127,703	149,164
Cash and cash equivalents at the end of period		111,494	121,713

Notes to the Condensed Consolidated Financial Statements

1. Reporting Entity

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

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

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

2. Basis of Preparation

(1) Compliance with IFRS

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

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

The condensed consolidated financial statements were approved on February 10, 2022 by Yoshiaki Yoshida, Representative Director, President and CEO and Atsushi Fujita, Chief Financial Officer of the Company.

(2) Basis of Measurement

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

(3) Functional Currency and Presentation Currency

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

3. Significant Accounting Policies

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the condensed consolidated financial statements requires Advantest to make judgments, accounting estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable according to the situation. The global epidemic of the new coronavirus (COVID-19) is not expected to have a material impact on Advantest’s estimates and assumptions. Given their nature, however, actual results may differ from those estimates and assumptions. There is no material change from the estimates and assumptions used for the fiscal year ended March 31, 2021.

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

5. Segment Information

(1) Overview of Reporting Segments

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

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

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

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

(2) Information of Reporting Segments

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

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

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

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

Inter-segment sales are based on market prices.

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

Nine months ended December 31, 2021

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	207,564	31,840	60,663	—	300,067
Inter-segment sales	66	—	—	(66)	—
Total	207,630	31,840	60,663	(66)	300,067
Segment income (loss) (operating income (loss) before share-based compensation expense)	74,402	4,930	12,493	(9,576)	82,249
Adjustment: Share-based compensation expense	—	—	—	—	(1,207)
Operating income	—	—	—	—	81,042
Financial income	—	—	—	—	422
Financial expenses	—	—	—	—	(129)
Income before income taxes	—	—	—	—	81,335

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

Three months ended December 31, 2021

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	80,252	10,896	20,929	—	112,077
Inter-segment sales	18	—	—	(18)	—
Total	80,270	10,896	20,929	(18)	112,077
Segment income (loss) (operating income (loss) before share-based compensation expense)	30,806	1,933	4,795	(3,514)	34,020
Adjustment: Share-based compensation expense	—	—	—	—	(454)
Operating income	—	—	—	—	33,566
Financial income	—	—	—	—	565
Financial expenses	—	—	—	—	(56)
Income before income taxes	—	—	—	—	34,075

(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

Nine months ended December 31, 2020

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

Nine months ended December 31, 2021

Advantest resolved to acquire its own shares at the Board of Directors' meeting held on July 28, 2021. The status of share repurchase for the nine months ended December 31, 2021 is as follows:

Status of share repurchase

1. Type of shares acquired
Shares of common stock
2. Total number of shares acquired
4,677,700 shares
3. Total cost of acquisition
45,700,277,000 yen
4. Method of acquisition
Purchased on the Tokyo Stock Exchange

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

1. Type of shares to be acquired
Shares of common stock
2. Total number of shares to be acquired
Up to 10 million shares (Equivalent to 5.1% of outstanding shares excluding treasury stock)
3. Total cost of acquisition
Up to 70 billion yen
4. Method of acquisition
Purchase on the Tokyo Stock Exchange
5. Period of acquisition
From August 2, 2021 to March 24, 2022

7. Dividends

Dividends Paid

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.

Nine months ended December 31, 2021

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2021	Ordinary shares	15,770	80	March 31, 2021	June 3, 2021
Board of Directors' meeting held on October 28, 2021	Ordinary shares	9,776	50	September 30, 2021	December 1, 2021

- (Note) 1. Dividend of (Y) 56 million to treasury shares for the BIP Trust and the ESOP Trust is included in the amount of dividend which was resolved at the Board of Directors' meeting held on May 21, 2021.
2. Dividend of (Y) 21 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 28, 2021.

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, 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

Nine months ended December 31, 2021

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	6,481	1,926	3,482	(66)	11,823
Americas	5,851	1,329	6,583	—	13,763
Europe	6,036	838	2,005	—	8,879
Asia	189,262	27,747	48,593	—	265,602
Total	207,630	31,840	60,663	(66)	300,067

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

Nine months ended December 31, 2020

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	92,311	49,740	142,051

Nine months ended December 31, 2021

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	161,533	46,097	207,630

9. Other Income

The breakdown of other income was as follows:

Millions of Yen

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Gain on the transfer of probe card business ^(Note)	2,451	—
Others	285	516
Total	2,736	516

^(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, 2020	Nine months ended December 31, 2021
Net income attributable to owners of the parent (Millions of Yen)	36,518	60,893
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	36,518	60,893
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	36,518	60,893
Weighted average number of ordinary shares—basic	197,495,822	195,408,739
Dilutive effect of stock options	741,158	578,318
Dilutive effect of performance-based stock remuneration	328,724	409,812
Dilutive effect of restricted stock compensation	—	14,737
Weighted average number of ordinary shares—diluted	198,565,704	196,411,606
Basic earnings per share (Yen)	184.91	311.62
Diluted earnings per share (Yen)	183.91	310.03
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, 2020	Three months ended December 31, 2021
Net income attributable to owners of the parent (Millions of Yen)	12,027	25,647
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	12,027	25,647
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	12,027	25,647
Weighted average number of ordinary shares—basic	196,232,550	193,560,992
Dilutive effect of stock options	700,658	512,942
Dilutive effect of performance-based stock remuneration	336,334	333,171
Dilutive effect of restricted stock compensation	—	22,214
Weighted average number of ordinary shares—diluted	197,269,542	194,429,319
Basic earnings per share (Yen)	61.29	132.50
Diluted earnings per share (Yen)	60.97	131.91
Financial instruments not included in the calculation of diluted earnings per share because they have anti- dilutive effect	Certain share options	—

11. Financial Instruments

(1) Carrying Amounts and Fair Value of Financial Instruments

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

(2) Fair Value Hierarchy of Financial Instruments

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

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

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

Level 3: Fair value measured by significant unobservable inputs

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

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

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

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

As of March 31, 2021

Millions of Yen

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

As of December 31, 2021

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through profit or loss				
Derivatives	—	1	—	1
Debt instruments	—	—	—	—
Financial assets that are measured at fair value through other comprehensive income ^(Note 1)				
Equity instruments	12,377	—	1,698	14,075
Total financial assets	12,377	1	1,698	14,076
Financial liabilities that are measured at fair value through profit or loss				
Derivatives	—	12	—	12
Contingent consideration ^(Note 2)	—	—	2,743	2,743
Total financial liabilities	—	12	2,743	2,755

^(Note 1) 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”).

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

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

Millions of Yen

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Balance at beginning of period	1,475	1,123
Gains or losses		
Profit or loss ^(Note 1)	738	—
Other comprehensive income ^(Note 2)	22	42
Purchase	—	881
Sales	—	(362)
Other	53	14
Balance at end of period	2,288	1,698

^(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, 2020	Nine months ended December 31, 2021
Balance at beginning of period	1,487	2,642
Changes in fair value ^(Note)	1,122	—
Other	(71)	101
Balance at end of period	2,538	2,743

^(Note) If applicable, 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, 2020

(Business combination through acquisition)

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

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

	Millions of Yen		
	Provisional fair value	Revision	Revised fair value
Assets acquired			
Cash and cash equivalents	6,027	—	6,027
Trade and other receivables	1,578	—	1,578
Other current assets	648	—	648
Property, plant and equipment, net	1,998	—	1,998
Right-of-use-assets	942	—	942
Intangible assets, net	1,806	19,008	20,814
Assets total	12,999	19,008	32,007
Liabilities assumed			
Trade and other payables	1,354	(95)	1,259
Other current liabilities	233	—	233
Long-term borrowings	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

Nine months ended December 31, 2021
(Business combination through acquisition)

(1) Overview of Acquired Business

Name of Company: R&D Altanova, Inc.

Business Description of acquired company:

simulation, design, layout, fabrication and assembly of test interface boards for high-end applications

Voting rights ratio after acquisition of shares: 100%

(2) Overview of Business Combination

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.

R&D Altanova is a leading supplier of consumable test interface boards, substrates and interconnects for high-end applications, offering simulation, design, layout, fabrication and assembly of test interface boards. R&D Altanova has a long history of successfully innovating solutions for high-performance and high-density printed circuit boards to address the growing needs of advanced testing systems. In combination with Advantest's test equipment, these solutions will provide enhanced end-to-end test solutions and bring advanced printed circuit board manufacturing capability to Advantest.

(3) Acquisition Date

November 17, 2021

(4) Legal Form of Business Combination

Acquisition of shares

(5) Acquisition-related Expense

Acquisition-related expense of ¥746 million is included in Selling, general and administrative expenses in the condensed consolidated statement of profit or loss for the nine months ended December 31, 2021.

(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 December 31, 2021 because the purchase price allocation had not been completed. The provisional amount was calculated based on currently available information.

Millions of Yen	
	Fair value
Assets acquired	
Cash and cash equivalents	1,403
Trade and other receivables	1,847
Inventories	930
Other current assets	249
Property, plant and equipment, net	1,325
Right-of-use-assets	643
Intangible assets, net	366
Other non-current assets	126
Assets total	6,889
Liabilities assumed	
Trade and other payables	635
Other current liabilities	673
Long-term borrowings	4,472
Lease liabilities	526
Deferred tax liabilities	98
Other non-current liabilities	168
Liabilities total	6,572
Goodwill	25,221
Total	25,538
Fair value of consideration paid	
Cash and cash equivalents	25,538

(Note) Other non-current assets includes Deferred tax assets and others. Other current liabilities includes Income tax payables and others. Other non-current liabilities includes Retirement benefit liabilities and others.

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	25,538
Cash and cash equivalents of the acquired subsidiary	(1,403)
Repayments of the long-term borrowings and others	4,856
Acquisition of subsidiary	28,991

(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, 2022 (unaudited information), was omitted because of its immateriality for the condensed consolidated statement of profit or loss.