

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

Quarterly Financial Report

For the fiscal second quarter ended September 30, 2020

Advantest Corporation

1. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

		Millions of Yen	
	Note	As of March 31, 2020	As of September 30, 2020
Assets			
Current assets			
Cash and cash equivalents		127,703	119,012
Trade and other receivables		46,426	44,379
Inventories		58,943	65,122
Other current assets		6,871	8,370
Subtotal		239,943	236,883
Assets held for sale		199	199
Total current assets		240,142	237,082
Non-current assets			
Property, plant and equipment, net		35,072	36,769
Right-of-use assets		11,184	10,306
Goodwill and intangible assets, net	12	51,025	53,075
Other financial assets	11	2,867	9,492
Deferred tax assets		15,351	14,214
Other non-current assets		136	355
Total non-current assets		115,635	124,211
Total assets		355,777	361,293
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables		46,660	42,948
Income tax payables		7,793	7,634
Provisions		3,335	3,536
Lease liabilities		2,275	2,311
Other financial liabilities	11	1,892	2,045
Other current liabilities		8,582	10,375
Total current liabilities		70,537	68,849
Non-current liabilities			
Lease liabilities		9,013	8,138
Retirement benefit liabilities		40,622	42,089
Deferred tax liabilities		1,563	4,099
Other non-current liabilities		2,590	2,621
Total non-current liabilities		53,788	56,947
Total liabilities		124,325	125,796
Equity			
Share capital		32,363	32,363
Share premium		43,550	43,913
Treasury shares	6	(4,179)	(14,554)
Retained earnings		159,803	175,620
Other components of equity		(85)	(1,845)
Total equity attributable to owners of the parent		231,452	235,497
Total equity		231,452	235,497
Total liabilities and equity		355,777	361,293

(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	Six months ended September 30, 2019	Six months ended September 30, 2020		
Net sales	5, 8	137,751	144,102		
Cost of sales		(57,380)	(64,476)		
Gross profit		80,371	79,626		
Selling, general and administrative expenses		(47,569)	(51,253)		
Other income	9	117	2,646		
Other expenses		(41)	(82)		
Operating income	5	32,878	30,937		
Financial income		476	78		
Financial expenses		(75)	(1,695)		
Income before income taxes		33,279	29,320		
Income taxes		(6,507)	(4,829)		
Net income		<u>26,772</u>	<u>24,491</u>		
Net income attributable to:					
Owners of the parent		26,772	24,491		
Earnings per share:	10	Yen	Yen		
Basic		135.20	123.61		
Diluted		134.77	122.97		

				Millions of Yen	
	Note	Three months ended September 30, 2019	Three months ended September 30, 2020		
Net sales	5	71,586	77,377		
Cost of sales		(30,566)	(35,704)		
Gross profit		41,020	41,673		
Selling, general and administrative expenses		(23,354)	(26,721)		
Other income		74	2,574		
Other expenses		(22)	(47)		
Operating income	5	17,718	17,479		
Financial income		650	32		
Financial expenses		(38)	(1,086)		
Income before income taxes		18,330	16,425		
Income taxes		(3,642)	(2,484)		
Net income		<u>14,688</u>	<u>13,941</u>		
Net income attributable to:					
Owners of the parent		14,688	13,941		
Earnings per share:	10	Yen	Yen		
Basic		74.13	70.48		
Diluted		73.84	70.12		

Condensed Consolidated Statement of Comprehensive Income

	Millions of Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income	26,772	24,491
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)	(333)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	<u>(4,172)</u>	<u>(1,427)</u>
Total other comprehensive income (loss)	<u>(4,189)</u>	<u>(1,760)</u>
Total comprehensive income for the period	<u><u>22,583</u></u>	<u><u>22,731</u></u>
Comprehensive income attributable to:		
Owners of the parent	22,583	22,731

	Millions of Yen	
	Three months ended September 30, 2019	Three months ended September 30, 2020
Net income	14,688	13,941
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	1	(349)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	<u>(808)</u>	<u>(998)</u>
Total other comprehensive income (loss)	<u>(807)</u>	<u>(1,347)</u>
Total comprehensive income for the period	<u><u>13,881</u></u>	<u><u>12,594</u></u>
Comprehensive income attributable to:		
Owners of the parent	13,881	12,594

(3) Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 2019

Millions of Yen

	Note	Equity attributable to owners of the parent					Total	Total Equity
		Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity		
Balance as of April 1, 2019		32,363	43,018	(6,262)	125,927	3,685	198,731	198,731
Net income					26,772		26,772	26,772
Other comprehensive income (loss), net of tax						(4,189)	(4,189)	(4,189)
Total comprehensive income for the period		—	—	—	26,772	(4,189)	22,583	22,583
Purchase of treasury shares				(1,120)			(1,120)	(1,120)
Disposal of treasury shares			(261)	2,664	(1,025)		1,378	1,378
Dividends	7				(8,309)		(8,309)	(8,309)
Share-based payments			336				336	336
Transfer from other components of equity to retained earnings					111	(111)	—	—
Total transactions with the owners		—	75	1,544	(9,223)	(111)	(7,715)	(7,715)
Balance as of September 30, 2019		<u>32,363</u>	<u>43,093</u>	<u>(4,718)</u>	<u>143,476</u>	<u>(615)</u>	<u>213,599</u>	<u>213,599</u>

Six months ended September 30, 2020

Millions of Yen

	Note	Equity attributable to owners of the parent					Total	Total Equity
		Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity		
Balance as of April 1, 2020		32,363	43,550	(4,179)	159,803	(85)	231,452	231,452
Net income					24,491		24,491	24,491
Other comprehensive income (loss), net of tax						(1,760)	(1,760)	(1,760)
Total comprehensive income for the period		—	—	—	24,491	(1,760)	22,731	22,731
Purchase of treasury shares	6		(13)	(11,732)			(11,745)	(11,745)
Disposal of treasury shares			(142)	1,357	(539)		676	676
Dividends	7				(8,135)		(8,135)	(8,135)
Share-based payments			518				518	518
Total transactions with the owners		—	363	(10,375)	(8,674)	—	(18,686)	(18,686)
Balance as of September 30, 2020		<u>32,363</u>	<u>43,913</u>	<u>(14,554)</u>	<u>175,620</u>	<u>(1,845)</u>	<u>235,497</u>	<u>235,497</u>

(4) Condensed Consolidated Statement of Cash Flows

Millions of Yen

	Note	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities:			
Income before income taxes		33,279	29,320
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization		4,548	5,503
Changes in assets and liabilities:			
Trade and other receivables		390	1,748
Inventories		684	(6,326)
Trade and other payables		(5,437)	(3,169)
Warranty provisions		132	200
Retirement benefit liabilities		648	695
Other		2,530	1,643
Subtotal		36,774	29,614
Interest and dividends received		470	87
Interest paid		(76)	(86)
Income taxes paid		(7,289)	(5,199)
Net cash provided by (used in) operating activities		29,879	24,416
Cash flows from investing activities:			
Proceeds from sale of equity instruments		111	—
Purchases of equity instruments		—	(6,817)
Purchases of property, plant and equipment		(3,054)	(5,841)
Purchases of intangible assets		(227)	(397)
Proceeds from transfer of business		—	3,295
Other		44	10
Net cash provided by (used in) investing activities		(3,126)	(9,750)
Cash flows from financing activities:			
Proceeds from disposal of treasury shares		1,378	701
Purchases of treasury shares	6	(1,120)	(13,866)
Dividends paid	7	(8,302)	(8,129)
Payments for lease liabilities		(1,038)	(1,107)
Other		—	—
Net cash provided by (used in) financing activities		(9,082)	(22,401)
Net effect of exchange rate changes on cash and cash equivalents		(2,821)	(956)
Net change in cash and cash equivalents		14,850	(8,691)
Cash and cash equivalents at the beginning of period		119,943	127,703
Cash and cash equivalents at the end of period		134,793	119,012

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 November 13, 2020 by Yoshiaki Yoshida, Representative Director, President and CEO and Atsushi Fujita, Chief Financial Officer of the Company.

(2) Basis of Measurement

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

(3) Functional Currency and Presentation Currency

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

(4) Changes in Presentation

“Proceeds from sale of property, plant and equipment” of (Y) 49 million, which was presented separately under cash flows from investing activities in the condensed consolidated statement of cash flows for the six months ended September 30, 2019, was included in “Other” in the condensed consolidated statement of cash flows for the six months ended September 30, 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.

Six months ended September 30, 2019

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	102,916	15,986	18,849	—	137,751
Inter-segment sales	10	—	1	(11)	—
Total	102,926	15,986	18,850	(11)	137,751
Segment income (loss) (operating income (loss) before share-based compensation expense)	36,356	(1,553)	2,117	(3,643)	33,277
Adjustment:					
Share-based compensation expense	—	—	—	—	(399)
Operating income	—	—	—	—	32,878
Financial income	—	—	—	—	476
Financial expenses	—	—	—	—	(75)
Income before income taxes	—	—	—	—	33,279

Six months ended September 30, 2020

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	89,499	20,381	34,222	—	144,102
Inter-segment sales	334	—	—	(334)	—
Total	89,833	20,381	34,222	(334)	144,102
Segment income (loss) (operating income (loss) before share-based compensation expense)	24,812	3,647	6,965	(3,884)	31,540
Adjustment:					
Share-based compensation expense	—	—	—	—	(603)
Operating income	—	—	—	—	30,937
Financial income	—	—	—	—	78
Financial expenses	—	—	—	—	(1,695)
Income before income taxes	—	—	—	—	29,320

Three months ended September 30, 2019

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	52,007	9,341	10,238	—	71,586
Inter-segment sales	—	—	1	(1)	—
Total	52,007	9,341	10,239	(1)	71,586
Segment income (loss) (operating income (loss) before share-based compensation expense)	18,697	(601)	1,604	(1,732)	17,968
Adjustment: Share-based compensation expense	—	—	—	—	(250)
Operating income	—	—	—	—	17,718
Financial income	—	—	—	—	650
Financial expenses	—	—	—	—	(38)
Income before income taxes	—	—	—	—	18,330

Three months ended September 30, 2020

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	47,540	11,502	18,335	—	77,377
Inter-segment sales	2	—	—	(2)	—
Total	47,542	11,502	18,335	(2)	77,377
Segment income (loss) (operating income (loss) before share-based compensation expense)	12,998	3,464	3,252	(2,007)	17,707
Adjustment: Share-based compensation expense	—	—	—	—	(228)
Operating income	—	—	—	—	17,479
Financial income	—	—	—	—	32
Financial expenses	—	—	—	—	(1,086)
Income before income taxes	—	—	—	—	16,425

(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 six and three months ended September 30, 2020, respectively. 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. The status of share repurchase for the six months ended September 30, 2020 is as follows:

Status of share repurchase

1. Type of shares acquired
Shares of common stock
2. Total number of shares acquired
2,088,100 shares
3. Total cost of acquisition
10,865,196,000 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 30, 2020

1. Type of shares to be acquired
Shares of common stock
2. Total number of shares to be acquired
Up to 2.5 million shares (Equivalent to 1.3% of outstanding shares excluding treasury stock)
3. Total cost of acquisition
Up to 15 billion yen
4. Method of acquisition
Purchase on the Tokyo Stock Exchange
5. Period of acquisition
From July 31, 2020 to October 30, 2020

7. Dividends

(1) Dividends Paid

Six months ended September 30, 2019

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 22, 2019	Ordinary shares	8,320	42	March 31, 2019	June 4, 2019

(Note) Dividend of (Y) 11 million to treasury shares for the BIP Trust and the ESOP Trust is included in the amount of dividend which was resolved at the Board of Directors' meeting held on May 22, 2019.

Six months ended September 30, 2020

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2020	Ordinary shares	8,157	41	March 31, 2020	June 2, 2020

(Note) Dividend of (Y) 22 million to treasury shares for the BIP Trust and the ESOP Trust is included in the amount of dividend which was resolved at the Board of Directors' meeting held on May 21, 2020.

(2) Dividends Whose Record Date is in the Second Quarter but Whose Effective Date is in the Following Quarter

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on October 29, 2020	Ordinary shares	7,493	38	September 30, 2020	December 1, 2020

^(Note) Dividend of (Y) 26 million to treasury shares for the BIP Trust and the ESOP Trust is included in the above amount of dividend.

8. Revenue

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

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

Six months ended September 30, 2019

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	2,428	1,029	2,328	(11)	5,774
Americas	2,698	1,472	5,264	—	9,434
Europe	1,774	171	968	—	2,913
Asia	96,026	13,314	10,290	—	119,630
Total	102,926	15,986	18,850	(11)	137,751

Six months ended September 30, 2020

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	3,540	1,282	2,013	(334)	6,501
Americas	3,181	1,540	12,330	—	17,051
Europe	3,306	240	1,104	—	4,650
Asia	79,806	17,319	18,775	—	115,900
Total	89,833	20,381	34,222	(334)	144,102

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

Six months ended September 30, 2019		Millions of Yen	
	SoC	Memory	Total
Semiconductor and Component Test System Business	86,639	16,287	102,926

Six months ended September 30, 2020		Millions of Yen	
	SoC	Memory	Total
Semiconductor and Component Test System Business	53,173	36,660	89,833

9. Other Income

The breakdown of other income was as follows:

	Millions of Yen	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Gain on the transfer of probe card business ^(Note)	—	2,451
Others	117	195
Total	117	2,646

^(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:

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income attributable to owners of the parent (Millions of Yen)	26,772	24,491
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	26,772	24,491
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	26,772	24,491
Weighted average number of ordinary shares—basic	198,012,630	198,130,909
Dilutive effect of stock options	605,432	748,491
Dilutive effect of performance-based stock remuneration	38,962	289,441
Weighted average number of ordinary shares—diluted	198,657,024	199,168,841
Basic earnings per share (Yen)	135.20	123.61
Diluted earnings per share (Yen)	134.77	122.97
Financial instruments not included in the calculation of diluted earnings per share because they have anti- dilutive effect	Certain financial instruments related to share-based compensation	Certain share options

	Three months ended September 30, 2019	Three months ended September 30, 2020
Net income attributable to owners of the parent (Millions of Yen)	14,688	13,941
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	14,688	13,941
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	14,688	13,941
Weighted average number of ordinary shares—basic	198,142,420	197,783,798
Dilutive effect of stock options	712,588	716,372
Dilutive effect of performance-based stock remuneration	53,222	294,104
Weighted average number of ordinary shares—diluted	198,908,230	198,794,274
Basic earnings per share (Yen)	74.13	70.48
Diluted earnings per share (Yen)	73.84	70.12
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 six months ended September 30, 2020.

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

As of March 31, 2020 Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through profit or loss				
Debt instruments	—	—	772	772
Financial assets that are measured at fair value through other comprehensive income ^(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 September 30, 2020 Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through profit or loss				
Debt instruments	—	—	786	786
Financial assets that are measured at fair value through other comprehensive income ^(Note)				
Equity instruments	6,546	—	726	7,272
Total financial assets	6,546	—	1,512	8,058
Financial liabilities that are measured at fair value through profit or loss	—	—	1,445	1,445
Total financial liabilities	—	—	1,445	1,445

^(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

	Six months ended September 30, 2019	Six months ended September 30, 2020
Balance at beginning of period	1,287	1,475
Gains or losses		
Other comprehensive income ^(Note)	(26)	22
Sales	(111)	—
Other	(56)	15
Balance at end of period	1,094	1,512

^(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 consolidated statement of comprehensive income.

12. Business Combinations

Six months ended September 30, 2019

(Business combination through acquisition)

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

The fair value of the assets acquired and consideration paid as of the acquisition date were provisional as of 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.

Six months ended September 30, 2020

(Business combination through acquisition)

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

The fair value of the assets acquired, 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