

(Translation)

This document has been translated from the Quarterly Securities Report for the three-month period ended June 30, 2022, 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 April 1, 2022 to June 30, 2022

(First Quarter of the 81st term)

Advantest Corporation

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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, Advantest Corporation is hereinafter referred to as the “Company” and together with its consolidated subsidiaries as “Advantest”.

“¥”, “yen” 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 80th	The 81st	The 80th
Accounting Period		Three months ended June 30, 2021	Three months ended June 30, 2022	Fiscal Year ended March 31, 2022
Net sales	Millions of Yen	97,116	135,943	416,901
Income before income taxes	Millions of Yen	25,741	48,416	116,343
Net income attributable to owners of the parent	Millions of Yen	19,344	36,496	87,301
Comprehensive income attributable to owners of the parent	Millions of Yen	19,875	46,068	107,286
Equity attributable to owners of the parent	Millions of Yen	284,986	327,879	294,621
Total assets	Millions of Yen	428,169	531,098	494,696
Basic earnings per share	Yen	98.42	192.14	449.56
Diluted earnings per share	Yen	97.87	191.34	447.26
Ratio of equity attributable to owners of the parent	%	66.6	61.7	59.6
Cash flows from operating activities	Millions of Yen	14,585	4,008	78,889
Cash flows from investing activities	Millions of Yen	(3,058)	(4,285)	(46,907)
Cash flows from financing activities	Million Yen	(15,775)	(13,689)	(68,736)
Cash and cash equivalents at the end of period	Millions of Yen	145,062	107,471	116,582

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

2. Description of Business

There are no significant changes in the business operated by the Company and Advantest during the three months ended June 30, 2022. There are also no transfer changes in major affiliated companies.

Item2. Business Overview

1. Risk Factors

There were no risks newly identified during the three months ended June 30, 2022.

There was no material change in risk factors which were described in the Annual Securities Report for the fiscal year ended March 31, 2022.

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

(1) Overview of Business Results

Consolidated Financial Results of FY2022 Q1 (April 1, 2022 through June 30, 2022)

(in billion yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	As compared to the corresponding period of the previous fiscal year increase (decrease)
Net sales	97.1	135.9	40.0%
Operating income	26.1	44.8	71.4%
Income before income taxes	25.7	48.4	88.1%
Net income	19.3	36.5	88.7%

During Advantest's three-month period ended June 30, 2022, inflation continued in Japan and overseas due to the rise in resource prices stemming from the situation in Ukraine and supply chain disruptions caused by China's lockdowns. Central banks, mainly in the West, raised interest rates to curb inflation, but this led to turmoil in stock markets and foreign exchange markets. Uncertainty about the future of the global economy has increased and recession fears are rising.

In the semiconductor market, this uncertain economic situation dampened demand for semiconductors for some consumer electronics such as smartphones, personal computers, and televisions, but the ongoing digitalization of society supported strong demand for semiconductors overall. Notably, in addition to growing demand for semiconductors related to data centers and AI, demand for high-performance smartphone semiconductors such as those for 5G continued at a high level. Although moves to adjust inventories have been observed in some areas, there is still a strong awareness of shortages of semiconductors for automobiles and industrial equipment, and Advantest's customers continue to be highly willing to make capital investments.

As the shortage of semiconductors and other parts, and logistical disruptions in distribution networks, affect a broad range of supply chains, Advantest continues to face difficulties in terms of parts procurement. In this business environment, Advantest strove to improve our production system and stabilize procurement of parts, while also working to capture the expanding demand for semiconductor test equipment.

As a result of the above, net sales were (Y) 135.9 billion (40.0% increase in comparison to the corresponding period in the previous fiscal year), operating income was (Y) 44.8 billion (71.4% increase in comparison to the corresponding period in the previous fiscal year), income before income taxes was (Y) 48.4 billion (88.1% increase in comparison to the corresponding period in the previous fiscal year) and net income was (Y) 36.5 billion (88.7% increase in comparison to the corresponding period in the previous fiscal year). In addition to top-line sales growth boosted by yen depreciation vs the US dollar, highly profitable products took a more prominent role in our sales mix, pushing all the above figures to record quarterly highs. Average currency exchange rates in the period were 1 USD to 124 JPY (109 JPY in the corresponding period of the previous fiscal year), and 1 EUR to 134 JPY (131 JPY in the corresponding period of the previous fiscal year). The

percentage of net sales to overseas customers was 97.3% (97.0% 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)

	Three months ended June 30, 2021	Three months ended June 30, 2022	As compared to the corresponding period of the previous fiscal year increase (decrease)
Net sales	67.3	96.1	42.7%
Segment income	24.4	40.7	67.0%

In this segment, sales of SOC semiconductor test equipment for advanced process devices increased significantly amidst the further miniaturization and performance gains of HPC (High Performance Computing) devices and application processors. Sales of test equipment for mature process products such as automotive and industrial devices were also strong against the backdrop of production capacity investments by semiconductor manufacturers. Sales of test equipment for memory semiconductors remained at the same high level as in the corresponding period of the previous year, as the market environment for these products continued to be favorable.

As a result of the above, net sales were (Y) 96.1 billion (42.7% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 40.7 billion (67.0% increase in comparison to the corresponding period in the previous fiscal year).

<Mechatronics System Segment>

(in billion yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	As compared to the corresponding period of the previous fiscal year increase (decrease)
Net sales	11.5	15.4	34.6%
Segment income	2.0	4.6	2.3 times

In this segment, sales of device interface products, test handlers, and nanotechnology products increased due to strong customer motivation to invest in semiconductor test equipment and wider adoption of EUV lithography technology. In terms of profits, on top of increased sales, the product mix improved, contributing to higher segment profitability.

As a result of the above, net sales were (Y) 15.4 billion (34.6% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 4.6 billion (2.3 times increase in comparison to the corresponding period in the previous fiscal year).

<Services, Support and Others Segment>

(in billion yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	As compared to the corresponding period of the previous fiscal year increase (decrease)
Net sales	18.4	24.5	33.2%
Segment income	3.2	3.9	18.9%

In this segment, sales of system-level test products grew significantly amidst strong data center investment and smartphone performance gains. In addition, as our installed base grew, sales of maintenance services continued at a high level.

As a result of the above, net sales were (Y) 24.5 billion (33.2% increase in comparison to the corresponding period in the previous fiscal year), and segment income was (Y) 3.9 billion (18.9% increase in comparison to the corresponding period in the previous fiscal year).

(2) Analysis of Financial Condition

Total assets at June 30, 2022 amounted to (Y) 531.1 billion, an increase of (Y) 36.4 billion compared to March 31, 2022, primarily due to increases of (Y) 16.9 billion in inventories, (Y) 10.7 billion in goodwill and intangible assets and (Y) 9.1 billion in trade and other receivables, offset by a decrease of (Y) 9.1 billion in cash and cash equivalents. The amount of total liabilities was (Y) 203.2 billion, an increase of (Y) 3.1 billion compared to March 31, 2022, primarily due to increases of (Y) 3.6 billion in short-term and long-term borrowings, (Y) 3.2 billion in trade and other payables, (Y) 2.9 billion in other financial liabilities, and (Y) 2.1 billion in deferred tax liabilities, offset by a decrease of (Y) 9.0 billion in income taxes payable. The increase in other financial liabilities is primarily due to an increase of deposits received. Total equity was (Y) 327.9 billion. Ratio of equity attributable to owners of the parent was 61.7%, an increase of 2.1 percentage points from March 31, 2022.

(3) Overview of Cash Flows

Cash and cash equivalents held at June 30, 2022 were (Y) 107.5 billion, a decrease of (Y) 9.1 billion from March 31, 2022. Significant cash flows during the three-month period of this fiscal year and their causes are described below.

Net cash provided by operating activities was (Y) 4.0 billion (net cash inflow of (Y) 14.6 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to income tax paid of (Y) 21.6 billion and increases of (Y) 14.6 billion in inventories, and adjustments of non-cash items such as depreciation and amortization in addition to the income before income taxes of (Y) 48.4 billion.

Net cash used in investing activities was (Y) 4.3 billion (net cash outflow of (Y) 3.1 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) 4.3 billion.

Net cash used in financing activities was (Y) 13.7 billion (net cash outflow of (Y) 15.8 billion in the corresponding period of the previous fiscal year). This amount was primarily attributable to dividends paid of (Y) 13.0 billion.

(4) Business and Financial Issues to be Addressed

There were no material changes in issues to be addressed by Advantest for the three months ended June 30, 2022.

(5) Research and Development

Research and development expenses were ¥13.3 billion for the three months ended June 30, 2022.

There were no material changes in Advantest's research and development activities during the three months ended June 30, 2022.

(6) Management Policy and Management Indicators

Advantest announced the revision of second mid-term management plan (FY2021-FY2023) (MTP2) which was formulated in May 2021, based on the business performance achieved for the first year of MTP2, fiscal year 2021, and future business forecasts.

For details, please refer to "Advantest Announces Revision of 2nd Mid-Term Management Plan (FY2021-FY2023)" announced on July 28, 2022.

3. Material Contracts

There were no material contracts relating to Advantest's operations that were agreed upon or entered during three months ended June 30, 2022.

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

2) Total Number of Issued Shares

Class	Number of issued shares as of the end of the first quarter accounting period (shares) (June 30, 2022)	Number of issued shares as of the filing date (shares) (August 12, 2022)	Stock exchange on which the Company is listed	Description
Common shares	199,542,265	199,542,265	Tokyo Stock Exchange Prime Market	One unit of shares constitutes 100 shares
Total	199,542,265	199,542,265	—	—

(Note) Number of issued shares as of the filing date of this Quarterly Securities Report does not include the number of issued shares between August 1, 2022 and such filing date.

(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)
From April 1, 2022 to June 30, 2022	—	199,542,265	—	32,363	—	32,973

(5) Major Shareholders

Not applicable for the three months ended June 30, 2022.

(6) Status of Voting Rights

1) Issued Shares

As of June 30, 2022

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 9,204,400	—	—
Shares with full voting rights (others)	Common shares 190,218,400	1,902,184	—
Less than one unit shares	Common shares 119,465	—	—
Total number of issued shares	199,542,265	—	—
Total voting rights held by all shareholders	—	1,902,184	—

(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), 40,500 shares of the Company Shares owned by the BIP Trust (405 voting rights) and 128,300 shares of the Company Shares owned by the ESOP Trust (1,283 voting rights), in the column of "Less than one unit Shares," 46 shares in the name of Japan Securities Depository Center, 30 shares of the Company Shares owned by the BIP Trust and 84 shares of the Company Shares owned by the ESOP Trust.

2) Treasury Shares

As of June 30, 2022

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	9,204,400	—	9,204,400	4.61
Total	—	9,204,400	—	9,204,400	4.61

(Note) Other than the above, 40,530 shares of the Company Shares owned by the BIP Trust and 128,384 shares of the Company Shares owned by the ESOP Trust are treated as treasury shares in the financial statements.

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 first quarter accounting period (from April 1, 2022 to June 30, 2022) and the first quarter cumulative period (from April 1, 2022 to June 30, 2022) 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, 2022	As of June 30, 2022
Assets			
Current assets			
Cash and cash equivalents		116,582	107,471
Trade and other receivables		82,155	91,215
Inventories		95,013	111,896
Other current assets		11,007	16,653
Subtotal		<u>304,757</u>	<u>327,235</u>
Assets held for sale		188	188
Total current assets		<u>304,945</u>	<u>327,423</u>
Non-current assets			
Property, plant and equipment, net		51,392	55,562
Right-of-use assets		12,645	12,276
Goodwill and intangible assets, net	10	85,307	95,991
Other financial assets	9	14,565	12,995
Deferred tax assets		25,494	26,206
Other non-current assets		348	645
Total non-current assets		<u>189,751</u>	<u>203,675</u>
Total assets		<u><u>494,696</u></u>	<u><u>531,098</u></u>
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables		70,352	73,578
Short-term borrowings		18,359	20,502
Income taxes payable		26,814	17,765
Provisions		6,536	7,340
Lease liabilities		2,918	3,001
Other financial liabilities	9	3,276	6,218
Other current liabilities		22,627	23,219
Total current liabilities		<u>150,882</u>	<u>151,623</u>
Non-current liabilities			
Long-term borrowings		12,239	13,668
Lease liabilities		9,947	9,508
Retirement benefit liabilities		22,341	22,042
Deferred tax liabilities		3,445	5,504
Other non-current liabilities		1,221	874
Total non-current liabilities		<u>49,193</u>	<u>51,596</u>
Total liabilities		<u>200,075</u>	<u>203,219</u>
Equity			
Share capital		32,363	32,363
Share premium		44,995	44,362
Treasury shares		(81,547)	(80,423)
Retained earnings		279,828	303,023
Other components of equity		18,982	28,554
Total equity attributable to owners of the parent		<u>294,621</u>	<u>327,879</u>
Total equity		<u>294,621</u>	<u>327,879</u>
Total liabilities and equity		<u><u>494,696</u></u>	<u><u>531,098</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	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	5,7	97,116	135,943
Cost of sales		(42,371)	(57,024)
Gross profit		54,745	78,919
Selling, general and administrative expenses		(28,270)	(34,024)
Other income		163	59
Other expenses		(513)	(171)
Operating income	5	26,125	44,783
Financial income		17	3,992
Financial expenses		(401)	(359)
Income before income taxes		25,741	48,416
Income taxes		(6,397)	(11,920)
Net income		19,344	36,496
Net income attributable to:			
Owners of the parent		19,344	36,496
Earnings per share:			
	8	Yen	Yen
Basic		98.42	192.14
Diluted		97.87	191.34

Condensed Quarterly Consolidated Statement of Comprehensive Income

Millions of Yen

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net income	19,344	36,496
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	272	(2,725)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	259	12,297
Total other comprehensive income (loss)	531	9,572
Total comprehensive income for the period	19,875	46,068
Comprehensive income attributable to:		
Owners of the parent	19,875	46,068

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Three months ended June 30, 2021

		Millions of Yen						
		Equity attributable to owners of the parent						
Note	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	Total Equity	
Balance as of April 1, 2021	32,363	44,573	(15,001)	214,858	3,576	280,369	280,369	
Net income				19,344		19,344	19,344	
Other comprehensive income (loss), net of tax					531	531	531	
Total comprehensive income for the period	—	—	—	19,344	531	19,875	19,875	
Purchase of treasury shares			(2)			(2)	(2)	
Disposal of treasury shares		(644)	1,019	(179)		196	196	
Dividends	6			(15,715)		(15,715)	(15,715)	
Share-based payments		263				263	263	
Total transactions with the owners	—	(381)	1,017	(15,894)	—	(15,258)	(15,258)	
Balance as of June 30, 2021	<u>32,363</u>	<u>44,192</u>	<u>(13,984)</u>	<u>218,308</u>	<u>4,107</u>	<u>284,986</u>	<u>284,986</u>	

Three months ended June 30, 2022

		Millions of Yen						
		Equity attributable to owners of the parent						
Note	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	Total Equity	
Balance as of April 1, 2022	32,363	44,995	(81,547)	279,828	18,982	294,621	294,621	
Net income				36,496		36,496	36,496	
Other comprehensive income (loss), net of tax					9,572	9,572	9,572	
Total comprehensive income for the period	—	—	—	36,496	9,572	46,068	46,068	
Purchase of treasury shares			(1)			(1)	(1)	
Disposal of treasury shares		(1,068)	1,125	(7)		50	50	
Dividends	6			(13,294)		(13,294)	(13,294)	
Share-based payments		435				435	435	
Total transactions with the owners	—	(633)	1,124	(13,301)	—	(12,810)	(12,810)	
Balance as of June 30, 2022	<u>32,363</u>	<u>44,362</u>	<u>(80,423)</u>	<u>303,023</u>	<u>28,554</u>	<u>327,879</u>	<u>327,879</u>	

(4) Condensed Quarterly Consolidated Statement of Cash Flows

Millions of Yen

	Note	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from operating activities:			
Income before income taxes		25,741	48,416
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization		3,397	4,921
Changes in assets and liabilities:			
Trade and other receivables		(2,008)	(4,670)
Inventories		(7,326)	(14,625)
Trade and other payables		(4,394)	1,449
Warranty provisions		130	770
Deposits received		3,317	2,852
Advance receipts		2,038	(311)
Retirement benefit liabilities		538	(773)
Other		(86)	(12,430)
Subtotal		21,347	25,599
Interest and dividends received		20	23
Interest paid		(38)	(60)
Income taxes paid		(6,744)	(21,554)
Net cash provided by (used in) operating activities		14,585	4,008
Cash flows from investing activities:			
Proceeds from sale of debt instruments		124	—
Purchases of property, plant and equipment		(3,072)	(4,277)
Purchases of intangible assets		(130)	(131)
Other		20	123
Net cash provided by (used in) investing activities		(3,058)	(4,285)
Cash flows from financing activities:			
Proceeds from disposal of treasury shares		186	15
Dividends paid	6	(15,320)	(12,971)
Payments for lease liabilities		(639)	(732)
Other		(2)	(1)
Net cash provided by (used in) financing activities		(15,775)	(13,689)
Net effect of exchange rate changes on cash and cash equivalents		146	4,855
Net change in cash and cash equivalents		(4,102)	(9,111)
Cash and cash equivalents at the beginning of period		149,164	116,582
Cash and cash equivalents at the end of period		145,062	107,471

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, 2022.

The condensed quarterly consolidated financial statements were approved on August 12, 2022 by Yoshiaki Yoshida, Representative Director, President and CEO and Atsushi Fujita, Chief Financial Officer of the Company.

(2) Basis of Measurement

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

3. Significant 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, 2022.

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. 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, 2022.

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.

Three months ended June 30, 2021

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	67,298	11,463	18,355	—	97,116
Inter-segment sales	20	—	—	(20)	—
Total	67,318	11,463	18,355	(20)	97,116
Segment income (loss) (operating income (loss) before share-based compensation expense)	24,394	1,998	3,245	(3,185)	26,452
Adjustment:					
Share-based compensation expense	—	—	—	—	(327)
Operating income	—	—	—	—	26,125
Financial income	—	—	—	—	17
Financial expenses	—	—	—	—	(401)
Income before income taxes	—	—	—	—	25,741

Three months ended June 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	96,062	15,426	24,455	—	135,943
Inter-segment sales	20	—	—	(20)	—
Total	96,082	15,426	24,455	(20)	135,943
Segment income (loss) (operating income (loss) before share-based compensation expense)	40,734	4,551	3,859	(4,008)	45,136
Adjustment:					
Share-based compensation expense	—	—	—	—	(353)
Operating income	—	—	—	—	44,783
Financial income	—	—	—	—	3,992
Financial expenses	—	—	—	—	(359)
Income before income taxes	—	—	—	—	48,416

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

6. Dividends

Dividends Paid

Three months ended June 30, 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	Common shares	15,770	80	March 31, 2021	June 3, 2021

(Note) Dividend of (Y) 56 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 21, 2021.

Three months ended June 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.

7. Revenue

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

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

Three months ended June 30, 2021

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	1,321	534	1,120	(20)	2,955
Americas	1,728	326	2,046	—	4,100
Europe	1,552	211	552	—	2,315
Asia	62,717	10,392	14,637	—	87,746
Total	67,318	11,463	18,355	(20)	97,116

Three months ended June 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	2,153	410	1,104	(20)	3,647
Americas	3,831	2,181	3,781	—	9,793
Europe	2,065	248	970	—	3,283
Asia	88,033	12,587	18,600	—	119,220
Total	96,082	15,426	24,455	(20)	135,943

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

Three months ended June 30, 2021

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	50,256	17,062	67,318

Three months ended June 30, 2022

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	78,761	17,321	96,082

8. Earnings per Share

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

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net income attributable to owners of the parent (Millions of Yen)	19,344	36,496
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	19,344	36,496
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	19,344	36,496
Weighted average number of common shares—basic	196,550,687	189,943,510
Dilutive effect of stock options	624,989	350,429
Dilutive effect of performance-based stock remuneration	487,252	394,646
Dilutive effect of restricted stock compensation	—	46,074
Weighted average number of common shares—diluted	197,662,928	190,734,659
Basic earnings per share (Yen)	98.42	192.14
Diluted earnings per share (Yen)	97.87	191.34
Financial instruments not included in the calculation of diluted earnings per share because they have anti-dilutive effect	—	—

9. 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.

(Other)

Financial instruments other than above 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 Levels during the year ended March 31, 2022 and the three months ended June 30, 2022.

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

As of March 31, 2022

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through other comprehensive income ^(Note 1)				
Equity instruments	11,547	—	1,082	12,629
Total financial assets	11,547	—	1,082	12,629
Financial liabilities that are measured at fair value through profit or loss				
Derivatives	—	33	—	33
Contingent consideration ^(Note 2)	—	—	259	259
Total financial liabilities	—	33	259	292

As of June 30, 2022

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through other comprehensive income ^(Note 1)				
Equity instruments	9,904	—	1,187	11,091
Total financial assets	9,904	—	1,187	11,091
Financial liabilities that are measured at fair value through profit or loss				
Derivatives	—	50	—	50
Contingent consideration ^(Note 2)	—	—	505	505
Total financial liabilities	—	50	505	555

(Notes) 1. The Company holds equity investments 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”).

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

	Three months ended June 30, 2021	Three months ended June 30, 2022
Balance at beginning of period	1,123	1,082
Gains or losses		
Other comprehensive income ^(Note)	4	75
Sales	(125)	—
Other	4	30
Balance at end of period	1,006	1,187

(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

	Three months ended June 30, 2021	Three months ended June 30, 2022
Balance at beginning of period	2,642	259
Changes in fair value ^(Note)	—	203
Other	(3)	43
Balance at end of period	2,639	505

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

10. Business Combinations

Three months ended June 30, 2021

Not applicable.

Three months ended June 30, 2022

(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 ending 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.

11. Subsequent Events

(Share repurchase)

Advantest resolved to acquire its own shares under Article 459, paragraph 1 of the Companies Act, at the Board of Directors' meeting held on July 28, 2022 as follows:

(1) Reason for acquisition of own shares

The target of the shareholder return that is in congruence with the second mid-term management plan is to achieve a total annual return ratio of 50% or more, including share buybacks. Operating cash flow is expected to increase steadily as the earnings for the fiscal year ending March 31, 2023 are performing well. In consideration of the situation of cash on hand, Advantest acquires treasury shares for the purpose of shareholder returns, improving capital efficiency and future restricted stock compensation plans.

(2) Details of acquisition

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) Period of acquisition

From August 1, 2022 to December 23, 2022

5) Acquisition method

Purchase on the Tokyo Stock Exchange

(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 as follows:

1) Type of shares to be cancelled

The Company's common shares

2) Total number of shares to be cancelled

8,000,000 shares (Equivalent to 4.01% of outstanding shares as of June 30, 2022)

3) Scheduled cancellation date

September 9, 2022

4) Total number of shares outstanding after the cancellation

191,542,265 shares

2. Others

The board of directors resolved on May 20, 2022 to pay the year-end dividend of 70 yen per share (Total amount of 13,323 million yen) to shareholders listed or recorded in the shareholder list as of March 31, 2022.

PartII. Information on the Guarantee Companies of the Company

Not applicable.

English Translation
Independent Auditor's Quarterly Review Report

August 12, 2022

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 June 30, 2022, and the condensed quarterly consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period ended June 30, 2022, 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 June 30, 2022 and its consolidated financial performance and cash flows for the three-month period ended June 30, 2022 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, related safeguards.

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 Financial Instruments and Exchange Act for the conveniences of the reader.

[Cover]

[Document Filed]

[Applicable Law]

[Filed to]

[Filing Date]

[Company Name]

[Company Name in English]

[Title and Name of Representative]

[Title and Name of CFO]

[Address of Registered Office]

[Place Where Available for Public Inspection]

Confirmation Letter

Article 24-4-8, Paragraph 1 of the Financial Instruments
and Exchange Act of Japan

Director, Kanto Local Finance Bureau

August 12, 2022

Kabushiki Kaisha Advantest

ADVANTEST CORPORATION

Yoshiaki Yoshida, Representative Director, President and
CEO

Atsushi Fujita, Director, Senior Executive Officer
Executive Vice President, Corporate Administration
Group

1-6-2, Marunouchi, Chiyoda-ku, Tokyo

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 and CEO and Atsushi Fujita, Chief Financial Officer of Advantest Corporation, confirmed that statements contained in the Quarterly Securities Report for the first quarter of the 81st Business Term (from April 1, 2022 to June 30, 2022) were adequate under the Financial Instruments and Exchange Act.
2. Special Notes
None.