

(The following is an unofficial English translation of the Convocation Notice of the 80th Ordinary General Meeting of Shareholders of Advantest Corporation (the “Company”). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

(Pictures, graphs and reference matters in the Japanese have been omitted from this translated document.)

(Stock Code Number: 6857)

**CONVOCATION NOTICE OF
THE 80th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and time: June 24, 2022 (Friday) at 11:00 a.m.

(The reception desk will open at 10:00 a.m.)

Place: Hall at Gunma R&D Center of Advantest Corporation

336-1, Ohwa, Meiwa-machi, Ora-gun, Gunma

(Please refer to the venue guide map at the end.)

The Advantest Way

The Advantest Way organizes our Purpose & Mission, Vision, and Core Values systematically. The Advantest Way brings all of our employees around the world together, and it is also a contract with all of the stakeholders.



Purpose & Mission: Why do we exist
Enabling Leading-Edge Technologies

We will continuously improve ourselves so that we can offer products and services that will satisfy our customers worldwide, and contribute to the development of our society through the development of the most advanced technologies.

Vision: What we want to be
Adding Customer Value in an Evolving Semiconductor Value Chain

Advantest will further contribute to the semiconductor industry by enriching, expanding, and integrating our test and measurement solutions throughout the entire semiconductor value chain.

Core Values: What we value most
INTEGRITY

“Integrity” means honesty and truthfulness.

When you have integrity, it means being open, honest and respectful at all times with all stakeholders.

The value of Integrity can serve as a common thread uniting people of diverse cultures, religions, and viewpoints, and it is Advantest’s core value globally.

Message to Shareholders

To Our Shareholders

We are pleased to send you this Convocation Notice for the 80th Ordinary General Meeting of Shareholders.

During the consolidated fiscal year of 2021, while the COVID-19 pandemic continued to smolder on, widespread access to vaccines facilitated a return to normal socializing, and the global economy overall recovered from the historic recession of the previous fiscal year. On the other hand, concerns about the future of the world economy intensified amidst prolonged shortages of semiconductors and other parts, rising inflation, and the crisis in Ukraine that erupted in the beginning of CY2022.

In the semiconductor market, demand for semiconductors related to data centers, AI, and personal computers remained firm, thanks to demand for at-home consumption and the ongoing digitalization of society overall. In addition, semiconductors for smartphones have become even more sophisticated, and demand increased in response to continued 5G smartphone performance evolution and higher sales volumes. Moreover, the noted shortage of semiconductors for automobiles, industrial equipment, and consumer electronics, arising from the post-COVID economic recovery, spurred active investment in production capacity increases for various semiconductor devices.

The booming semiconductor market spurred ongoing growth in demand for semiconductor test equipment. In particular, suppliers of high-end SoC devices for data centers and smartphones invested in advanced technology and processes, contributing to strong growth in the SoC semiconductor test equipment market. In this environment, the Company has steadily captured semiconductor test equipment demand expansion by leveraging our broad product portfolio and our global sales and support network, which are among our greatest strengths. On the other hand, as the shortage of semiconductors and other parts is affecting a broad range of supply chains, the Company continues to face unprecedented difficulties in terms of parts procurement.

As a result, orders received during the consolidated fiscal year under review amounted to 700.3 billion yen, net sales were 416.9 billion yen, operating income was 114.7 billion yen, income before income taxes was 116.3 billion yen, and net income was 87.3 billion yen. With respect to the year-end dividend distribution to shareholders, we resolved at the meeting of the Board of Directors held on May 20, 2022 to distribute a year-end dividend of 70 yen per share, with a payment date of June 3, 2022.

Since the Company has paid an interim dividend of 50 yen per share, the total dividend per share for the fiscal year will be 120 yen per share.

We hope that we may rely on you for your continued support and guidance in the future.

June 2022

Yoshiaki Yoshida
Representative Director,
President and CEO

Contents

Message to Shareholders	page 3
Convocation Notice of the 80 th Ordinary General Meeting of Shareholders	page 5
Reference Documents for the General Meeting of Shareholders	page 14
 (Attachments)	
Business Report	page 30
Consolidated Financial Statements	page 54
Non-Consolidated Financial Statements	page 66
Audit Reports	page 74

To Our Shareholders

Yoshiaki Yoshida
Representative Director
President and CEO
ADVANTEST CORPORATION
1-6-2 Marunouchi, Chiyoda-ku,
Tokyo

**CONVOCATION NOTICE OF
THE 80th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

Notice is hereby given that the 80th Ordinary General Meeting of Shareholders of ADVANTEST CORPORATION (the “Company”) will be held as set forth below.

If you cannot attend the general meeting of shareholders in person, you can exercise your voting rights via the Internet or in writing. As such, the Company requests that you exercise your voting rights by 5:00 p.m. (All the times listed below will be in Japanese Standard Time) on June 23, 2022 (Thursday) after carefully reading the reference documents set forth below.

1. Date and time: June 24, 2022 (Friday) at 11:00 a.m.
(The reception desk will open at 10:00 a.m.)
2. Place: Hall at Gunma R&D Center of Advantest Corporation
336-1, Ohwa, Meiwa-machi, Ora-gun, Gunma
(Please refer to the venue guide map at the end.)
3. Subject matters of the general meeting of shareholders:
 - Matters to be reported:
 - Item No.1: Matters concerning the business report, consolidated financial statements and non-consolidated financial statements reporting for the 80th Fiscal Year (from April 1, 2021 to March 31, 2022)
 - Item No.2: Matters concerning the results of audit of the Company’s consolidated financial statements by the Independent Auditors and the Audit and Supervisory Committee
 - Matters to be resolved:
 - Agenda Items:
 - Agenda Item No.1: Partial Amendment of Articles of Incorporation
 - Agenda Item No.2: Election of 8 directors (excluding directors who are audit and supervisory committee members)
 - Agenda Item No.3: Election of 1 director who is an audit and supervisory committee member

*The general meeting of shareholders can be viewed through live streaming on the Internet. Regarding viewing guidance, please kindly refer to the enclosed notice of the live streaming of the general meeting of shareholders on the Internet.

Notice of Items to be listed on our website

- As the following information is available on the Company's website in accordance with laws and regulations and Article 13 of the Articles of Incorporation, it is not included in this convocation notice. Materials attached to this convocation notice and the matters posted on the Company's website indicated below are documents audited by the Independent Auditors and the Audit and Supervisory Committee when preparing the Report of Independent Auditors and the Audit Report, respectively.

1. A system that ensures the appropriateness of its business
2. Status of implementation of the system to ensure the appropriateness of business
3. Consolidated Statement of Comprehensive Income
4. Consolidated Statement of Changes in Equity
5. Notes to Consolidated Financial Statements
6. Statement of Changes in Net Assets
7. Notes to Non-Consolidated Financial Statements

(note: This English Translation includes above such statements for your convenience)

- Amendments to the reference documents for the general meeting of shareholders and/or attached materials or any significant changes in the operation of this general meeting of shareholders, if any, will be posted on the Company's website.

- If the date and time or the venue of the general meeting of shareholders are to be changed due to the status of the spread of COVID-19, the information will be posted on the Company's website.

- Presentation materials concerning matters to be reported will be posted on the Company's website.

- The resolutions adopted at the meeting will be posted on the Company's website instead of issuing a written notice of the resolutions.

The Company's website:

<https://www.advantest.com/investors/shares-and-corporate-bonds/meeting/>

Information about the Online Convocation Notice

Major contents of this convocation notice can be viewed from a computer or smartphone.

Please visit the website or scan the QR code below.

(note: QR code and URL is omitted since the Online Convocation Notice will be available in Japanese)

Measures for Preventing the Spread of COVID-19

[Requests to Shareholders]

- If you are attending the meeting, you are requested to cooperate with the measures to help prevent the spread of COVID-19, including wearing of a mask at the venue, use of alcohol-based disinfection, and temperature check.
- Please note that the meeting staff may speak to those who appear to be in ill health and such shareholders may not be allowed to enter the venue.
- At the venue, you are requested to sit apart from one another to the extent possible.

[The Company's Measures]

- To prevent the spread of infection, spaces between seats at the meeting venue will be widened.
- The meeting staff will have their health conditions checked in advance and will wear a mask at the venue.
- Alcohol-based disinfectants will be placed for use at the venue.
- The general meeting of shareholders will be streamed live on the Internet, and questions can be sent in advance. Please refer to the page 13 of the guidance for details.

- | |
|--|
| <ul style="list-style-type: none">- The Company will not be presenting a gift to shareholders who attend the meeting.- The social gathering with shareholders has been cancelled.
We appreciate your understanding. |
|--|

Instructions for the Exercise of Voting Rights

If you exercise your voting rights or via the Internet or in writing

Exercise of voting rights via the Internet

Please refer to “Instructions for the Exercise of Voting Rights via the Internet” on pages 9 -10 and indicate your intention to vote “for” or “against” each agenda item by following the on-screen instructions.

Deadline: By 5:00 p.m. of June 23, 2022 (Thursday)

Exercise of voting rights in writing

Please indicate your intention to vote “for” or “against” each agenda item on the enclosed voting right exercise form, and then return the form to us.

Deadline: To be delivered by 5:00 p.m. of June 23, 2022 (Thursday)

If you attend the General Meeting of Shareholders

When attending the meeting, please bring this convocation notice with you and submit the enclosed voting right exercise form to the reception desk at the site of the meeting.

If you attend the meeting, you do not need to mail the voting right exercise form or vote via the Internet.

Date and time: June 24, 2022 (Friday) at 11:00 a.m.

Instructions for the Exercise of Voting Rights via the Internet

Voting rights may be exercised online only by accessing the website for casting votes on a PC, smartphone, etc. Please access the website for casting votes and indicate your intention to vote “for” or “against” each agenda item. (This website is out of service from 2:00 a.m. to 5:00 a.m. every day.)

Deadline for exercise of voting rights: By 5:00 p.m. of June 23, 2022 (Thursday)

Using a smartphone to read the QR code

Read the “QR code for login” and you can log in to the website for casting votes without entering the “login ID” and “temporary password.”

***Exercising of voting rights using the following method is available only once.**

1. Read the QR code.

Use your smartphone and read the “QR code for login” printed on the right-hand slip of the enclosed voting right exercise form.

2. Select the option of exercise of voting rights.

The screen displays available options for exercise of voting rights. Select your preferred option for exercise of voting rights.

3. Select “for” or “against” each agenda item.

Follow the on-screen instructions and for each agenda item select “for” or “against.”

Follow the on-screen instructions to complete your exercise of voting rights.

For login for the second time onward,

Please follow the instructions on the next page.

Institutional investors

Institutional investors can use the electronic voting platform operated by ICJ, Inc. by submitting an application in advance.

Entering the “login ID” and “temporary password”

1. Access the website for casting votes.
2. Enter the “login ID” and “temporary password” printed on the right-hand slip of the enclosed voting right exercise form
3. Complete the “New password” and “New password (for confirmation)” fields.

Follow the on-screen instructions and enter “for” or “against.”

Website for casting votes

<https://evote.tr.mufg.jp/>

Notes

- If you exercise your voting rights via the Internet, you do not need to mail the voting right exercise form.
- If voting rights are exercised both by mail and via the Internet, the exercise of voting rights via the Internet shall be deemed valid.
- If voting rights are exercised via the Internet multiple times, the last exercise of voting rights shall be deemed valid.
- In some cases, you may not be able to use the website for casting votes due to your Internet environment, network service, or communication device model.
- Internet connection charges, communication fees, and other costs incurred by accessing the website for casting votes by smartphone, PC, etc. shall be the responsibility of each shareholder.

[Contact for inquiry on how to operate the website for casting votes]

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation

Phone number: 0120-173-027 (toll-free number within Japan)

Business hours: 9:00 a.m. to 9:00 p.m. (JST)

Notice of live streaming via the Internet and registration of questions in advance

The general meeting of shareholders will be streamed live on the Internet.

Streaming date/time: Starting at 11:00 a.m., June 24, 2022 (Friday)

* The website for viewing will be open from 10:30 a.m.

How to watch the streamed meeting on the day

1. How to read the QR code printed on the enclosed voting right exercise form
 - (1) Read the QR code printed on the back of the enclosed voting right exercise form. You can log in to the website for viewing without entering the “login ID” and “password.”
 - (2) Click the “View live streaming” button after logging in.
 - (3) After reading the terms of use regarding the viewing of the live streaming, check “Agree to the terms of use” and then click the button of “View”.

2. How to log in with your login ID and password
URL: <https://engagement-portal.tr.mufg.jp/>
 - (1) Access the website from the above URL.
 - (2) i) Enter your “login ID” and “password” on the shareholder authentication screen (login screen). Your “login ID” and “password” are printed on the back of the enclosed voting right exercise form.
 - ii) Read the terms of use and check “Agree to the terms of use.”
 - iii) Click the button of “Login”.
 - (3) Click the “View livestreaming” button after login.
 - (4) After reading the terms of use regarding the viewing of the livestreaming, check “Agree to the terms of use,” and then click the button of “View”.

Important notes

- In order to protect the privacy of shareholders attending the meeting, only the areas around the meeting chairperson and the officers will be shown in the stream. However, please note that, shareholders attending the meeting may be unavoidably visible in the stream.
- Viewing the stream of the meeting is not considered attending the general meeting of shareholders under the Companies Act. Accordingly, shareholders viewing the live stream will not be able to make comments, exercise voting rights, or make motions at the general meeting of shareholders. The Company requests that shareholders exercise your voting rights in advance via the Internet or by mail.
- Please make notes of your login ID and password before returning the voting right exercise form to us.
- Passwords changed on the website for casting votes are not carried over to this site. (Please refer to the instructions on pages 9 and 10 of this notice.)
- Opinions from shareholders will be received on the day of the general meeting of shareholders as the messages.
- The general meeting of shareholders will only be streamed live in Japanese.
- Individual shareholders are responsible for any expenses such as Internet connection fees or communication fees involved in viewing the streamed meeting.
- Please note that you may experience audio or video issues depending on your computer environment (model, capabilities, etc.) and Internet connectivity environment (traffic conditions, connection speed, etc.).
- Internet Explorer is not available on this site. Please view it from a browser such as Microsoft Edge, Google Chrome, or Safari. Details regarding viewing environments, etc., will be posted separately on the “Shareholders’ Meeting” section of our website.
- Only shareholders may view the live streamed meeting.
- Please refrain from filming, making video recordings, making audio recordings, saving, or posting the streamed meeting to social media.
- Disclosing or providing the personal information of shareholders or other information involving the privacy of shareholders, obtained through the video or audio of the meeting, to third parties is strictly prohibited.
- On-demand streaming of the general meeting of shareholders will be available on our website at a later date, following the conclusion of the meeting.
- Live streaming of the meeting may not be possible due to natural disaster, the spread of COVID-19, or other circumstances. Information regarding whether or not live streaming will be performed, streaming conditions, and the like will be provided as necessary on our website.

<<Advantest website>>

<https://www.advantest.com/investors/shares-and-corporate-bonds/meeting/>

Registration of questions in advance

We can receive questions from shareholders in advance regarding the subject matters of this general meeting of shareholders.

1. Receipt of questions: By 5:00 p.m., June 16, 2022 (Thursday)
2. How to register questions
 - (1) Log in to the website, referring to “How to watch the streamed meeting on the day” on pages 11 of this notice.
 - (2) Click the “Questions in advance” button shown on the screen after login.
 - (3) After selecting a category of questions and entering your questions, please read the terms of use, check “Agree to the terms of use” and then click the button of “Proceed to the confirmation screen”.
 - (4) After confirming the content of your questions, etc., click the button of “Send”.

3. Important notes

On the day of the general meeting of shareholders, we plan to answer questions submitted in advance that concern matters of great interest to shareholders. Please be aware that we will refrain from answering questions that are not related to the subject matters of the general meeting of shareholders, that duplicate other questions, or which, by answering, would violate the rights or interests of our customers, our employees, or other persons.

For inquiries regarding this website, please contact

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation

Phone number: 0120-676-808 (toll-free number within Japan)

Business hours: 9:00 a.m. to 5:00 p.m. (JST) on weekdays excluding Saturdays, Sundays, and public holidays 9:00 a.m. (JST) until the meeting ends on the date of the general meeting of shareholders

Reference Documents for the General Meeting of Shareholders

Agenda Items and Reference Matters:

Agenda Item No. 1: Partial Amendment of Articles of Incorporation

1. Purposes of the Amendments

- i. The provisions referred to in the proviso to Article 1 of the Supplementary Provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will become effective as of September 1, 2022. In order to prepare for the introduction of the system that requires the reference documents and other relevant documents for general meetings of shareholders to be provided by electronic means, Article 13 of the Company’s Articles of Incorporation shall be amended as set forth below. In connection with such amendments, certain provisions concerning, among other things, the effective date of the amendments shall also be provided as supplementary provisions of the Articles of Incorporation.
 - (a) Article 13 (1) of the proposed amendments is to provide that the information contained in the reference documents and other relevant documents for general meetings of shareholders shall be provided by electronic means.
 - (b) Article 13 (2) of the proposed amendments is to provide a provision that allows the Company to limit the scope of the matters to be set forth in the hardcopies of the documents to be delivered to shareholders who have requested such hardcopies.
 - (c) The provisions concerning internet disclosures and deemed provision of the reference documents and other relevant documents for general meetings of shareholders (Article 13 of the current Articles of Incorporation) are to be deleted as they will become unnecessary.
- ii. In order to further strengthen the Company's corporate governance, the Company has abolished the system of the Counselor and Advisor since 2020. In conjunction with the amendment of the Articles of Incorporation, Article 29 of the current Articles of Incorporation, a provision concerning Counselors and Advisors, is to be deleted.

2. Details of the amendments

Details of the amendments are as follows:

(The underlined text is to be amended.)

Current Articles of Incorporation	Proposed Amendments
<p>(<u>Internet Disclosure and Deemed Provision of Reference Documents for General Meeting of Shareholders, etc.</u>)</p> <p><u>Article 13</u></p> <p><u>The Company may, in connection with the convocation of a general meeting of shareholders, deem the information concerning matters to be stated or indicated on the reference documents for a general meeting of shareholders, business report, statement of accounts and consolidated statement of account to have been provided to the shareholders by disclosing such information through the Internet pursuant to the applicable rules and the Ministerial Ordinance of the Ministry of Justice.</u></p>	<p>(Deleted)</p>

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<p>(Measure for Electronic Provision) <u>Article 13</u> <u>1. In convening a general meeting of shareholders, the Company shall electronically provide the information contained in the reference documents and other relevant documents for the general meeting of shareholders.</u> <u>2. Among the matters to be provided electronically, the Company may avoid setting forth, in the hardcopies of the documents to be delivered to shareholders who have requested such hardcopies by the relevant record date for voting rights, any or all of the matters specified by the Ordinance of the Ministry of Justice.</u></p>
<p>(Counselors and Advisors) <u>Article 29</u> <u>The Board of Directors may by its resolution appoint one or more Counselors and Advisors, respectively.</u></p>	(Deleted)
Article <u>30</u> ~Article <u>38</u> (Omitted)	Article <u>29</u> ~Article <u>37</u> (Unchanged)
<p>SUPPLEMENTARY PROVISIONS (Newly established)</p>	<p>SUPPLEMENTARY PROVISIONS <u>Article 2</u> <u>1. The deletion of Article 13 (Internet Disclosure and Deemed Provision of Reference Documents for General Meeting of Shareholders, etc.) of the Articles of Incorporation prior to the amendments and the new establishment of Article 13 (Measure for Electronic Provision) of the Articles of Incorporation after the amendments shall become effective as of September 1, 2022, the effective date of the provisions referred to in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter, the “Effective Date”).</u> <u>2. Notwithstanding the provisions of the preceding paragraph, Article 13 (Internet Disclosure and Deemed Provision of Reference Documents for General Meeting of Shareholders, etc.) of the Articles of Incorporation prior to the amendments shall remain in force with respect to any general meeting of shareholders held on a date within six (6) months from the Effective Date.</u> <u>3. This Article 2 shall be automatically deleted on the date when six (6) months have passed from the Effective Date or the date when three (3) months have passed from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever comes later.</u></p>

Agenda Item No. 2: Election of 8 directors (excluding directors who are audit and supervisory committee members)

The term of office of all 8 current directors (excluding directors who are audit and supervisory committee members) will expire upon the closing of this ordinary general meeting of shareholders. The Company therefore requests that you elect 8 directors (excluding directors who are audit and supervisory committee members). The Company has received a report from the Audit and Supervisory Committee stating that this agenda item was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee, taking into consideration the career, capabilities, personalities, and other attributes of each candidate in a comprehensive manner, and that the candidate nomination procedure was appropriate and there were no specific findings.

The profiles of the director candidates (excluding directors who are audit and supervisory committee members) are set forth below.

Candidate No.	Name	Present position and assignment	Number of attendances at the meetings of the Board of Directors
1	<input type="checkbox"/> Reappointed Yoshiaki Yoshida	Representative Director, President and CEO (Chief Executive Officer)	13/13 (100%)
2	<input type="checkbox"/> Reappointed <input checked="" type="checkbox"/> Independent Osamu Karatsu	Outside Director	13/13 (100%)
3	<input type="checkbox"/> Reappointed <input checked="" type="checkbox"/> Independent Toshimitsu Urabe	Outside Director	13/13 (100%)
4	<input type="checkbox"/> Reappointed <input checked="" type="checkbox"/> Independent Nicholas Benes	Outside Director	13/13 (100%)
5	<input type="checkbox"/> Reappointed Soichi Tsukakoshi	Director, Senior Executive Officer, CPO (Chief Production Officer)	13/13 (100%)
6	<input type="checkbox"/> Reappointed Atsushi Fujita	Director, Senior Executive Officer, CFO & CCO (Chief Financial Officer & Chief Compliance Officer)	13/13 (100%)
7	<input type="checkbox"/> Reappointed Koichi Tsukui	Director, Senior Executive Officer, CTO (Chief Technology Officer)	13/13 (100%)
8	<input type="checkbox"/> Reappointed Douglas Lefever	Director, Senior Executive Officer, CSO (Chief Strategy Officer)	13/13 (100%)

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
1	 Yoshiaki Yoshida (February 8, 1958) <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div> Number of Years as Director: 9 years	April 1999 Joined Advantest Corporation June 2006 Executive Officer June 2009 Managing Executive Officer June 2013 Director, Managing Executive Officer June 2016 Director, Senior Executive Officer January 2017 Representative Director, President and CEO (present position)	53,532
<p>The reasons for nomination as a candidate for a director</p> <p>After his duties as the representative director of a subsidiary of the Company, Executive Vice President of the Corporate Planning Group, Executive Vice President of the Corporate Relations Group, and Executive Vice President of the Nanotechnology Business Group, Mr. Yoshiaki Yoshida has been serving as Representative Director, President and CEO of the Company since January 2017. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for a director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
2	 <p>Osamu Karatsu (April 25, 1947)</p> <p>Reappointed</p> <p>Independent</p> <p>Number of Years as Outside Director: 10 years</p>	<p>April 1975 Joined Nippon Telegraph and Telephone Public Corporation</p> <p>June 1991 Executive Manager, LSI Laboratories, Nippon Telegraph and Telephone Corporation</p> <p>June 1997 Vice President and Director, Advanced Telecommunications Research Institute International (Resigned June 1999)</p> <p>April 1999 Principal Consultant, SRI Consulting K.K.</p> <p>April 2000 Chief Executive Director, SRI International Japan (Resigned January 2012)</p> <p>June 2012 Outside Director of Advantest Corporation (present position)</p>	3,342
<p>The reasons for nomination as a candidate for an outside director and expected roles In addition to his management experience at R&D institutions in Japan and overseas, Mr. Osamu Karatsu has a wealth of knowledge and experience as a semiconductor specialist. He is expected to reflect his knowledge of the industry and his broad perspectives in the Company group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him again as a candidate for an outside director.</p> <p>Independence The Company has no special transactions with Mr. Osamu Karatsu and the Company judges that he is sufficiently independent in light of the "Independence Criteria of Independent Outside Directors" (page 29) specified by the Company. And since he also satisfies the requirements for independent directors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
3	 <p>Toshimitsu Urabe (October 2, 1954)</p> <p>Reappointed</p> <p>Independent</p> <p>Number of Years as Outside Director: 3 years</p>	<p>April 1978 Joined Mitsubishi Corporation</p> <p>April 2009 Senior Vice President and Deputy Chief Representative for China of Mitsubishi Corporation, and President for Mitsubishi Corporation (Hong Kong) Ltd.</p> <p>April 2011 Senior Vice President and Senior Assistant to Senior Executive Vice President, Human Resources of Mitsubishi Corporation</p> <p>April 2013 Executive Vice President, Group CEO, Business Service Group of Mitsubishi Corporation</p> <p>April 2017 Advisor, Mitsubishi Corporation</p> <p>June 2017 Deputy President and Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) (Resigned as Executive Officer in March 2021) (Resigned as Director in April 2021)</p> <p>June 2019 Outside Director of Advantest Corporation (present position)</p> <p>April 2021 Outside Director of Japan Business Systems, Inc. (present position)</p>	535
<p>The reasons for nomination as a candidate for an outside director and expected roles</p> <p>Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company, particularly overseas experience in the United States and Asia, experience in business investment decisions, etc., and extensive experience in administrative management, for example human resources. He is expected to reflect his knowledge in the Company group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him again as a candidate for an outside director.</p> <p>Independence</p> <p>The Company has no special transactions with Mr. Toshimitsu Urabe, and the Company judges that he is sufficiently independent in light of the Independence Criteria of Independent Outside Directors (page 29) specified by the Company. And since he also satisfies the requirements for independent directors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
4	 <p>Nicholas Benes (April 16, 1956)</p> <p>Reappointed</p> <p>Independent</p> <p>Number of Years as Outside Director: 3 years</p>	<p>September 1983 Joined Morgan Guaranty Trust Company of New York (currently JPMorgan Chase & Co.)</p> <p>November 1983 Joined California and New York State Bar Association.</p> <p>May 1994 Senior Managing Director, Kamakura Corporation</p> <p>April 1997 President and Founder, JTP Corporation (present position)</p> <p>March 2000 Outside Director, Alps Mapping Co., Ltd.</p> <p>December 2006 Outside Director, Livedoor Holdings Co., Ltd.</p> <p>March 2007 Outside Director, Cecile Co., Ltd.</p> <p>November 2009 Representative Director, The Board Director Training Institute of Japan (present position)</p> <p>June 2016 Outside Director, Imagica Robot Holdings Inc. (currently IMAGICA GROUP Inc.)</p> <p>June 2019 Outside Director of Advantest Corporation (present position)</p>	600
<p>The reasons for nomination as a candidate for an outside director and expected roles</p> <p>Mr. Nicholas Benes has extensive knowledge and experience about corporate governance matters, and experience in investment banking including M&A transactions. He is expected to reflect his knowledge of corporate governance and the shareholder-oriented perspective in the Company group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him again as a candidate for an outside director.</p> <p>Independence</p> <p>Mr. Nicholas Benes does not have any dealings with the Company that would affect his independent judgement. The Company has paid an annual fee to and received executive training from the Board Director Training Institute of Japan, where he has been a representative director. The amount of payment to the Board Director Training Institute of Japan in FY2021 was less than JPY 1,000,000. Therefore, the Company judges that the institute is not a major business partner as defined in the Independence Criteria of Independent Outside Directors (page 29) specified by the Company, and accordingly he is sufficiently independent. And since he also satisfies the requirements for independent directors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
5	 Soichi Tsukakoshi (February 1, 1960) <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div> Number of Years as Director: 5 years	April 1983 Joined Advantest Corporation June 2008 Executive Officer June 2013 Executive Vice President, Production Group (present position) June 2015 Managing Executive Officer June 2017 Director, Managing Executive Officer Supply Chain June 2020 Director, Senior Managing Executive Officer June 2021 Director, Senior Executive Officer (present position) CPO (Chief Production Officer) (present position)	9,640
<p>The reasons for nomination as a candidate for a director Mr. Soichi Tsukakoshi has been engaged in sales and marketing operations. After his duties as Senior Vice President of the Sales Group, he currently serves as Executive Vice President of the Production Group. He has a wealth of knowledge and experience concerning sales and marketing as well as production. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value through enhancement of efficiency of manufacturing and supply chain optimization and, therefore, has nominated him again as a candidate for a director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
6	 <p data-bbox="292 539 475 636">Atsushi Fujita (November 15, 1959)</p> <div data-bbox="300 645 451 689" style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div> <p data-bbox="260 730 499 831">Number of Years as Director: 3 years</p>	<p data-bbox="528 259 659 286">April 1983</p> <p data-bbox="528 293 659 320">June 2015</p> <p data-bbox="528 327 659 353">June 2017</p> <p data-bbox="528 461 659 488">June 2019</p> <p data-bbox="528 528 659 555">June 2020</p> <p data-bbox="528 595 659 622">June 2021</p> <p data-bbox="751 259 1265 757"> Joined Advantest Corporation Executive Officer Managing Executive Officer, Executive Vice President, Corporate Administration Group (present position) Director, Managing Executive Officer (present position) In charge of Corporate Administration and Compliance Director, Senior Executive Officer (present position) CFO & CCO (Chief Financial Officer & Chief Compliance Officer) (present position) </p>	6,189
<p data-bbox="256 871 967 898">The reasons for nomination as a candidate for a director</p> <p data-bbox="256 904 1469 1064">Mr. Atsushi Fujita has been engaged in corporate administration mainly in finance and accounting for many years, including assignment to the US and Germany. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for a director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
7	 <p data-bbox="256 539 512 607">Koichi Tsukui (December 11, 1964)</p> <div data-bbox="320 618 464 663" style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div> <p data-bbox="264 712 504 813">Number of Years as Director: 2 years</p>	<p data-bbox="539 253 1265 696"> April 1987 Joined Advantest Corporation June 2014 Executive Officer June 2015 Managing Executive Officer June 2019 In Charge of DH Business Group (present position) June 2020 Director, Managing Executive Officer Test Technology Leader, ATE Business Group (present position) June 2021 Director, Senior Executive Officer (present position) CTO (Chief Technology Officer) (present position) </p>	5,850
<p data-bbox="256 813 967 846">The reasons for nomination as a candidate for a director</p> <p data-bbox="256 846 1437 1012">Mr. Koichi Tsukui has been engaged in business operations and sales and marketing operations for many years including assignment to Germany. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for a director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
8	 Douglas Lefever (December 10, 1970) <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div> Number of Years as Director: 2 years	June 1998 Joined Advantest America, Inc. August 2014 Executive Officer, Advantest Corporation September 2014 Director, President and CEO, Advantest America, Inc. (present position) June 2017 Managing Executive Officer, Advantest Corporation June 2019 Leader, System Test Business Unit (present position) June 2020 Director, Managing Executive Officer Customer Relations & Corporate Strategy Leader, Applied Research & Venture Team (present position) June 2021 Director, Senior Executive Officer (present position) CSO (Chief Strategy Officer) (present position)	0
<p>The reasons for nomination as a candidate for a director</p> <p>Mr. Douglas Lefever is responsible for promoting business development mainly in the US (Silicon Valley). He has a wealth of knowledge and experience concerning the Company group's business and corporate management and is expected to contribute to enhancing and galvanizing the diversity of the Board of Directors. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for a director.</p>			

Notes:

1. These candidates do not have any special interest in the Company.
2. Messrs. Osamu Karatsu, Toshimitsu Urabe and Nicholas Benes are candidates for an outside director.
3. The Company has entered into a limited liability agreement pursuant to the Article 427, Paragraph 1 of the Companies Act with each of Messrs. Osamu Karatsu, Toshimitsu Urabe and Nicholas Benes. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.
4. The Company has concluded a directors and officers liability insurance contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The insurance policy insures all Directors, Executive Officers and employees of the Company, including employees in managerial and supervisory positions, and all employees of Company subsidiaries, including executives and employees in managerial and supervisory positions, against legal damages and litigation expenses that may arise when the insured party assumes liability for the execution of his or her duties or is subject to a claim for the pursuit of the said liability. However, the insurance policy has certain exclusions, such as providing no coverage for damages suffered by insured parties arising from actions taken by said insured parties with the knowledge that they were in violation of the law, to ensure that the insured parties execute their duties in an appropriate manner. The insurance premiums, including riders, are borne in their entirety by the company to which the insured party belongs, and no insurance premiums are borne by the insured parties themselves. Every candidate is currently a director of the Company (excluding directors who are audit and supervisory committee members) and is covered by the insurance policy. If the candidates are reappointed as Director, they will continue to be covered by the insurance policy as insured parties. The Company plans to renew the insurance contract while each director is in office.
5. If candidates for directors (excluding directors who are audit and supervisory committee members) are elected as directors, the Company will conclude indemnification agreements with all of them pursuant to the Article 430-2, Paragraph 1 of the Companies Act. Under the said agreement, the Company shall indemnify the directors against expenses listed in Item 1 of the Paragraph and losses listed in Item 2 of the Paragraph to the extent permitted by laws and regulations.

Agenda Item No. 3: Election of 1 director who is an audit and supervisory committee member

The term of office of the current director who is an audit and supervisory committee member, Ms. Sayaka Sumida will expire upon the closing of this ordinary general meeting of shareholders. The Company therefore requests the election of 1 director who is an audit and supervisory committee member. The Company has obtained the consent of the Audit and Supervisory Committee with respect to this agenda item.

The profiles of the candidate for director who is an audit and supervisory committee member are set forth below.

Name	Present position and assignment	Number of attendances at the meetings of the Board of Directors and the meetings of the Audit and Supervisory Committee
<div data-bbox="236 808 384 853" style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div> <div data-bbox="236 869 384 913" style="border: 1px solid black; padding: 2px; display: inline-block; background-color: #cccccc;">Independent</div> <div data-bbox="469 808 655 842" style="margin-left: 20px;">Sayaka Sumida</div>	Outside Director, Audit and Supervisory Committee Member	Meetings of the Board of Directors: 13/13 (100%) Meetings of the Audit and Supervisory Committee: 13/13 (100%)

Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
 Sayaka Sumida (January 28, 1961) Number of Years as <input type="checkbox"/> Independent <input type="checkbox"/> Reappointed Director: 2 years	October 1984 Joined Asahi Accounting Company (current KPMG AZSA LLC) May 2006 Partner, KPMG Azsa & Co. (current KPMG AZSA LLC) (resigned in March 2020) August 2007 Chairman, Auditing Standards Committee, The Japanese Institute of Certified Public Accountants (JICPA) (resigned in July 2010) July 2010 Executive Board Member, JICPA (Quality Control Standards and Auditing Standards) (resigned in July 2019) January 2015 Board Member, International Auditing and Assurance Standards Board (IAASB), International Federation of Accountants (IFAC) (resigned in December 2017) February 2017 Member, Business Accounting Council of Financial Services Agency (present position) June 2020 Outside Audit and Supervisory Board Member of Furukawa Electric Co., Ltd. (present position) Outside Audit and Supervisory Board Member of Nisshin Oillio Group, Ltd. (present position) Director, Audit and Supervisory Committee Member (present position)	314

The reasons for nomination as a candidate for an outside director who is an audit and supervisory committee member and expected roles

Although Ms. Sayaka Sumida has not been directly involved in the management of a company in the past, she has a wealth of knowledge and experience concerning finance and accounting gained through her engagement in accounting auditing services and internal control-related services as a certified public accountant at an accounting firm for many years. She is expected to reflect her knowledge of finance and accounting in the Company group's audit and supervision, thereby contributing to the enhancement of corporate accounting and internal control. Thus, the Company believes that she is a suitable person as an outside director who is an audit and supervisory committee member, and therefore, has nominated her again as a candidate for an outside director who is an audit and supervisory committee member.

Independence

The Company has no special transactions with Ms. Sayaka Sumida. The Company has transactions with Furukawa Electric Co., Ltd., including the purchase of raw materials, etc. The amount of such transactions with Furukawa Electric Co., Ltd., in FY2021 is less than 1% of the total of the Company's consolidated cost of sales and selling, general and administrative expenses.

Therefore, the Company judges that Furukawa Electric Co., Ltd., is not a major business partner as defined in the Independence Criteria of Independent Outside Directors (page 29) specified by the Company, and accordingly she is sufficiently independent. And since she also satisfies the requirements for independent directors specified by Tokyo Stock Exchange, Inc., the Company has registered her as an independent director.

Notes:

1. Ms. Sayaka Sumida does not have any special interest in the Company.
2. Ms. Sayaka Sumida is a candidate for an outside director.
3. The Company has entered into a limited liability agreement pursuant to the Article 427, Paragraph 1 of the Companies Act with Ms. Sayaka Sumida. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.
4. The Company has concluded a directors and officers liability insurance contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The insurance policy insures all Directors, Executive Officers and employees of the Company, including employees in managerial and supervisory positions, and all employees of Company subsidiaries, including executives and employees in managerial and supervisory positions, against legal damages and litigation expenses that may arise when the insured party assumes liability for the execution of her duties or is subject to a claim for the pursuit of said liability. However, the insurance policy has certain exclusions, such as providing no coverage for damages suffered by insured parties arising from actions taken by said insured parties with the knowledge that they were in violation of the law, to ensure that the insured parties execute their duties in an appropriate manner. The insurance premiums, including riders, are borne in their entirety by the company to which the insured party belongs, and no insurance premiums are borne by the insured parties themselves. Ms. Sayaka Sumida is currently a director who is an audit and supervisory committee member of the Company and is covered by the insurance policy. If the candidate is reappointed as Director who is an audit and supervisory committee member, she will continue to be covered by the insurance policy as insured parties. The Company plans to renew the insurance contract while the director is in office.
5. If Ms. Sayaka Sumida is elected as a director who is an audit and supervisory committee member, the Company will conclude an indemnification agreement with her pursuant to the Article 430-2, Paragraph 1 of the Companies Act. Under the said agreement, the Company shall indemnify her against expenses listed in Item 1 of the Paragraph and losses listed in Item 2 of the Paragraph to the extent permitted by laws and regulations.

(Reference)

Skill Matrix of the Board of Directors following the General Meeting of Shareholders

* If the election of all the candidates in this convocation notice is approved as proposed, the expertise and experience of the Directors will be as shown in the table below.

	Independence (Outside)	Management	Finance / accounting	Insight of semiconductor industry	R&D	Global operations	Legal affairs
Yoshiaki Yoshida		•		•		•	
Osamu Karatsu	•			•	•	•	
Toshimitsu Urabe	•	•				•	
Nicholas Benes	•	•				•	•
Soichi Tsukakoshi				•		•	
Atsushi Fujita			•	•		•	
Koichi Tsukui				•	•	•	
Douglas Lefever				•	•	•	
Yuichi Kurita			•	•		•	
Kouichi Nanba	•						•
Sayaka Sumida	•		•			•	

(Reference)

Independence Criteria of Independent Outside Directors

Outside Director of Advantest Corporation (the “Company”) shall be judged to be independent provided none of the following conditions apply presently and recently.

1. Major Business Partner

- (1) Entity transacts with the Company as Major Business Partner or Executive thereof
- (2) Major Business Partner of the Company or Executive thereof

2. Expert

- (1) Consultant, Accountant or Lawyer who receives a large amount of money or other compensation from the Company. (In case that the receiver of such compensation is a legal entity or group such as union, the person who belongs to such entity.)

3. Relative

- (1) Relative of person who falls in the condition set forth in 1 or 2 above.
- (2) Relative of Executive or Board Director of the subsidiary of Company
- (3) Relative of person who was an Executive or Board Director of Company or subsidiary of Company recently.

Notes

- *1 “Recently” shall mean time range substantially identical to presently.
- *2 “Major Business Partner” means partner whose revenue from the transaction with the Company shares the considerable part of revenue of the Company or partner supplying the Company with commodities or services indispensable to the Company’s business.
- *3 “Executive” means the “executive” defined in the Ordinance for Enforcement of the Companies Act.
- *4 “Relative” means the person’s relative within the second degree of kinship.

(Reference)

Information on Shares the Company Group Holds (as of March 31, 2022)

Number and amount of shares the Company group holds for the purposes other than realizing direct investment gains

Holder	Classification	Company	Amount (Millions of yen)	Reason for holding shares
The Company	Listed	—	—	—
	Unlisted	6 companies	307	Mainly for transaction support
			307	
The Company’s subsidiaries	NASDAQ (US)	PDF Solutions, Inc.	11,280	For joint business development
	KOSDAQ (Korea)	Nepes Ark Corporation	267	For sales transaction strategy
	Unlisted	2 companies	108	For transaction support
			11,655	

(Note) Shares held by the Company as strategic-shareholdings are unlisted, and the amount is stated in the book value in accordance with Japanese standards. The amount of shares held by the Company’s subsidiaries as strategic-shareholdings is stated in market value in accordance with IFRS. Investment return of above shares is evaluated regularly and reported to the Board of Directors.

(Attachments)

Business Report

(April 1, 2021 through March 31, 2022)

1. Current Conditions of the Company group

(1) Business conditions during the fiscal year

(i) Operations and Results of Business

[Overall]

During the consolidated fiscal year of 2021, while the COVID-19 pandemic continued to smoulder on, widespread access to vaccines facilitated a return to normal socializing, and the global economy overall recovered from the historic recession of the previous fiscal year. On the other hand, concerns about the future of the world economy intensified amidst prolonged shortages of semiconductors and other parts, rising inflation, and the crisis in Ukraine that erupted in the beginning of CY2022.

In the semiconductor market, demand for semiconductors related to data centers, AI, and personal computers remained firm, thanks to demand for at-home consumption and the ongoing digitalization of society overall. In addition, semiconductors for smartphones have become even more sophisticated, and demand increased in response to continued 5G smartphone performance evolution and higher sales volumes. Moreover, the noted shortage of semiconductors for automobiles, industrial equipment, and consumer electronics, arising from the post-COVID economic recovery, spurred active investment in production capacity increases for various semiconductor devices.

The booming semiconductor market spurred ongoing growth in demand for semiconductor test equipment. Suppliers of high-end SoC devices for data centers and smartphones invested in advanced technology and processes, contributing to strong growth in the SoC semiconductor test equipment market.

In this environment, the Company has steadily captured semiconductor test equipment demand expansion by leveraging our broad product portfolio and our global sales and support network, which are among our greatest strengths. On the other hand, as the shortage of semiconductors and other parts is affecting a broad range of supply chains, the Company continues to face unprecedented difficulties in terms of parts procurement.

As a result of the above, orders received in the consolidated fiscal year of 2021 were JPY 700.3 billion (2.1 times increase in comparison to the previous fiscal year), net sales were JPY 416.9 billion (33.3% increase in comparison to the previous fiscal year), operating income was JPY 114.7 billion (62.2% increase in comparison to the previous fiscal year), income before income taxes was JPY 116.3 billion (67.1% increase in comparison to the previous fiscal year) and net income was JPY 87.3 billion (25.1% increase in comparison to the previous fiscal year). Despite the parts procurement challenges the Company faced during the period, all of the above figures mark record annual highs. Year-on-year net income growth slowed in the current consolidated fiscal year because in the previous fiscal year, in addition to the use of a loss carryforward accounting adjustment in Japan, tax expenses diminished due to the recording of approximately JPY 10.0 billion in deferred tax assets. Average currency exchange rates in the current consolidated fiscal year were 1 USD to 112 JPY (106 JPY in the previous fiscal year) and 1 EUR to 130 JPY (123 JPY in the previous fiscal year). The percentage of net sales to overseas customers was 96.1% (95.5% in the previous fiscal year).

[Business conditions by Business Segment]

Semiconductor and Component Test System Segment

In this segment, orders for SoC semiconductor test equipment dramatically increased amidst customers' plans for further miniaturization and improvement of high-end SoC semiconductors such as application processors and HPC (high performance computing) devices, and expanding investment in supply capacity as a response to shortages of semiconductors and other parts. Orders for memory semiconductor test equipment also increased steadily as the performance of memory semiconductors continued to improve. On the other hand, although parts shortages compelled product lead times to be extended, SoC semiconductor test equipment sales, principally for high-end SoC devices, grew during the period.

As a result of the above, orders received were JPY 537.5 billion (2.4 times increase in comparison to the previous fiscal year), net sales were JPY 288.9 billion (39.4% increase in comparison to the previous fiscal year), and segment income was JPY 105.7 billion (71.5% increase in comparison to the previous fiscal year).

Mechatronics System Segment

In this segment, orders for 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 sales, an improved product mix contributed to higher profitability in this segment.

As a result of the above, orders received were JPY 58.6 billion (39.2% increase in comparison to the previous fiscal year), net sales were JPY 42.3 billion (5.7% increase in comparison to the previous fiscal year), and segment income was JPY 6.1 billion (23.1% increase in comparison to the previous fiscal year).

Services, Support and Others Segment

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

As a result of the above, orders received were JPY 104.3 billion (66.9% increase in comparison to the previous fiscal year), net sales were JPY 85.8 billion (28.5% increase in comparison to the previous fiscal year), and segment income was JPY 17.8 billion (71.0% increase in comparison to the previous fiscal year).

Sales Breakdown by Business Segment (consolidated)

IFRS						
Fiscal Year	FY2020 (the 79th)		FY2021 (the 80th)		Change from the previous period	
Segment	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage increase (decrease) (%)
Semiconductor and Component Test System	207,203	66.3	288,859	69.3	81,656	39.4
Mechatronics System	40,005	12.8	42,305	10.1	2,300	5.7
Services, Support and Others	66,753	21.3	85,803	20.6	19,050	28.5
Intercompany transaction elimination	(1,172)	(0.4)	(66)	0.0	1,106	-
Total	312,789	100.0	416,901	100.0	104,112	33.3
Overseas	298,768	95.5	400,520	96.1	101,752	34.1

(ii) Capital Expenditures

The Company group invested a total of 18.0 billion yen in capital expenditures in FY2021 for new product development and production facilities, in addition to the expansion investment of manufacturing sites in the United States.

(iii) Financing

During the current consolidated fiscal year, the Company group raised funds amounting to 250 million USD through borrowings from financial institutions to finance continued aggressive investments for the acquisition of R&D Altanova, Inc. and production expansion in the United States.

(iv) Acquisition or disposal of shares or other equities or stock acquisition rights of other companies

The Company's subsidiary Advantest America, Inc. acquired all the issued shares of R&D Altanova, Inc., a leading provider of test interface boards, and made the company a wholly owned subsidiary, effective November 17, 2021.

(2) Conditions of Assets, Profit and Loss

Conditions of Assets, Profit and Loss of the Company group (consolidated)

	IFRS			
	FY2018 (the 77th)	FY2019 (the 78th)	FY2020 (the 79th)	FY2021 (the 80th)
Net sales (Millions of yen)	282,456	275,894	312,789	416,901
Operating Margin (%)	22.9%	21.3%	22.6%	27.5%
Net income (loss) attributable to owners of the parent (Millions of yen)	56,993	53,532	69,787	87,301
Return on Equity (ROE (%))	35.3%	24.9%	27.3%	30.4%
Basic earnings per share (Yen)	302.35	270.12	353.87	449.56
Total equity attributable to owners of the parent (Millions of yen)	198,731	231,452	280,369	294,621
Total assets (Millions of yen)	304,580	355,777	422,641	494,696

(Notes)

1. The name of each item in the category above is presented according to the IFRS terminology.
2. The calculation of "Basic earnings per share" was based on the average number of shares issued during the relevant fiscal year less the average number of treasury shares held during the fiscal year.

(3) Significant Subsidiaries

Name of Subsidiary	Common Stock	Percentage of Voting Rights (Note)	Principal Activities
Advantest Laboratories Ltd.	JPY 50 million	100%	Research and development of measuring and testing technologies
Advantest Pre-Owned Solutions Co., Ltd.	JPY 310 million	100%	Sales of the Company's used products
Advantest America, Inc.	USD 4,059 thousand	100%	Development and sales of the Company's products
Advantest Test Solutions, Inc.	USD 2,500 thousand	100%	Design and sales of the Company's products
Essai, Inc.	USD 500 thousand	100%	Design, production and sales of the Company's products
Advantest Europe GmbH	EUR 10,793 thousand	100%	Development and sales of the Company's products
Advantest Taiwan Inc.	NTD 500,000 thousand	100%	Sales of the Company's products
Advantest (Singapore) Pte. Ltd.	SGD 15,300 thousand	100%	Sales of the Company's products
Advantest Korea Co., Ltd.	KRW 9,516 million	100%	Support for sales of the Company's products
Advantest (China) Co., Ltd.	USD 8,000 thousand	100%	Support for sales of the Company's products

(Note)

1. Percentage of voting rights includes indirectly held shares.
2. Advantest Finance Inc. changed its company name to Advantest Pre-owned Solutions Co., Ltd., effective on January 1, 2022.

(4) Issues to be Addressed

In FY2018, the Company formulated a 10-year mid- to long-term management policy (FY2018-FY2027), its “Grand Design,” which defines the commitments and strategies needed for the Company to continue to be a company that embodies its corporate mission of “Enabling Leading-edge Technologies.” Since then the Company group has strived to enhance its corporate value under the policy.

In FY2021, we updated the Grand Design to align with the progress of our business performance and the latest recognition of external environment, because the first mid-term management plan (FY2018–FY2020) (MTP2) had been successfully completed, and three years had passed since the formulation of the Grand Design. At the same time, we formulated the second mid-term management plan (FY2021-FY2023) (MTP2) and started initiatives to make a further leap forward.

Fortunately, as the first year of MTP2, FY2021 marked a good start with favorable progress of demand for semiconductor test related to smartphones and HPC in which we have strength; sales growth in such challenging areas as for in-vehicle, industrial equipment, and consumer use due to the successful implementation of customer and product strategies; and constant growth of the system level test division which we have been strengthening as part of the Grand Design.

On the other hand, we recognize that FY2022 is the year under the management environment with many issues to be addressed. In the environment where our business opportunities are expected to expand over the medium to long term, we will aggressively implement growth initiatives and measures to enhance our business foundation including the development of innovative products, in line with the Grand Design. At the moment, we are aware that the direct impact of the situation in Ukraine is small, but we will also enhance the risk management including the immediate stabilization of materials procurement as a priority task, under highly uncertain future outlook in macro economics and business environment, such as heightened geopolitical risks, Lockdown under China's Zero Corona Policy, disruptions in logistics, and progressing inflation.

1. Grand Design (10 years) (FY2018-FY2027)

<Vision Statement>

Adding Customer Value in an Evolving Semiconductor Value Chain

<Mid/Long-Term Management Goals>

¥400B in annual sales

<Strategy>

The Company group is expanding its business domains beyond the development and sales of semiconductor volume production test systems to also include adjacent markets such as semiconductor design / evaluation processes and product / system level test processes, which are performed before and after semiconductor volume production processes, with the aim of expanding and growing corporate value.

To achieve the above, The Company group will engage with five strategic issues: reinforce core businesses, invest strategically; seek operational excellence; explore value to reach a higher level; pioneer new business fields; and further promote ESG initiatives.

We originally set annual sales of JPY 300 billion to JPY 400 billion as the ultimate goal of the Grand Design, and then in FY2021, revised the Long-Term Management Goal to “the early achievement of annual sales of JPY 400 billion” thanks to the favorable progress of its business performance spurred by the progress of digital revolution and market share expansion. However, we achieved the goal in FY2021, ahead of the originally intended FY2027, amid the sustained expansion of the semiconductor tester market, etc.

From this point on, while leveraging the achievement as momentum, we will further enhance our corporate value through promoting individual strategies under continuous changes in environment which we assumed in the Grand Design such as sustained expansion in demand for semiconductor.

2. Outline of Second Mid-Term Management Plan (MTP2, FY2021-FY2023)

<Targeted management metrics>

Under MTP2, the Company group will promote efforts to strengthen its business for further growth, expand growth investment as well as shareholder returns, and strive to increase corporate value. Given this framework, the management metrics that are emphasized in MTP2 are sales, operating margin, net income, return on equity attributable to owners of the parent (ROE), and earnings per share (EPS). The Company group will endeavor to grow all these numbers. In order to evaluate the progress of the plan from a mid/long-term perspective, the Company will use three-year averages so as to minimize the impact of single-year performance fluctuations.

The numerical targets for MTP2 and the progress in the first year are as follows. Since both the FY2021 results and the FY2022 outlook tend to exceed targets respectively, we will re-evaluate financial models. The numerical targets for MTP2 are as follows.

	FY2021-FY2023 average	FY2021 results
Sales	JPY 350-380B	JPY 416.9B
Operating Margin	23-25%	27.5%
Net Income	JPY 62-70B	JPY 87.3B
Return on Equity (ROE)	20% or more	30.4%
Earnings per share (EPS)	JPY 320-370	JPY 450

*Exchange rate assumption for the forecast of following indicators is 1 USD = 105 JPY. Actual exchange rate for FY2021 was 1 USD = 112 JPY.

<Key Measures>

- Semiconductor & Component Test System Business Segment
 - Capture the expanding demand for test equipment for smartphone-related SoC semiconductors and HPC (high performance computing) devices by leveraging the strengths of the new V93000 EXA Scale
 - Establish a leading position in test for millimeter-wave related devices, a sector that will enter full-scale growth from 2022 onwards
 - Maintain a strong business foundation for DRAM and non-volatile memory device test
 - Mechatronics Business Segment
 - Expand sales opportunities by providing test cell environments that deliver better test quality
 - Services & Other Business Segment
 - As demand for system level testing (SLT) increases, win more customers in mobile, HPC, memory / storage, etc. In addition, expand recurring business for SLT consumables
 - Promote the search for an innovative business model in the data analytics field, one of the Company's new business areas
- * Detailed Mid/Long-Term Management Policy is published in the column of Mid/Long-Term Management Policy in the Company's website.
 URL: <https://www.advantest.com/ja/investors/management-policy/management-policy.html>

3. Near-term Prospects

Looking at our market environment going forward, semiconductor test demand will continue to grow due to factors such as further growth of semiconductor demand driven by higher volumes of data processing and communications handled by semiconductors, higher semiconductor functionality, and increasing social requirements for semiconductor reliability, as described in MTP2. Amid high expectations for the flagship applications of the digital revolution, such as the "Metaverse," and support for carbon-neutral measures, technologies that improve energy efficiency are becoming more important. Taking all of this together, the Company expects the favorable environment for semiconductors and related markets to continue in the short and medium to long term, and the Company anticipates further growth in the semiconductor test equipment market in 2022.

Regarding the Company's full-year consolidated earnings forecast for FY2022, based on our future market outlook and the prospects for each of our businesses, as well as the exchange rate situation, the Company anticipates net sales of JPY 510.0 billion, operating income of JPY 150.0 billion, income before income taxes of JPY 150.0 billion, and net income of JPY 112.5 billion for the period. This forecast is based on exchange rate assumptions of 1 USD to 120 JPY and 1 EUR to 135 JPY.

Regarding the impact of COVID-19, although business restrictions continue due to limitations on human movement and logistical bottlenecks, the Company recognized a negligible impact on our business results

during the consolidated fiscal year of 2021. However, uncertainty in the global economy and our business environment remains high due to the spread of new COVID-19 variants, the prolonged shortages of semiconductors and other parts, geopolitical risks such as the situation in Ukraine, ongoing inflation, and risks related to climate change. The Company will respond flexibly to changes in our external environment, with the immediate stabilization of parts procurement as a priority.

(5) Primary Areas of Business

The Company group manufactures and sells semiconductor and component test systems products and mechatronics-related products such as test handlers and device interfaces. the Company group also engage in research and development activities and provides maintenance and support services associated with these products.

(6) Significant Sales Offices and Factories

(i) Japan

Category	Name of Office	Location
Head Office, Sales Offices and Service Offices	Head Office	Chiyoda-ku, Tokyo
R&D Centers, Laboratories	Gunma R&D Center	Meiwa-machi, Ora-gun, Gunma
	Saitama R&D Center	Kazo-shi, Saitama
	Kitakyushu R&D Center	Kitakyushu-shi, Fukuoka
	Advantest Laboratories	Sendai-shi, Miyagi
Factories	Gunma Factory	Ora-machi, Ora-gun, Gunma
	Sendai Factory	Sendai-shi, Miyagi

(ii) Overseas

Category	Name of Office	Location
Sales Offices, R&D Centers, Laboratories and Service Offices, Factories	Advantest America, Inc.	U.S.A.
	Essai, Inc.	U.S.A.
	Advantest Europe GmbH	Germany
	Advantest Taiwan Inc.	Taiwan
	Advantest (Singapore) Pte. Ltd.	Singapore
	Advantest Korea Co., Ltd.	Korea
	Advantest (China) Co., Ltd.	China

(7) Employees (as of March 31, 2022)

Employees of the Company group

Number of Employees	Increase from end of FY2020
5,941 (509)	680 (34)

(Note) The numbers in brackets indicate the annual average numbers of part-time and non-regular employees which are excluded from the numbers set forth above.

(8) Major Lenders (as of March 31, 2022)

Lender	Balance of borrowings
MUFG Bank, Ltd.	JPY18,359 million
Mizuho Bank, Ltd.	JPY 12,239 million

(9) Other significant matters with respect to the current status of the Company group

Not applicable.

2. Company Information

(1) Equity Stock (as of March 31, 2022)

(i) Total number of issuable shares 440,000,000 shares

(ii) Total number of issued shares 199,542,265 shares

(Note) Total number of issued shares includes treasury shares (9,209,364 shares).

(iii) Number of shareholders 36,259

(iv) Major Shareholders (Top 10 shareholders)

Name of Shareholder	Number of Shares (in: thousand shares)	Percentage of Ownership (%)
The Master Trust Bank of Japan, Ltd. (trust account)	62,956	33.07
Custody Bank of Japan, Ltd. (trust account)	20,042	10.53
Custody Bank of Japan, Ltd. (investment trust account)	6,459	3.39
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	3,838	2.01
STATE STREET BANK WEST CLIENT - TREATY 505234	3,393	1.78
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	2,546	1.33
JP MORGAN CHASE BANK 385781	2,464	1.29
STATE STREET BANK AND TRUST COMPANY 505025	2,193	1.15
BNYM AS AGT/CLTS NON TREATY JASDEC	2,022	1.06
BBH BOSTON CUSTODIAN FOR NEXT GENERATION CONNECTIVITY FUND A SERIES TRUST 620818	1,892	0.99

(Notes) 1. Number of Shares is rounded down to the nearest thousand.

2. Percentage of Ownership is calculated excluding treasury shares (9,209,364 shares).

3. Percentage of Ownership is rounded down to the second decimal place.

(v) Status of shares issued to officers as compensation for the execution of their duties during the fiscal year 2021

	Number of shares	Number of eligible officers
Directors (excluding directors who are audit and supervisory committee members, and outside directors)	7,566	4
Outside directors (excluding directors who are audit and supervisory committee members)	0	0
Directors who are audit and supervisory committee members	0	0

(Note) Contents of the stock compensation of the Company is stated in 3. (3) of <Directors and Executive Officers Compensation Policy and Procedure> in (iv) of 2. (3) Directors and Audit and Supervisory Committee Members.

(vi) Important items regarding our shares

(i) The Company introduced stock remuneration plan, so called the “BIP (Board Incentive Plan) trust compensation system” for directors (excluding outside directors and directors who are audit and supervisory committee members), based on the resolution of the 76th Ordinary General Meeting of Shareholders held on June 27, 2018 and the resolution of the Board of Directors made in accordance with such shareholders’ resolution, and used the system from FY2018 to FY2020. The number of stocks of the Company that trust account for the BIP trust owns is 89,773 shares as of March 31, 2022.

(ii) The Company introduced stock remuneration plan, so called the “ESOP (Employee Stock Ownership Plan) trust compensation system” for officers and executive employees of the Company and its subsidiaries, based on the resolution of the Board of Directors, and used the

system from FY2018 to FY2020. The number of stocks of the Company that trust account for the ESOP trust owns is 335,722 shares as of March 31, 2022.

- (iii) The Company purchased treasury stock as indicated below based on the resolution to purchase treasury stock in accordance with the Articles of Incorporation as stipulated in Article 459, Paragraph 1 of the Companies Act made at the meeting of the Board of Directors held on July 28, 2021.

Types of shares acquired :	Shares of common stock
Total number of shares acquired:	7,167,500
Total cost of acquisition:	JPY 69,999,997,000
Acquisition period:	From August 2, 2021 to January 31, 2022
Reason for acquisition:	for shareholder returns and improving capital efficiency

- (iv) Effective September 8, 2021, the Company canceled 24,505 shares of treasury stock, according to the resolution of the meeting of the Board of Directors held on August 25, 2021.

- (v) The Company selected to transition to the “Prime Market,” a new market segment of Tokyo Stock Exchange (hereinafter, TSE), and filed an application for the transition to TSE, according to the resolution of the meeting of the Board of Directors held on October 28, 2021. The Company has been listed on the Prime Market of TSE since April 4, 2022.

(2) Stock Acquisition Rights

Stock acquisition rights held by directors and audit and supervisory committee members (as of March 31, 2022)

	Resolution at the meeting of the Board of Directors held on July 25, 2018	Resolution at the meeting of the Board of Directors held on June 26, 2019	Resolution at the meeting of the Board of Directors held on June 25, 2020
Date of issuance	August 10, 2018	July 12, 2019	July 13, 2020
Issuance Price	JPY 61,000 per unit	JPY 76,800 per unit	JPY 206,500 per unit
Holding status of stock acquisition rights by directors and audit and supervisory committee members	350 units (1 person)	1,100 units (5 persons)	530 units (5 persons)
Directors (excluding audit and supervisory committee members and outside directors)	350 units (1 person)	1,100 units (5 persons)	530 units (5 persons)
Outside directors (excluding audit and supervisory committee members)	0 units (0 persons)	0 units (0 persons)	0 units (0 persons)
Directors (audit and supervisory committee members)	0 units (0 persons)	0 units (0 persons)	0 units (0 persons)
Class and aggregate number of shares to be issued or delivered upon exercise	35,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)	111,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)	53,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)
Exercise price to be paid upon exercise	JPY 2,540 per share	JPY 3,090 per share	JPY 6,990 per share
Exercise period	August 11, 2020 to August 10, 2023	July 13, 2021 to July 12, 2024	July 14, 2022 to July 13, 2025
Terms of exercise	The stock acquisition rights may not be inherited.		
Reasons for the Company's acquisition of the stock acquisition rights	<p>The Company shall automatically acquire the stock acquisition rights, for no consideration, if:</p> <p>(a) the general meeting of the shareholders or, if approval by the shareholders' meeting is not legally required, then the board of directors resolves to approve (i) any merger agreement pursuant to which the Company shall dissolve, (ii) any agreement or a plan pursuant to which the Company shall split all or part of its business or (iii) any stock-for-stock exchange agreement or stock-transfer plan pursuant to which the Company shall become a wholly-owned subsidiary of another company;</p> <p>(b) the rights holder becomes a person who does not hold any position as a director, corporate auditor, officer, employee or any other similar position of the Company or its domestic or overseas subsidiaries; except when he/she resigns due to expiration of term of office, and when the Company deems that it is appropriate to allow him/her to exercise his/her stock acquisition rights and notifies him/her;</p> <p>(c) the rights holder dies.</p>		
Restriction on the transfer of the stock acquisition rights	Acquisition of stock acquisition rights by transfer shall require approval by the Board of Directors. Provided, however, if it is the Company acquiring the stock acquisition rights by transfer, such transfer shall be deemed to be approved by the Board of Directors.		

(3) Directors and Audit and Supervisory Committee Members

(i) Directors and Audit and Supervisory Committee Members (as of March 31, 2022)

Title	Name	Assignment in the Company and significant concurrent positions
Representative Director	Yoshiaki Yoshida *	
Director	Osamu Karatsu	
Director	Toshimitsu Urabe	Outside Director, Japan Business Systems, Inc.
Director	Nicholas Benes	Representative Director, The Board Director Training Institute of Japan
Director	Soichi Tsukakoshi*	
Director	Atsushi Fujita*	
Director	Koichi Tsukui*	
Director	Douglas Lefever*	
Director Standing Audit and Supervisory Committee Member	Yuichi Kurita	
Director Audit and Supervisory Committee Member	Kouichi Nanba	Special Counsel, Mori Hamada & Matsumoto Legal Firm
Director Audit and Supervisory Committee Member	Sayaka Sumida	Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd. Outside Audit & Supervisory Board Member, The Nisshin OilliO Group, Ltd.

- (Notes)
1. Mr. Yuichi Kurita has been appointed as a standing audit and supervisory committee member in order to enhance effectiveness of audits and supervisory function by the Audit and Supervisory Committee through information gathering by attending important meetings and conducting hearings about reports on operations received from execution departments as well as through strengthened collaboration between the independent auditor and the internal audit division.
 2. Mr. Yuichi Kurita, a director who is an audit and supervisory committee member, has many years of experience in corporate planning, and finance, as well as experience serving as an officer of the Company responsible for administration. Ms. Sayaka Sumida, a director who is an audit and supervisory committee member, has experience as a certified public accountant working for an auditing firm. Both Mr. Kurita and Ms. Sumida have considerable knowledge regarding finance and accounting.
 3. Mr. Osamu Karatsu, Mr. Toshimitsu Urabe, Mr. Nicholas Benes, Mr. Kouichi Nanba and Ms. Sayaka Sumida are outside directors.
 4. The Company has registered Directors Osamu Karatsu, Toshimitsu Urabe, Nicholas Benes, Kouichi Nanba and Sayaka Sumida as independent directors with the Tokyo Stock Exchange.
 5. Director Toshimitsu Urabe resigned as Director at Mitsubishi HC Capital Inc. on April 1, 2021.
 6. The Company has in place an Executive Officers System and * indicates a director who also serves as an Executive Officer.

7. The positions of Executive Officers are currently held as follows:

Title	Name	Assignment in the Company and significant concurrent positions
President and CEO	Yoshiaki Yoshida	CEO (Chief Executive Officer)
Senior Executive Officer	Soichi Tsukakoshi	CPO (Chief Production Officer)
Senior Executive Officer	Atsushi Fujita	CFO & CCO (Chief Financial Officer & Chief Compliance Officer)
Senior Executive Officer	Koichi Tsukui	CTO (Chief Technology Officer)
Senior Executive Officer	Douglas Lefever	CSO (Chief Strategy Officer)
Senior Executive Officer	Keith Hardwick	Global HR
Senior Executive Officer	Kimiya Sakamoto	CCRO (Chief Customer Relations Officer)
Senior Executive Officer	Yasuo Mihashi	Co-CSO & CSRO (Co-Chief Strategy Officer & Chief Stakeholder Relations Officer)
Senior Executive Officer	Juergen Serrer	Co-CTO (Co-Chief Technology Officer)
Senior Executive Officer	Sanjeev Mohan	CMO (Chief Marketing Officer)
Senior Executive Officer	Richard Junger	CDO (Chief Digital Officer)
Senior Executive Officer	Yong Xu	China Business Strategy
Executive Officer	Kazuhiro Yamashita	Sub-leader, ATE Business Group
Executive Officer	Isao Sasaki	Executive Vice President, Quality Assurance Group
Executive Officer	Toshiyuki Okayasu	Executive Vice President, New Concept Product Initiative
Executive Officer	Michael Stichlmair	Managing Director(Sales & FS) , Advantest Europe GmbH
Executive Officer	Toshio Goto	Executive Vice President, DH Business Group
Executive Officer	Suan Seng Sim (Ricky Sim)	Managing Director (CEO), Advantest (Singapore) Pte. Ltd.
Executive Officer	Makoto Nakahara	Senior Vice President (Officer), Sales Group
Executive Officer	Masayuki Suzuki	Executive Vice President, Memory Test Business Unit, ATE Business Group
Executive Officer	Naruo Tanaka	Senior Vice President (Officer), Corporate Relations Group
Executive Officer	Adachi Toshiaki	Executive Vice President, T2000 Business Unit, ATE Business Group
Executive Officer	Wan-Kun Wu (Alex Wu)	Chairman of the Board, President and CEO, Advantest Taiwan Inc.
Executive Officer	Chien-Hua Chang (Titan Chang)	Executive Vice President, Field Service Group

(Notes) Executive Officer Toshiaki Adachi was appointed as Senior Vice President, SoC Test Business Unit, ATE Business Group of the Company on April 1, 2022.

(ii) Overview of limited liability agreements

The Company entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act, with outside directors Osamu Karatsu, Toshimitsu Urabe, Nicholas Benes, Kouichi Nanba and Sayaka Sumida, and a director who is a standing audit and supervisory committee member Yuichi Kurita. The upper limit of liability based on each agreement is the minimum liability as provided in the relevant laws and regulations.

(iii) Overview of the contents of the directors and officers liability insurance contracts

The Company has concluded a directors and officers liability insurance contract with an insurance company in accordance with Article 430-3, Paragraph 1 of the Companies Act, covering all employees of the Company, including Directors, Executive Officers, and employees in managerial and supervisory positions, and also all employees of Company subsidiaries, including executives and employees in managerial and supervisory positions.

The company to which the insured belongs bears the full amount of the insurance premium including the rider part, so there is no substantial insurance premium burden for the insured party.

The insurance policy covers legal damages and litigation expenses that may arise when the insured party assumes liability for the execution of his or her duties or is subject to a claim for the pursuit of said liability.

However, under such insurance contracts, measures are taken to ensure that the appropriateness of the execution of duties by the insured person is not impaired by establishing certain conditions of exemption, such as that damage to the insured person caused by an act committed by the insured person in recognition of a violation of laws and regulations is not covered.

- (iv) Matters concerning policy for determining the details of individual compensation, etc. for directors (excluding directors who are audit and supervisory committee members)

The Company's policy for determining the details of individual compensation for directors (excluding directors who are audit and supervisory committee members) is as follows. This policy was approved by the Board of Directors held on May 21, 2021. The Nomination and Compensation Committee deliberated on individual compensation for directors (excluding directors who are audit and supervisory committee members) for FY2021 based on the policy and reported their findings to the Board of Directors. The Board of Directors deliberated on and determined compensation based on the Nomination and Compensation Committee's findings, and the Company believes that compensation is in line with the policy.

< Directors and Executive Officers Compensation Policy and Procedure >

1. Basic policy

Based on the Company's corporate mission and vision, we aim to create a system for the compensation of directors and executive officers that contributes to the enhancement of corporate value. The ground rules of the system are as follows.

- (1) Compensation mix and compensation level that shall attract international human resources who support the Company's global business development.

In order to continue to grow globally in the complex and rapidly evolving semiconductor industry, we will appoint talented people from all over the world and compensate them appropriately by global standards.

- (2) Bonus that is strongly linked to business performance

Given the inevitability of fluctuations in business performance, strongly indexing bonuses to performance will fully reward the contributions of officers when business performance is strong and will reduce the burden on the Company during downturns in business performance.

- (3) Stock compensation that incentivizes directors and officers to share values with shareholders and promotes management from a medium- to long-term perspective

We will combine transfer-restricted stock compensation, which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders, and performance-linked stock compensation, which promotes the achievement of medium-term management goals that lead to corporate value improvement.

2. Policy on the system, timing, conditions, and determination of director compensation

- (1) For directors who also serve as executive officers, fixed compensation (monetary remuneration) appropriate to their duties and responsibilities will be paid monthly, in addition to the executive officer compensation specified in 3 below.
- (2) For outside directors (excluding directors who are Audit and Supervisory Committee members), fixed compensation (monetary remuneration) will be paid in consideration of their roles and independence. Fixed compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data

(i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).

- (3) Fixed compensation (monetary remuneration) will be paid to directors who are Audit and Supervisory Committee members in consideration of their roles and independence. The individual compensation level of directors who are Audit and Supervisory Committee members will be decided through discussions with them.
- (4) In addition to the above, lump sum payments may be made based on special events such as the anniversary of the Company's founding.

3. Policy on the system, timing, conditions, and determination of executive officer compensation

The compensation of executive officers is as described by the basic policy set forth in 1 above. (1) Fixed compensation (monetary remuneration), (2) performance-linked bonuses (monetary remuneration), and (3) stock compensation shall all be set at appropriate levels. The ratio of fixed compensation, performance-linked bonuses, and stock compensation is approximately 1: 1: 1 for Senior Executive Officers (including the president) and 1: 0.8: 0.8 for other Executive Officers.

- (1) Fixed compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).
- (2) Performance-linked bonuses (monetary remuneration) are short-term incentives for the results of a single year, and are paid once a year after the performance of the Group for the relevant business year is confirmed.
 - a. The amount of bonuses is determined using net income as an index.
 - b. Target amounts will be set by referring to the net income targets of the single-year business plan and mid-term management plan. We will pay the standard amount when the target values are achieved, but the amount paid will fluctuate as described below when actual results undershoot or exceed the target values.
 - Actual results <50% of target values: 0% of standard amount
 - Actual results >150% of target values: 200% of standard amount
 - Actual results 50% -150% of target values: Varies between 0-200% of standard amount
- (3) Regarding stock-based compensation, we will grant restricted stock (RS) and performance-linked stock compensation (PSU) with the intention of incentivizing the pursuit of medium- to long-term enhancement of corporate value in alignment with shareholder priorities. As a general rule, about half of the stock-based compensation should be RS and about half should be PSU.
 - a. Shares of RS will be granted every business year as described above. As a general rule, holding is obligatory during the term of office, and transfer restrictions will be lifted when an officer retires.
 - b. PSU will be based on indicators that determine the value of the Company's stock as described below, granted in the first year of the Company's 3-year mid-term management plan, and delivered after the conclusion of the period of the mid-term management plan according to the values of these indicators. PSU may fluctuate between 60 to 140% of the standard amount according to how close actual results come to mid-term management targets. The indicators for evaluating achievement of mid-term management targets are as follows, and the degree of fluctuation is determined by the total value of both indicators.
 - Main indicator: Earnings per share (EPS) during the mid-term management plan
→ Fluctuation between 70% and 130% of the standard amount
 - Sub-indicator: Relative Total Shareholders Return (r-TSR) and ESG evaluation
→ Fluctuation between -5% to 5% of the standard amount

Note, officers who take office or retire in the second or third years of the medium-term management plan will be as standard performance, prorated according to the length of time they have served.

- (4) Compensation for non-residents in Japan may be different from the above due to laws and other circumstances.
- (5) If there are changes in the Company's financial situation or business environment that are clearly judged to make it difficult to achieve the goals of the mid-term management plan, this system and its operation may be reviewed based on a resolution of the Board of Directors.

(6) In addition to the above, lump sum payments may be made based on special events such as the anniversary of the Company's founding.

4. Procedures and methods for determining compensation

(1) Individual compensation for directors (excluding directors who are Audit and Supervisory Committee members) and executive officers is deliberated by the Nomination and Compensation Committee based on consultation with the Board of Directors, and proposed to the Board of Directors. The Board of Directors deliberates on proposals from the Nomination and Compensation Committee and decides on compensation.

(2) However, performance-linked bonuses are determined as follows:

a. Up to 30% of the total amount calculated and determined according to the policies above of performance-linked bonuses for executive officers, excluding the president, shall be redistributed based on individual evaluations conducted by the president and approved by the Nomination and Compensation Committee. Results of these evaluations and redistributions shall be reported to the Board of Directors.

b. In principle, the president's performance-linked bonus is calculated based on the results of performance indicators, but if the Board of Directors deems it necessary and clearly states their reasoning, it may be increased or decreased.

5. Reduction of compensation, clawbacks, etc.

The Company may reduce future compensation or claw back past compensation by resolution of the Board of Directors in the event of certain circumstances, such as violation of relevant laws and regulations or internal rules.

(v) Matters concerning policies for determining the details of individual compensation, etc. for directors who are audit and supervisory committee members

The Company has established a policy for determining the details of individual compensation for directors who are audit and supervisory committee members. Under the policy, the amount of compensation for each audit and supervisory committee member is determined through discussions by audit and supervisory committee members, taking into consideration the distinction between standing and non-standing positions, the assignment of auditing duties, the details and level of compensation paid to directors, and other factors. This policy was approved by a resolution of the audit and supervisory committee held on January 27, 2016.

(vi) Total amount of compensation for directors

Category	Total Compensation (Millions of yen)	Total Compensation by Category (Millions of yen)					Number of Eligible Officers
		Cash Compensation		Non-Cash Compensation			
		Fixed Compensation	Performance-based Compensation	Stock Options	Restricted stock compensation	Performance-based Stock Compensation	
Directors (excluding audit and supervisory committee members) (excluding outside directors)	800	186	239	66	95	214	5
Directors (audit and supervisory committee members) (excluding outside directors)	43	43	0	0	0	0	1
Outside Directors (not audit and supervisory committee members)	69	69	0	0	0	0	5
(audit and supervisory committee members)	(40)	(40)	(0)	(0)	(0)	(0)	(3)
(audit and supervisory committee members)	(29)	(29)	(0)	(0)	(0)	(0)	(2)

- (Notes)
- Performance-based bonuses are paid to directors (excluding outside directors and directors who are audit and supervisory committee members) as performance-linked compensation. Performance-linked bonuses are cash compensation for achievements for a single year and paid out once a year after the corporate performance of the Company group for the said fiscal year is confirmed. Net income is used as the performance indicator of the said bonuses which are positioned as a short-term incentive. Changes in the performance indicator in the past are stated in 1. (2) Conditions of Assets, Profit and Loss. The content of the performance-linked bonuses is stated in 3. (2) of <Directors and Executive Officers Compensation Policy and Procedure> in (iv) of 2. (3) Directors and Audit and Supervisory Committee Members.
 - Stock options, restricted stock compensation, and performance-linked stock compensation are delivered to directors (excluding outside directors and directors who are audit and supervisory committee members) as non-cash compensation. For restricted stock compensation and performance-linked stock compensation, the amount recorded as an expense for FY2021 in accordance with Japanese standards is listed. For stock options granted by FY2020, the amount recorded as an expense for FY2021 in accordance with Japanese standards is listed. No stock options were granted in FY2021. Regarding restricted stock compensation and performance-linked stock compensation, the 79th Ordinary General Meeting of Shareholders held on June 23, 2021 resolved that (1) restricted stock compensation for the Company's directors (excluding outside directors and directors who are audit and supervisory committee members) shall be no more than JPY 200 million per year, and the total number of common shares of the Company to be delivered to eligible directors shall be within 50,000 shares per year; and (2) a performance share unit for the said directors shall be no more than JPY 600 million per year, and the total number of common shares of the Company to be delivered to eligible directors shall be within 150,000 shares for each medium-term management plan (three fiscal years). The number of directors (excluding outside directors and directors who are audit and supervisory committee members) at the end of the said ordinary general meeting of shareholders is five. The state of delivery of the said stock compensations in FY2021 is described in (v) of 2. (1) Equity Stock. The content of restricted stock compensation and performance-linked stock compensation is described in 3. (3) of <Directors and Executive Officers Compensation Policy and Procedure> in (iv) of 2. (3) Directors and Audit and Supervisory Committee Members.
 - At the 79th Ordinary General Meeting of Shareholders held on June 23, 2021, shareholders approved that the total amount of compensation for the Company's directors (excluding outside directors and directors who are audit and supervisory committee members) shall be no more than JPY 900 million per year. The number of directors (excluding outside directors and directors who are audit and supervisory committee members) at the end of this ordinary general meeting of shareholders is five.
 - At the 79th Ordinary General Meeting of Shareholders held on June 23, 2021, shareholders approved that the total amount of compensation for the Company's outside directors (excluding directors who are audit and supervisory committee members) shall be no more than JPY 60 million per year. The number of outside directors (excluding directors who are audit and supervisory committee members) at the end of this ordinary general meeting of shareholders is three.
 - At the 73rd Ordinary General Meeting of Shareholders held on June 24, 2015, shareholders approved that the total amount of compensation for the Company's directors who are audit and supervisory committee members shall be no more than 100 million yen per year. The number of directors who are audit and supervisory committee members at the end of this ordinary general meeting of shareholders is 3 (including 2 outside directors).
 - Individual compensation of directors (excluding directors who are audit and supervisory committee members) is deliberated by the Nomination and Compensation Committee with consultation to the Board of Directors and proposed to the Board of Directors. The Board of Directors deliberates on proposals from the Nomination and Compensation Committee and decides compensation. Regarding the performance-linked bonuses for Executive Officers (including those who concurrently serve as directors) except for President, Mr. Yoshiaki Yoshida, Representative Director, President and CEO, evaluates Executive Officers and reallocate individual amounts of performance-linked bonuses based on his evaluation before the Nomination and Compensation Committee approves the amount of bonuses, because the Company believes that it is most appropriate to reflect the evaluation by President, as the head of business execution, on the performance-linked bonuses of Executive Officers. Individual amounts of performance-linked bonuses which the Nomination and Compensation Committee approves are within the range decided by the Board of Directors, and the amounts are reported to the Board of Directors after the approval by the Nomination and Compensation Committee. The range of individual amounts of performance-linked bonuses which the Nomination and Compensation Committee approves is stated in 4. (2) a. of <Directors and Executive Officers Compensation Policy and Procedure> in (iv) of 2. (3) Directors and Audit and Supervisory Committee Members.

(vii) Matters pertaining to outside directors and outside audit and supervisory committee members

(a) Significant concurrent positions held and relationship to the Company

Name	Concurrent position(s)	Relationship to the Company
Toshimitsu Urabe (Outside Director)	Outside Director, Japan Business Systems, Inc.	There is no special relationship between Japan Business Systems, Inc. and the Company.
Nicholas Benes (Outside Director)	Representative Director, The Board Director Training Institute of Japan	The Company has paid an annual fee to and received executive training from The Board Director Training Institute of Japan (“BDTI”). The amount of payment to BDTI in FY2021 was less than JPY1M.
Kouichi Nanba (Outside Director, Audit and Supervisory Committee Member)	Special Counsel, Mori Hamada & Matsumoto Legal Firm	There is no special relationship between Mori Hamada & Matsumoto Legal Firm and the Company.
Sayaka Sumida (Outside Director, Audit and Supervisory Committee Member)	Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd.	The Company has transactions with Furukawa Electric Co., Ltd., including the purchase of raw materials, etc. The amount of such transactions with Furukawa Electric Co., Ltd., in the current fiscal year is less than 1% of the total of the Company’s consolidated cost of sales and selling, general and administrative expenses.
	Outside Audit & Supervisory Board Member, The Nisshin OilliO Group, Ltd.	There is no special relationship between The Nisshin OilliO Group, Ltd. and the Company.

(b) Principal activities

Name	Attendance	Participation at meetings
Osamu Karatsu (Outside Director)	Meetings of Board of Directors: 13 out of 13 times	<p>Mr. Karatsu is expected to reflect his knowledge of the industry and his broad perspectives in the Company group's management, thereby contributing to the sustainable enhancement of the Company's corporate value and invigorating the activities of the Board of Directors.</p> <p>During FY2021, Mr. Karatsu performed his duties based on his role, including providing advice in view of the environment surrounding the semiconductor industry and the global situation, and brought a higher perspective to management.</p> <p>Mr. Karatsu expresses his opinions based mainly on his knowledge of the semiconductor industry and from long-term and strategic perspectives at meetings of the Board of Directors.</p>
Toshimitsu Urabe (Outside Director)	Meetings of Board of Directors: 13 out of 13 times	<p>Mr. Urabe is expected to reflect his knowledge of corporate management, investment decisions and administrative management such as human resources, in the Company group's global management, thereby contributing to the sustainable enhancement of the Company's corporate value and invigorating the activities of the Board of Directors.</p> <p>As chairman of the Nomination and Compensation Committee, during FY2021, Mr. Urabe performed his duties based on his role, including providing advice drawing from his experience in management and human resources field in relation to the formulation of succession planning. Mr. Urabe expresses his opinions mainly on business investment decisions and global management based on his management experience.</p>
Nicholas Benes (Outside Director)	Meetings of Board of Directors: 13 out of 13 times	<p>Mr. Benes is expected to reflect his knowledge of corporate governance and the shareholder-oriented perspective in the Company group's global management, thereby contributing to the sustainable enhancement of the Company's corporate value and invigorating the activities of the Board of Directors.</p> <p>During FY2021, Mr. Benes performed his duties based on his role, including M&A advisory service based on his experience in investment banks, providing advice from the perspective of shareholders including institutional shareholders, verification of the performance evaluation process of executive officers, verification of a BCP, and pointing out matters relating to D&O insurance and company indemnification programs.</p> <p>Mr. Benes expresses his opinions based mainly on his knowledge of corporate governance.</p>

Name	Attendance	Participation at meetings
Kouichi Nanba (Outside Director, Audit and Supervisory Committee Member)	Meetings of Board of Directors: 13 out of 13 times	Mr. Nanba is expected to reflect his knowledge of laws and compliance in the Company group's audit and supervision, thereby contributing to the enhancement of compliance. During FY2021, Mr. Nanba performed his duties based on his role, including providing advice on human rights due diligence and labor safety, based on his many years of experience as an attorney-at-law. Mr. Nanba expresses his opinions mainly in relation to law and compliance from a professional perspective.
	Meetings of Audit and Supervisory Committee: 13 out of 13 times	
Sayaka Sumida (Outside Director, Audit and Supervisory Committee Member)	Meetings of Board of Directors: 13 out of 13 times	Ms. Sumida is expected to reflect her knowledge of finance and accounting in the Company group's audit and supervision, thereby contributing to the enhancement of corporate accounting and internal controls. During FY2021, Ms. Sumida performed her duties based on her role, including providing advice on internal audit and disclosure documents such as the Annual Securities Report, based on many years of experience as a certified public accountant. Ms. Sumida expresses her opinions mainly in relation to corporate accounting and independent auditing from a professional perspective.
	Meetings of Audit and Supervisory Committee: 13 out of 13 times	

(4) Independent Auditor

(i) Name of independent auditor

Ernst & Young ShinNihon LLC

(ii) Remuneration

	Amount
Remuneration to the independent auditor for this fiscal year	¥153 million
Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the independent auditor	¥153 million

(Notes) 1. Under the agreement between the Company and the independent auditor, as the Company has not drawn any distinction between the remuneration for the audit services pursuant to the Companies Act and that pursuant to the Financial Instruments and Exchange Act of Japan, the amount set forth above represents the aggregate amount of these audit services.

2. The Company's significant overseas subsidiaries have been audited by the Ernst & Young group.

(iii) Reason that the Audit and Supervisory Committee gave consent to the amount of remuneration to the independent auditor

The Audit and Supervisory Committee obtained necessary materials and received reports from directors, executive officers, the internal departments concerned, and the independent auditor, and reviewed appropriateness of the content of the audit plan of the independent auditor, the status of execution of independent audit duties, the basis for calculation of the estimated amount of remuneration. As a result, the Audit and Supervisory Committee concluded that the amount of remuneration to the independent auditor is appropriate and gave consent pursuant to Article 399, Paragraphs 1 and 3 of the Companies Act.

(iv) Policies on dismissal or non-reappointment of the independent auditor

In the case that the independent auditor falls under any of the items according to Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss the independent auditor upon the unanimous consent of the audit and supervisory committee members. In such case, an audit and supervisory committee member who is appointed by the audit and supervisory committee shall report the dismissal and its reasons at the first general meeting of shareholders convened after such dismissal. In addition, other than the above, if it is deemed to be difficult for the independent auditor to conduct appropriate audits due to the occurrence of events that impair its qualification or independence, the Audit and Supervisory Committee shall determine the content of an agenda item about dismissal or non-reappointment of the independent auditor to be submitted to a general meeting of shareholders.

(5) The Board of Directors resolved a system that ensures the appropriateness of its business as follows:

Basic Policy for the System to Ensure the Appropriateness of Business

Holding “Enabling Leading-Edge Technologies” as our corporate mission, the Advantest Group established The Advantest Way that clarifies mission, vision, core values, guiding principle and ethical standards of the Advantest Group, and has strived to increase the transparency of its management and achieve a sustainable level of business development and mid-to-long term enhancement of corporate value. To further promote these efforts, the Company will prepare a framework as described in each paragraph below, implement the establishment, development and management of the internal control system, and ensure the sound operations of the Company.

1. Framework to the effective performance of duties by Board Directors of the Company and the Subsidiaries
 - (i) The Company promotes management efficiency by separating the management decision making function and supervisory function from the function of the execution of operations. The Board of Directors shall make management decisions and supervise management. Regarding execution of operations, executive officers and employees shall execute operations based on the Board of Directors’ clarification of the function and authority of the body executing operations, while delegating necessary authorities to ensure the prompt and efficient performance of duties.
 - (ii) The Board of Directors of the Company, as the management decision making body, shall make decisions on significant matters concerning the execution of business and basic management policies of Advantest Group, including the Internal Control System, and in its capacity to supervise management, the Board of Directors shall monitor and supervise execution of duties by Directors and executive officers.
 - (iii) The Board of Directors of the Company shall approve the basic management policy of the Advantest Group, receive reports on business results based on monthly closing account, financial situation, status of the performance of duties by each department, and review the appropriateness of such plans.
2. Framework to ensure the compliance with applicable laws and ordinances as well as the articles of incorporation by directors, executive officers, and employees of the Company and the Subsidiaries in performing their duties
 - (i) To ensure compliance with all applicable laws and regulations as well as the articles of incorporation, and to ensure that actions are taken faithfully and ethically, the Company shall establish The Advantest Way for all directors, executive officers and employees of the Advantest Group, and notify such directors, executive officers and employees of these codes. Furthermore, the Company shall establish the “Code of Ethics for Executives” for directors and executive officers.
 - (ii) The Advantest Group shall establish subcommittees such as the Internal Control Committee, the Compliance Committee and the Disclosure Committee in order to ensure the

- appropriateness of business of Advantest Group.
- (iii) The Internal Control Committee shall report to the Board of Directors about the design and operation of Internal Control System as deemed necessary.
 - (iv) The Compliance Committee monitors the compliance of laws and regulations and the implementation of The Advantest Way and report to the Board of Directors as deemed necessary.
 - (v) The Disclosure Committee oversees the proper disclosure by management and report to the Board of Directors as deemed necessary.
 - (vi) The Company establishes a corporate ethics helpline for whistleblowing such that employees can report behaviors that are illegal or inappropriate in light of applicable laws, Articles of Incorporation or The Advantest Way. The Company stipulates that the reporter / consultant will not treat such persons adversely for having reported an incident or sought consultation regarding a potential violation, and will thoroughly disseminate it.
3. Rules relating to the management of risk of loss and other frameworks of the Company and the Subsidiaries
- (i) With respect to potential risks behind management environment, business activities and corporate assets of Advantest Group, the Company shall identify and classify risk factors for each important business process, analyze the magnitude of risks, possibility of actual occurrence and frequency of such occurrence, etc., and create written policies and procedures regarding the appropriate response to and avoidance/ reduction of the risks, as part of the internal control activities.
 - (ii) With respect to emergency situations such as disasters, the Company shall establish the Risk Management Group, create written emergency action guidelines and prepare by implementing education and training programs on a regular base.
 - (iii) The Internal Control Committee shall thoroughly manage risks of the Advantest Group and report material risks to the Board of Directors.
 - (iv) The Company is making efforts to prevent occupational injuries, create a comfortable working environment, and promote the good health of its employees through the establishment of the Safety and Health Committee.
4. Framework regarding the retention and management of information with respect to the performance of duties by Board Directors of the Company
- (i) The Company shall properly retain and manage the following information regarding the exercise of duties by directors, pursuant to the internal rules that stipulate details such as the period of retention, person in charge of retention and method of retention.
 - Minutes of general meetings of shareholders and reference materials
 - Minutes of meetings of the Board of Directors and reference materials
 - Other important documents regarding the exercise of duties by directors
 - (ii) The Company shall establish the Information Security Committee that is responsible for protecting personal information and preventing confidential information from leaking.
5. Framework to ensure the appropriateness of operations of the Company, and the group as a whole, including its subsidiaries
- (i) The Advantest Group shall establish and operate the same quality of internal control system for the Company and each company of the Advantest Group in order to conduct the consolidated group management placing an emphasis on business evaluation based on consolidated accounting.
 - (ii) The internal control system of the Advantest Group is supported by each department of the Company that is responsible for each group company, and is established and operated as a unified system based on the policies of the group created by the Internal Control Committee. Significant matters concerning the status of each group company that is controlled by the Internal Control Committee shall be reported to the Board of Directors.
 - (iii) Auditing Group of the Company supervises an internal audit to each group company.
6. Matters relating to employee(s) who assist the Audit and Supervisory Committee

The Company shall establish the Audit and Supervisory Committee and assign the employee(s) who assist it.

7. Matters relating to the independence of the employee(s) referred to in the preceding Section from Board Directors of the Company (excluding directors who are Audit and Supervisory Committee members) and the matters for ensuring the effectiveness of direction to the employee(s)
 - (i) The personnel matters including but not limited to assignment, transfer, performance appraisal and disciplinary action of the employee(s) referred to in Section 6 shall be subject to a prior consent of the Audit and Supervisory Committee.
 - (ii) The employee(s) referred to in Section 6 shall perform their duties exclusively pursuant to the instruction and order by directors who are Audit and Supervisory Committee members and their independence from any officers or employees other than the directors who are Audit and Supervisory Committee members shall be ensured.
8. Framework for reporting to the Audit and Supervisory Committee of the Company
 - (i) In the event that any violation or breach of applicable laws, Articles of Incorporation or The Advantest Way or the fact that could cause serious damage is detected or reported, such event shall be reported immediately to the Audit and Supervisory Committee.
 - (ii) The Company shall adopt a system that allows directors who are Audit and Supervisory Committee members to attend important meetings such as the Executive Management Committee and to keep abreast important matters regarding the execution of operations.
 - (iii) In the event that a report or consultation is made to the Corporate Ethics Helpline, the Company shall adopt a system that such report or consultation shall be reported immediately to the Audit and Supervisory Committee.
 - (iv) Under the provisions of section 8. (i) and (iii), The Company stipulates that the reporter to the Audit and Supervisory Committee will not treat such persons adversely for having reported an incident, and will thoroughly disseminate it.
9. Other frameworks to ensure the effective implementation of audit by the Audit and Supervisory Committee
 - (i) The Company shall ensure that the Audit and Supervisory Committee cooperates with the Accounting Auditors, the Auditing Group (an internal audit division of the Company) and the corporate auditor of each Advantest Group Company, and that there are opportunities to exchange opinions with them as deemed necessary.
 - (ii) The Company shall ensure that there are opportunities to exchange opinions between the Audit and Supervisory Committee and the Representative Director and shall strive for communication between them.
 - (iii) In case that a member of Audit Supervisory Committee requests a prepayment of expense necessary to perform his or her duties, the Company shall establish a necessary procedure of the prepayment and execute it without delay in accordance with the designated procedure.

(6) Status of implementation of the system to ensure the appropriateness of business

The status of implementation of the system to ensure the appropriateness of business during the fiscal year is as follows:

(i) Framework for the effective performance of duties

To promote management efficiency, the Board of Directors performs management decision-making and supervision in accordance with Regulations of the Board of Directors and Executive Officers and employees execute business in accordance with the Global Organization and Authorization Rules.

The Board of Directors shall make decisions on significant matters with respect to the management policies and management strategies for the Company group and monitors and oversees execution of duties by Executive Officers.

Jomukai was replaced with Executive Management Committee as a top decision making body of the executive team to further promote global management. Along with this, we stopped nomination of executive vice president, Senior Managing Executive Officers (Senmu) and Managing Executive Officers (Jomu). We nominated Senior Executive Officers, among Executive Officers, who lead the global group operation as members of Executive Management Committee. In addition, in order to realize speedy management, the Executive Management Committee has largely delegated authority to the unit leader.

(ii) Framework concerning compliance

The Company established The Advantest Way, which articulates the Purpose & Mission, the Vision, the Core Values, the Guiding Principle, and the Ethical Standards. We executed “Leading with INTEGRITY” workshops for managers around the world so that they can show leadership based on “INTEGRITY”.

During the fiscal year 2021, the Company held four Compliance Committee meetings to report compliance cases and the results of compliance surveys.

The Company has established internal and external helplines, and is working to thoroughly familiarize all officers and employees around the world of the role of the helplines and to establish an appropriate whistleblowing framework. In addition, continuing from the previous year, e-learning-based compliance education was provided to officers and employees and all of the eligible persons participated in the program.

(iii) Framework for risk management

In addition to discussing a broad range of risks to the global economy and the overall business environment at Board of Directors and Executive Management Committee, the Internal Control Committee chaired by the representative director and attended by outside directors as observers identifies and analyzes important risks throughout the Company group and clarifies departments responsible for each risk and the policies and procedures for dealing with each risk. Moreover, the Company shall report to the Board of Directors on the design and operation status of internal control system and on the cases where significant defects and significant deficiencies are found in the internal control evaluation process.

The Company has established the Risk Management Group headed by the representative director to respond to emergency disasters, such as flooding and pandemics.

(iv) Framework for retention and management of information

The Company retains and manages minutes of general meetings of shareholders and minutes of meetings of the Board of Directors and their reference materials, and important documents regarding the exercise of duties by directors pursuant to the internal rules. The Information Security Committee meets monthly and reviews and implements measures to protect personal information and prevent leakage of confidential information and maintains and enhances of security of IT systems.

In this current fiscal year, the Company conducted a simulation drill for dealing with cyberattacks and alerted all employees whenever phishing emails were received. In addition, e-learning-based information security education was provided to officers and employees and all of the eligible persons participated in the program.

ATJ obtained ISO 27001 certification for its information security management system in August 2021.

(v) Framework to ensure the appropriateness of operations of the group

The Company establishes important business processes for Advantest as a whole, and by providing guidance on risk analysis and appropriate responses to such risks, Advantest group companies establish and operate the same internal control system. The Internal Control Committee monitors the status of internal controls of each company based on the CSA (Control Self-Evaluation) of important group companies conducted by the internal audit division. It also monitors the status through audits by the internal audit division and gives instructions so that each group company can operate in accordance with the policy for building internal control systems. The Internal Control Committee reports to the Board of Directors if important matters concerning internal control of each group company are discovered

The internal audit division report the audit results to the President and CEO and the Audit and Supervisory Committee, and also to the Board of Directors.

(vi) Framework for the implementation of audit by the Audit and Supervisory Committee

The Company has put in place a system whereby a standing audit and supervisory committee member attends important meetings such as the meeting of the Executive Management Committee and keeps abreast of important matters regarding the execution of operations. The Audit and Supervisory Committee holds meetings with the independent auditor and the internal audit division, as necessary, to ensure good communication. The Company provides opportunities for the representative director and the Audit and Supervisory Committee to exchange opinions on a periodic basis or on an as-needed basis in order to ensure good communication.

The Company has established the Audit and Supervisory Committee Office to which a full-time employee who assists the Audit and Supervisory Committee is assigned. The employee who assists the Audit and Supervisory Committee performs his duties in accordance with instructions of the audit and supervisory committee members, and thus his independence from directors who are not audit and supervisory committee members and from other officers and employees is ensured.

(7) Policies on the distribution of surplus

Based on the premise that a sustainable level of business development and mid-to-long term enhancement of corporate value is fundamental to the creation of shareholder value, the Company practices management that is conscious of capital efficiency, financial soundness, and shareholder returns.

The Company has set the capital policy to prioritize business investment for growth such as R&D, facility enhancements, and M&A, while being flexible in utilization of liabilities (debt) from the viewpoint of balance sheet management that considers both capital efficiency and capital cost. In addition, the Company ensures an appropriate capital structure with maintaining financial soundness in order to strengthen the Company's business position and enhance its corporate value.

The shareholder return that is in congruence with second mid-term management plan for the three years starting from April 1, 2021, under the premise of stable business environment, is set to make stable and continuous dividend with a minimum amount of ¥50 per share for a semi-annual and ¥100 per share for annual. In addition to dividends, the Company set the target to achieve total annual return ratio (*) of 50% or more, including share buybacks. However, there is a possibility that the Company may not be able to disburse shareholder returns due to the occurrence of investment growth opportunities that require more funds than expected and the deterioration of business performance for the changes in the market environment.

(*) Total return ratio: (Dividend + share repurchase)/consolidated net income

Consolidated Financial Statements

Consolidated Statement of Financial Position

(As of March 31, 2022)

(Millions of Yen)

	FY2020 (reference)	FY2021		FY2020 (reference)	FY2021
Assets			Liabilities		
Current assets	279,095	304,945	Current liabilities	89,811	150,882
Cash and cash equivalents	149,164	116,582	Trade and other payables	58,558	70,352
Trade and other receivables	57,028	82,155	Short-term borrowings	—	18,359
Inventories	64,340	95,013	Income taxes payable	8,619	26,814
Other current assets	8,563	11,007	Provisions	4,058	6,536
Subtotal	279,095	304,757	Lease liabilities	2,486	2,918
Assets held for sale	—	188	Other financial liabilities	3,509	3,276
Non-current assets	143,546	189,751	Other current liabilities	12,581	22,627
Property, plant and equipment, net	41,613	51,392	Non-current liabilities	52,461	49,193
Right-of-use assets	11,668	12,645	Long-term borrowings	—	12,239
Goodwill and intangible assets, net	54,543	85,307	Lease liabilities	9,364	9,947
Other financial assets	10,211	14,565	Retirement benefit liabilities	36,891	22,341
Deferred tax assets	25,242	25,494	Deferred tax liabilities	4,473	3,445
Other non-current assets	269	348	Other non-current liabilities	1,733	1,221
			Total liabilities	142,272	200,075
			Equity		
			Share capital	32,363	32,363
			Share premium	44,573	44,995
			Treasury shares	(15,001)	(81,547)
			Retained earnings	214,858	279,828
			Other components of equity	3,576	18,982
			Total equity attributable to owners of the parent	280,369	294,621
			Total equity	280,369	294,621
Total assets	422,641	494,696	Total liabilities and equity	422,641	494,696

Consolidated Statement of Profit or Loss

(From April 1, 2021 to March 31, 2022)

(Millions of Yen)

	FY2020 (reference)	FY2021
Net sales	312,789	416,901
Cost of sales	(144,498)	(180,994)
Gross profit	168,291	235,907
Selling, general and administrative expenses	(105,870)	(121,132)
Other income	8,499	606
Other expenses	(194)	(647)
Operating income	70,726	114,734
Financial income	767	1,912
Financial expenses	(1,875)	(303)
Income before income taxes	69,618	116,343
Income taxes	169	(29,042)
Net income	69,787	87,301
Net income attributable to: Owners of the parent	69,787	87,301

Consolidated Statement of Comprehensive Income

(From April 1, 2021 to March 31, 2022)

(Millions of Yen)

	FY2020 (reference)	FY2021
Net income	69,787	87,301
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plan	2,309	4,509
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	(666)	3,296
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	4,327	12,180
Total other comprehensive income (loss)	5,970	19,985
Total comprehensive income for the year	75,757	107,286
Comprehensive income attributable to: Owners of the parent	75,757	107,286

Consolidated Statement of Changes in Equity

(From April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Equity attributable to owners of the parent						Total Equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	
FY2021							
Balance as of April 1, 2021	32,363	44,573	(15,001)	214,858	3,576	280,369	280,369
Net income				87,301		87,301	87,301
Other comprehensive income (loss), net of tax					19,985	19,985	19,985
Total comprehensive income for the year	—	—	—	87,301	19,985	107,286	107,286
Purchase of treasury shares		(85)	(70,013)			(70,098)	(70,098)
Disposal of treasury shares		(1,057)	3,401	(1,379)		965	965
Cancellation of treasury shares			66	(66)		—	—
Dividends				(25,470)		(25,470)	(25,470)
Share-based payments		1,574				1,574	1,574
Other		(10)		5		(5)	(5)
Transfer from other components of equity to retained earnings				4,579	(4,579)	—	—
Total transactions with the owners	—	422	(66,546)	(22,331)	(4,579)	(93,034)	(93,034)
Balance as of March 31, 2022	32,363	44,995	(81,547)	279,828	18,982	294,621	294,621

Notes to Consolidated Financial Statements

1. Notes to significant matters based on which the consolidated financial statements were prepared

(1) Basis of presentation

The consolidated financial statements of Advantest Corporation (The "Company") and its consolidated subsidiaries (collectively, The "Company group") have been prepared on the basis of International Financial Reporting Standards ("IFRS"), pursuant to paragraph 1 of Article 120 of the Ordinance on Accounting of Companies (*kaisha keisan kisoku*). However, certain disclosures required on the basis of IFRS are omitted, pursuant to the latter part of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies.

(2) Scope of consolidation

Consolidated subsidiaries

- (a) Number of consolidated subsidiaries 37
- (b) Names of major consolidated subsidiaries are described in "1. Current Conditions of the Company group, (3) Significant Subsidiaries" of the Business Report.

(3) Significant accounting policies

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call with banks, and other short term highly liquid investments with maturities of 3 months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(ii) Inventories

The cost of inventories includes purchase costs, processing costs and all other costs incurred to bring inventories to their present location and condition.

Inventories are measured at the lower of cost or net realizable value. If net realizable value is less than the cost, that difference is accounted for as a write off and recognized as an expense. The weighted average method is used to calculate cost. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and estimated costs necessary to make the sale.

(iii) Financial instruments

Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost in case they meet the following requirements:

- The financial asset is held within a business model with the objective of collecting contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method, and the expected credit losses are recognized as allowance for doubtful accounts. The expected credit losses are calculated based on historical loss experience or future recoverable amounts.

Financial assets measured at fair value through other comprehensive income

The Company group holds certain instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees. These equity instruments are classified as financial assets measured at fair value through other comprehensive income by designation. They are initially and subsequently measured at fair value, and the changes in fair value are recognized in other comprehensive income (OCI). The cumulative amount of OCI is recognized in equity as other components of equity. If the Company group derecognizes financial assets, the cumulative gain or loss recognized in OCI is reclassified from other components of equity to retained

earnings. Dividends on financial assets measured at fair value through other comprehensive income are recognized in profit or loss, except when they are considered to be return of the investment. Financial assets measured at fair value through profit or loss
The other financial instruments are classified as financial assets measured at fair value through profit or loss. These instruments are subsequently measured at fair value and the changes in fair value are recognized in profit or loss.

(iv) Property, plant and equipment (except right-of-use assets)

Except for assets that are not subject to depreciation such as land, assets are depreciated using the straight-line method over their estimated useful lives.

(v) Goodwill and other intangible assets

Goodwill is not amortized. Intangible assets (except right-of-use assets) for which useful lives can be determined are amortized by the straight-line method over their estimated useful lives from the date the assets are available for use.

(vi) Impairment

Property, plant and equipment, right-of-use assets, goodwill and intangible assets are tested for impairment if there is any indication of impairment for the assets. Goodwill is tested for impairment both annually and when there is any indication of impairment. An impairment loss is recognized if the recoverable amount of an asset, cash-generating unit (CGU) or CGU group is less than its carrying amount.

(vii) Provisions

Provisions are recognized when the Company group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made. When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

(viii) Post-employment benefits

The Company and certain of its subsidiaries have retirement and severance defined benefit plans covering substantially all of their employees. For each defined benefit plan, the present value of defined benefit obligations, related current service cost and past service cost are calculated using the projected unit credit method. The discount rates are the yields of high quality corporate bonds that have maturity terms approximating those of the obligations which the benefits are expected to be paid. Net defined benefit liability (asset) is measured at the present value of the defined benefit obligation less the fair value of plan assets. Remeasurements of net of liabilities or assets for defined benefit plans are recognized in full as other comprehensive income in the period when they are incurred and reclassified to retained earnings immediately. Past service costs are recognized immediately in profit or loss.

(ix) Revenue

The Company group recognizes revenue based on the five-step model.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations (accounting treatment for goods or services separately)

Step 3: Determine the transaction price (amount of consideration)

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Company group sells test system products of semiconductor and mechatronics-related products such as test handlers that handling semiconductor devices, the revenue for these is recognized when control of such products is transferred to customers as the performance obligation is satisfied based on contractual terms. The timing at which control of such products transferred to customers is determined upon delivery or acceptance.

Additionally, the Company group 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.

(x) Foreign currency translation

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of the reporting period, and revenue and expense items are translated using the average exchange rates during the period. Gains or losses derived from translating foreign operations' financial statements are recognized in other comprehensive income and presented in other components of equity.

2. Notes to accounting estimates

(1) Valuation of inventories

(i) Amount recognized in the consolidated financial statements as of March 31, 2022.

Inventories	¥95,013 million
-------------	-----------------

(ii) Other information that deepens to the understanding of users of the consolidated financial statements regarding the content of accounting estimates

Inventories are measured at the lower of cost or net realizable value. If net realizable value is less than the cost, that difference is accounted for as a write off and recognized as an expense. The Company group may experience substantial losses in cases where inventories become overstocked because of a large number of orders or the net realizable value drops dramatically because of deterioration in the market environment against the forecast.

(2) Impairment of property, plant and equipment, right-of-use assets, goodwill and intangible assets

(i) Amount recognized in the consolidated financial statements as of March 31, 2022.

Property, plant and equipment, net	¥51,392 million
Right-of-use assets	¥12,645 million
Goodwill and intangible assets, net	¥85,307 million

(ii) Other information that deepens to the understanding of users of the consolidated financial statements regarding the content of accounting estimates

The Company group performs an impairment test for property, plant and equipment, right-of-use assets, goodwill and intangible assets when there is any indication that the recoverable amount is less than the carrying amount of the assets. Goodwill is tested for impairment both annually and when there is any indication of impairment.

The impairment test is performed by comparing the carrying amount and the recoverable amount of cash-generating unit (CGU) or CGU group. If the recoverable amount is less than the carrying amount, impairment loss is recognized. The recoverable amount is mainly calculated based on the discounted cash flow model. The estimated future cash flows associated with CGU or CGU group are discounted to present value using a pre-tax discount rate which reflects current market assessments of the time value of money and any risks specific to CGU or CGU group. The estimated future cash flows associated with CGU or CGU group are based on the business plan for 3 years approved by management and the growth rate after 3 years.

CGU that has significant goodwill as of March 31, 2022 are Advantest Test Solutions, Inc., Essai, Inc., and R&D Altanova group and the amount of goodwill allocated to these CGUs are ¥7,449 million, ¥12,504 million and ¥26,951 million, respectively. Essai, Inc. also has significant intangible assets of ¥17,549 million as of March 31, 2022.

The key assumptions in the impairment test of CGU above are the sales forecast to existing large-volume customers and prospects for new customers that form the basis of the three-year business plan, discount rate and growth rate after 3 years. Generally, a reduction rate of capital expenditures of semiconductor manufacturers during downturns in the semiconductor industry, including investments in semiconductor test systems, is much greater than a reduction rate of worldwide semiconductor sales.

These assumptions are based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions. Any changes in these assumptions may have a material impact on amount recognized in the consolidated financial statements in future periods.

(3) Post-employment benefits

(i) Amount recognized in the Consolidated Financial Statements as of March 31, 2022.

Retirement benefit liabilities	¥22,341 million
--------------------------------	-----------------

(ii) Other information that deepens to the understanding of users of the consolidated financial statements regarding the content of accounting estimates

The Company and certain of its subsidiaries have retirement and severance plans, which are defined benefit and defined contribution plans covering substantially all of their employees. For defined benefit plans, the present value of defined benefit obligations on each of these plans and the service costs are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables such as discount rates. The key assumptions are discount rate and rate of compensation increase.

The actuarial assumptions are determined based on the best estimates and judgments made by management; however, there is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on amount recognized in the consolidated financial statements in future periods.

(4) Valuation of deferred tax assets

(i) Amount recognized in the Consolidated Financial Statements as of March 31, 2022

Deferred tax assets	¥25,494 million
---------------------	-----------------

(ii) Other information that deepens to the understanding of users of the consolidated financial statements regarding the content of accounting estimates

The Company group judges the recoverability of deferred tax assets depending on taxable income based on future profitability and tax planning against deductible temporary differences. The Company group calculates taxable income that is likely to be earned in the future based on the business plan by reasonably estimating its timing, period and amount.

Key assumption for estimates of taxable income is sales forecast of each business unit as the basis for business plan. The semiconductor test equipment industry is subject to significant demand volatility in the semiconductor industry. Generally, a reduction rate of capital expenditures of semiconductor manufacturers during downturns in the semiconductor industry, including investments in semiconductor test systems, is much greater than a reduction rate of worldwide semiconductor sales. The semiconductor industry has been highly cyclical with recurring periods of excess inventory, which possibly have a severe effect on the semiconductor industry's demand for semiconductor test systems. Therefore, the Company group estimates the timing, period, and amount of taxable income taking into account deviation of past forecast and actual results as well as uncertainty due to future changes in economic conditions.

The timing, period, and amount of taxable income may have a material impact on amount recognized in the consolidated financial statements in future periods, if the result is different from forecast because of significant demand volatility in the semiconductor industry.

(5) Other note

The global epidemic of the new coronavirus (COVID-19) is not expected to have a material impact on our estimates and assumptions on each accounting estimates described above.

3. Notes to consolidated statement of financial position

Accumulated depreciation on property, plant and equipment:	¥76,956 million
(Accumulated impairment losses are included)	

4. Notes to consolidated statement of changes in equity

(1) Total number of issued shares as of March 31, 2022

Ordinary shares 199,542,265 shares

(2) Dividends from surplus

(i) Dividends paid

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

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

2. Dividend of ¥21 million to treasury shares for the BIP Trust and the ESOP Trust was included in the amount of dividend which was resolved at the Board of Directors' meeting held on October 28, 2021.

(ii) Dividend with a record date in the current fiscal year and an effective date in the next fiscal year

Resolution	Class of shares	Source of dividend	Amount of dividend	Dividend per share	Record date	Effective date
Board of Directors' meeting held on May 20, 2022	Ordinary shares	Retained earnings	¥13,323 million	¥70	March 31, 2022	June 3, 2022

(Note) Dividend of ¥29 million to treasury shares for the BIP Trust and the ESOP Trust is included in the amount of dividend.

(3) Stock acquisition rights outstanding as of March 31, 2022

(Excluding stock acquisition rights for which the exercise period has not begun)

Pursuant to the resolution adopted at the meeting of the Board of Directors of July 25, 2018

Ordinary shares 158,000 shares

Pursuant to the resolution adopted at the meeting of the Board of Directors of June 26, 2019

Ordinary shares 331,000 shares

5. Notes to financial instruments

(1) Financial instruments

The Company group limits its fund management to short-term instruments including deposits at financial institutions with high credit ratings. Credit risk of notes receivable and trade accounts receivable pertaining to customers are minimized through credit administration standards.

The Company group keeps track of fair values of shares and other securities it owns, and annually reviews them to determine whether the Company group should continuously hold them. In addition, the Company group obtains financing from bonds issued and bank loans when needed. Furthermore, the Company group will not make any speculative derivative transactions other than to conduct derivative exchange rate transactions in order to cope with actual demand risks, pursuant to its fund management guidelines with high credit rating financial institutions.

(2) Fair value of financial instruments

The fair values of financial instruments in Consolidated statement of financial position are equal or similar to book values.

(3) 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 fiscal year ended March 31, 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				
Derivative financial liabilities	—	33	—	33
Contingent consideration (Note 2)	—	—	259	259
Total financial liabilities	—	33	259	292

- (Note) 1. The Company group holds equity instruments to accomplish expansion of revenue base by maintaining and enforcing relationships with investees. These equity instruments are designated as financial assets measured at fair value through other comprehensive income ("FVTOCI").
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

	Fiscal year ended March 31, 2022
Balance at beginning of year	1,123
Gains or losses	
Other comprehensive income (Note)	(601)
Purchase	881
Sales	(362)
Other	41
Balance at end of year	1,082

(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 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

	Fiscal year ended March 31, 2022
Balance at beginning of year	2,642
Changes in fair value (Note)	24
Settlements	(2,515)
Other	108
Balance at end of year	259

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

6. Notes to revenue recognition

(1) Disaggregation of revenue

The Company group has three reportable operating segments: “semiconductor and component test system business,” “mechatronics system business” and “services, support and others.” Net sales disaggregated by region and segment were as follows:

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	9,053	2,737	4,657	(66)	16,381
Americas	9,725	1,518	9,007	—	20,250
Europe	7,608	1,015	2,957	—	11,580
Asia	262,473	37,035	69,182	—	368,690
Total	288,859	42,305	85,803	(66)	416,901

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

SoC : ¥225,599 million

Memory : ¥63,260 million

Revenue is accounted for in accordance with the account policy described in (3)(ix) of note 1, “Notes to significant matters based on which the consolidated financial statements were prepared.”

The transaction price is measured based on the amount promised in the contracts with customers and includes no significant financing components because there are no contracts with long payment terms from the satisfaction of performance obligation to payment of transaction price. Payment terms are generally within 3 months. Additionally, there are no significant revenue including variable consideration.

In case there are multiple performance obligations in the contract, transaction price is allocated to each individual performance obligation based on the standalone selling price which is calculated from reasonably available information including prices of similar transactions.

(2) Contract balances

Receivables and liabilities from contracts with customers were as follows:

	As of March 31, 2021 (reference)	As of March 31, 2022
Receivables from contracts with customers		
- Notes and trade accounts receivables	53,995	77,763
Contract liabilities		
- Advance receipt	11,392	21,387

Contract liabilities are mainly cash received from customers before satisfied performance obligations or consideration paid for the unfulfilled service when the service is continuously provided. Both are included in the advance receipt.

Advance receipt is included in “Other current liabilities” in the consolidated statement of financial position.

The Company group recognized ¥9,608 million as a revenue from the balance of contract liabilities as of April 1, 2021 in the fiscal year ended March 31, 2022, and the amount carried forward to the following fiscal years onward is insignificant.

There was no revenue recognized in the fiscal year ended March 31, 2022 from performance obligations satisfied or partially satisfied in past periods.

(3) Transaction price allocated to the remaining performance obligations

The Company group applies the practical expedients for exemption on disclosure of information on remaining performance obligations because it has no significant transactions with performance obligation terms exceeding one year. Additionally, the consideration from contracts with customers, which is not included in the transaction price, is insignificant.

7. Notes to per share information

Equity attributable to owners of the parent per share: ¥1,551.72

Basic earnings per share: ¥449.56

(Note) The Company's share, which is being kept as performance share option compensation in trust account, is included in the treasury share which is deducted in the calculation of per share data.

8. Notes to significant subsequent events

Not applicable.

9. Other notes

(1) The Company group completed the acquisition of U.S. company R&D Altanova, Inc. (hereafter "R&D Altanova") in November 2021. R&D Altanova has become a wholly owned subsidiary of Advantest America, Inc., Advantest Corporation's U.S. subsidiary. The Company group recorded goodwill of ¥25,282 million on the acquisition date as a provisional amount.

(2) Amounts less than one million yen are rounded.

Non-Consolidated Financial Statements

Balance Sheet (Non-Consolidated)

(As of March 31, 2022)

(Millions of Yen)

Items	FY2020 (reference)	FY2021	Items	FY2020 (reference)	FY2021
Assets			Liabilities		
Current assets	234,639	250,435	Current liabilities	115,659	173,800
Cash and deposits	119,344	80,993	Trade accounts payable	34,197	40,721
Trade notes receivable	22	10	Short-term borrowings	—	18,359
Electronically recorded monetary claims	1,882	3,895	Other accounts payable	9,741	11,859
Accounts receivable	60,816	84,266	Accrued expenses	6,287	6,397
Merchandises and finished goods	9,306	15,904	Income taxes payable	4,324	21,710
Work in progress	18,878	23,078	Advance receipt	4,106	8,548
Raw materials and supplies	17,042	32,260	Deposits received	51,514	56,256
Other current assets	7,349	10,029	Accrued warranty expenses	3,920	6,275
			Bonus accrual for directors	159	236
			Provision for share-based remuneration	359	798
			Other current liabilities	1,052	2,641
Non-current assets	179,489	209,374	Non-current liabilities	13,060	23,091
Property, plant and equipment	19,819	18,956	Long-term borrowings	—	12,239
Buildings and structures	3,918	3,256	Provision for retirement benefits	11,664	9,465
Land	8,287	8,181	Asset retirement obligations	40	40
Other property, plant and equipment	7,614	7,519	Provision for share-based remuneration	549	654
Intangible fixed assets	2,095	1,503	Other non-current liabilities	807	693
Patent right	850	453			
Other intangible fixed assets	1,245	1,050	Total liabilities	128,719	196,891
Investments and other assets	157,575	188,915	Net assets		
Investment securities	30	307	Stockholders' equity	284,779	262,234
Investment in affiliated companies	108,928	108,928	Common stock	32,363	32,363
Long-term loans receivable	31,007	60,152	Capital surplus	32,973	32,973
Deferred tax assets	16,626	18,277	Capital reserve	32,973	32,973
Other non-current assets	984	1,251	Retained earnings	234,444	278,445
			Legal reserve	3,083	3,083
			Other retained earnings	231,361	275,362
			[Reserve for losses in foreign investments]	[27,062]	[27,062]
			[General reserve]	[146,880]	[146,880]
			[Retained earnings carried forward]	[57,419]	[101,420]
			Treasury stock	(15,001)	(81,547)
			Stock acquisition rights	630	684
			Total net assets	285,409	262,918
Total assets	414,128	459,809	Total liabilities and net assets	414,128	459,809

Statement of Operations (Non-Consolidated)

(From April 1, 2021 to March 31, 2022)

(Millions of Yen)

Items	FY2020 (reference)	FY2021
Net sales	271,875	355,575
Cost of sales	134,802	161,528
Gross profit	137,073	194,047
Selling, general and administrative expenses	91,975	105,124
Operating income	45,098	88,923
Non-operating income		
Interest and dividends income	8,763	4,549
Foreign exchange gain	505	1,375
Other	1,143	337
Non-operating expenses		
Interest expenses	111	224
Rental expenses on facilities	228	270
Loss on disposal of non-current assets	41	200
Loss on valuation of investment securities	—	605
Other	393	218
Ordinary income	54,736	93,667
Extraordinary loss		
Impairment loss	—	398
Income before income taxes	54,736	93,269
Income taxes – current	6,825	24,106
Income taxes – deferred	(5,120)	(1,651)
Net income	53,031	70,814

Statement of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Stockholders' equity					
	Common stock	Capital surplus	Retained earnings			
		Capital reserve	Legal reserve	Other retained earnings		
				Reserve for losses in foreign investments	General reserve	Retained earnings carried forward
Balance at beginning of year	32,363	32,973	3,083	27,062	146,880	57,419
Changes in the year						
Dividends from retained earnings						(25,547)
Net income						70,814
Purchase of treasury stock						
Disposal of treasury stock						(1,200)
Cancellation of treasury shares						(66)
Changes of items other than stockholders' equity, net						
Total changes in the year	—	—	—	—	—	44,001
Balance at end of year	32,363	32,973	3,083	27,062	146,880	101,420

	Stockholders' equity		Stock acquisition rights	Total net assets
	Treasury stock	Total stockholders' equity		
Balance at beginning of year	(15,001)	284,779	630	285,409
Changes in the year				
Dividends from retained earnings		(25,547)		(25,547)
Net income		70,814		70,814
Purchase of treasury stock	(70,013)	(70,013)		(70,013)
Disposal of treasury stock	3,401	2,201		2,201
Cancellation of treasury shares	66	—		—
Changes of items other than stockholders' equity, net			54	54
Total changes in the year	(66,546)	(22,545)	54	(22,491)
Balance at end of year	(81,547)	262,234	684	262,918

Notes to Non-Consolidated Financial Statements

1. Notes to significant accounting policies

- (1) Valuation of securities
 - (i) Investments in subsidiaries: Stated at cost using the moving average method
 - (ii) Other securities
 - (a) Securities other than ones without market value
Stated at fair value based on market prices at the end of the relevant period (evaluation difference is accounted for as a component of stockholders' equity; cost of other securities sold is determined using the moving average method)
 - (b) Securities without market value
Stated at cost using the moving average method
- (2) Valuation of inventories
Stated principally at cost using the gross average method (balance sheet value of assets are calculated using a method in which book values are written down in accordance with decreased profitability)
- (3) Depreciation and amortization of non-current assets
 - (i) Depreciation of plant and equipment
Based on the straight-line method
 - (ii) Amortization of intangible fixed assets
Based on the straight-line method
However, software for internal use is amortized using the straight-line method over its estimated useful life of 5 years.
- (4) Allowances/Provisions
 - (i) Allowance for doubtful accounts
To prepare for credit losses on accounts receivable and loans, etc., an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on a historical write-off ratio and for bad receivables based on a case-by-case determination of collectability.
 - (ii) Accrued warranty expenses
To reasonably account for repair costs covered under product warranty in the respective periods in which they arise, the allowance for a given year is provided in an amount determined based on the ratio of repair costs in that year to net sales in the preceding year.
 - (iii) Bonus accrual for directors
In preparation for the payment of bonuses to directors of the total amount expected to be paid, an estimated amount for the fiscal year ended March 31, 2022 is reported.
 - (iv) Provision for retirement benefits
To provide for employee retirement benefits, an allowance is provided in an amount determined based on the estimated retirement benefit obligations and pension assets at the end of the fiscal year.
Prior service cost is amortized on a straight-line basis over the average remaining service period of employees.
Any actuarial gains and losses are amortized on a straight-line basis over the average remaining service period of employees, and the amount is recorded in the fiscal year subsequent to its occurrence.
 - (v) Provision for share-based remuneration
In preparation for share benefit expected to be paid in the future, an estimated amount for the fiscal year ended March 31, 2022 is reported.
- (5) Revenue recognition
The Company has adopted ASBJ Statement No. 29 (revised 2020) Accounting Standard for Revenue Recognition (March 31, 2020) and ASBJ Guidance No. 30 (revised 2020) Implementation Guidance on Accounting Standard for Revenue Recognition (March 31, 2020) and recognized revenue of goods or services upon transfer of the control of the promised goods or services to customers.
For details, see (3)(ix) of note 1, "Notes to significant matters based on which the consolidated financial statements were prepared" in the Notes to the consolidated financial statements.
- (6) Implementation of a consolidated tax system
The Company has implemented a consolidated tax system.

2. Notes to changes in accounting policies

The Company has adopted the Accounting Standard Board of Japan (ASBJ) Statement No. 30 Accounting Standard for Fair Value Measurement (July 4, 2019), ASBJ Guidance No. 31 Implementation Guidance on Accounting Standard for Fair Value Measurement (July 4, 2019), ASBJ Statement No. 10 (revised 2019) Accounting Standard for Financial Instruments (July 4, 2019), ASBJ Guidance No. 19 (revised 2019) Implementation Guidance on Disclosures about Fair Value of Financial Instruments (July 4, 2019) and ASBJ Statement No. 9 (revised 2019) Accounting Standard for Measurement of Inventories (July 4, 2019) from the current fiscal year. There is no impact of these applications on the non-consolidated financial statement.

3. Notes to changes in presentation

(Balance Sheet)

“Advance receipt,” which was included in “Other current liabilities” under “Current liabilities” is presented as a separate line item for the current fiscal year because the Company has adopted ASBJ Statement No. 29 (revised 2020) Accounting Standard for Revenue Recognition (March 31, 2020).

(Statement of operations)

“Foreign exchange gain,” which was included in “Other” under “Non-operating income” is presented as a separate line item for the current fiscal year because of increased materiality of its amount. In addition, “Loss on disposal of non-current assets” and “Loss on valuation of investment securities,” which were included in “Other” under “Non-operating expenses” are presented as separate line items for the current fiscal year because of increased materiality of its amount. Expenses for equipment rented, which was included in “Depreciation expenses for equipment rented” and “Other” under “Non-operating expenses” is presented as “Rental expenses on facilities” as a separate line item for the current fiscal year for better understanding.

“Depreciation expenses for equipment rented” was ¥84 million and expenses for equipment rented, which was included in “Other” was ¥144 million in the previous fiscal year.

(Notes to significant accounting policies; Revenue recognition)

The Company has adopted ASBJ Statement No. 29 (revised 2020) Accounting Standard for Revenue Recognition (March 31, 2020) from the current fiscal year and disclosed (5) of note 1, “Notes to significant accounting policies”.

4. Notes to accounting estimates

(1) Valuation of inventories

(i) Amount recognized in the non-consolidated financial statements as of March 31, 2022

Merchandises and finished goods	¥15,904 million
Work in progress	¥23,078 million
Raw materials and supplies	¥32,260 million

(ii) Other information that deepens to the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

See (1)(ii) of note 2, “Notes to accounting estimates” in the Notes to the consolidated financial statements.

(2) Impairment of property, plant and equipment and intangible assets

(i) Amount recognized in the non-consolidated financial statements as of March 31, 2022

Property, plant and equipment	¥18,956 million
Intangible fixed assets	¥1,503 million

(ii) Other information that deepens to the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

See (2)(ii) of note 2, “Notes to accounting estimates” in the Notes to the consolidated financial statements.

- (3) Provision for retirement benefits
- (i) Amount recognized in the non-consolidated financial statements as of March 31, 2022
- | | |
|-----------------------------------|----------------|
| Provision for retirement benefits | ¥9,465 million |
|-----------------------------------|----------------|
- (ii) Other information that deepens to the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates
- See (3) (ii) of note 2, "Notes to accounting estimates" in the Notes to the consolidated financial statements.

- (4) Valuation of deferred tax assets
- (i) Amount recognized in the non-consolidated financial statements as of March 31, 2022
- | | |
|---------------------|-----------------|
| Deferred tax assets | ¥18,277 million |
|---------------------|-----------------|
- (ii) Other information that deepens to the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates
- See (4)(ii) of note 2, "Notes to accounting estimates" in the Notes to the consolidated financial statements.

- (5) Valuation of investment in affiliated companies
- (i) Amount recognized in the non-consolidated financial statements as of March 31, 2022
- | | |
|------------------------------------|--|
| Investment in affiliated companies | ¥12,723 million (Advantest America, Inc. shares) |
|------------------------------------|--|

- (ii) Other information that deepens to the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

In valuing Advantest America, Inc. shares, the Company reflects the excess earning power of its subsidiaries Advantest Test Solutions, Inc., Essai, Inc. and R&D Altanova, Inc. in its valuation of real value. Determining whether the excess earning power is declining is based on estimated future cash flows based on a three-year business plan approved by management, growth rate after 3 years and discount rate.

The key assumptions in determining whether the excess earning power is declining are the sales forecast to existing large-volume customers and prospects for new customers that form the basis of the three-year business plan, discount rate and growth rate after 3 years. Generally, a reduction rate of capital expenditures of semiconductor manufacturers during downturns in the semiconductor industry, including investments in semiconductor test systems, is much greater than a reduction rate of worldwide semiconductor sales.

These assumptions are based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions. Any changes in these assumptions may have a material impact on amount recognized in the non-consolidated financial statements in future periods.

5. Notes to balance sheet

- | | |
|--|-----------------|
| (1) Accumulated depreciation on property, plant and equipment: | ¥25,026 million |
| (2) Short-term monetary receivables from affiliated companies: | ¥63,025 million |
| Long-term monetary receivables from affiliated companies: | ¥60,143 million |
| Short-term monetary payables to affiliated companies: | ¥70,228 million |

6. Notes to statement of operations

Transactions with affiliated companies

- | | |
|-----------------------------|------------------|
| Sales: | ¥218,443 million |
| Purchases: | ¥107,089 million |
| Non-operating transactions: | ¥4,716 million |

7. Notes to statement of changes in net assets

Total number of treasury stock as of March 31, 2022

Common stock	9,634,859 shares
--------------	------------------

(Note) The Company's share of 425,495 shares, which is being kept as performance share option compensation in trust account, is included in the number of treasury share at the end of fiscal period.

8. Notes to tax effect accounting

The breakdown of deferred tax assets and liabilities was as follows;

Deferred tax assets	(Millions of Yen)
Appraised value of inventories	2,319
Research and development expenses	2,527
Provision for retirement benefits	2,883
Fixed assets	12,973
Other	<u>5,893</u>
Subtotal of deferred tax assets	26,595
Valuation allowance for deductible temporary differences	<u>(8,318)</u>
Subtotal of valuation allowance	<u>(8,318)</u>
Total of deferred tax assets	18,277
Deferred tax liabilities	
Total of deferred tax liabilities	<u>—</u>
Net deferred tax assets	<u><u>18,277</u></u>

9. Notes to transactions with related parties

(1) Parent company and major corporate shareholders

Not applicable.

(2) Officers and major individual investors

Not applicable.

(3) Subsidiaries

Company name	Address	Common stock	Principal Activities	Percentage of Voting Rights	Description of relationships		Details of transactions	Amount of transactions	Items	Balance at fiscal year end
					Officer of subsidiaries temporarily transferred from the Company	Business relationship				
Advantest America, Inc.	California, U.S.A.	4,059 thousand US Dollars	Development and sale of test systems, etc.	100.0%	Yes	Development and sale of the Company's products	Sales	¥75,217 million	Accounts receivable	¥34,732 million
							Loans	¥30,598 million	Long-term loans receivable	¥59,971 million
							Depositing of money	-	Deposits received	¥5,531 million
Advantest Europe GmbH	Munich, Germany	10,793 thousand Euro	Development and sale of test systems, etc.	100.0%	Yes	Development and sale of the Company's products	Purchasing	¥32,112 million	Accounts Payable	¥3,143 million
							Subcontract cost for R&D etc.	¥24,134 million	Other accounts payable	¥5,153 million
Advantest Taiwan Inc.	Hsin-Chu Hsien, Taiwan	500,000 thousand New Taiwan Dollars	Sale of test systems, etc.	100.0%	Yes	Sale of the Company's products	Sales	¥84,616 million	Accounts receivable	¥17,097 million
							Depositing of money	-	Deposits received	¥5,098 million
Advantest (Singapore) Pte. Ltd.	Singapore	15,300 thousand Singapore Dollars	Sale of test systems, etc.	100.0%	Yes	Sale of the Company's products	Depositing of money	-	Deposits received	¥41,953 million

Terms and conditions of transactions and determination of policies thereof

1. With respect to sales, the price is determined by referring to the market price, among others.
2. With respect to deposit, it is from cash management system, and the interest rate is determined by taking into account the market interest rate.

10. Notes to revenue recognition

The information that is the basis for understanding the revenue from contracts with customers are omitted, as it is described in note 6, "Notes to revenue recognition" in the Notes to the consolidated financial statements.

11. Notes to per share information

Net assets per share: ¥1,380.85
 Net income per share: ¥364.61

(Note) The Company's share, which is being kept as performance share option compensation in trust account, is included in the treasury share which is deducted in the calculation of per share data.

12. Notes to significant subsequent events

Not applicable.

13. Other notes

Amounts less than one million yen are rounded.

Audit Reports

Copy of Report of Independent Auditors (Consolidated)

Independent Auditor's Report

May 18, 2022

The Board of Directors
Advantest Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Toshiyuki Matsumoto
Certified Public Accountant
Designated and Engagement Partner

Minoru Ota
Certified Public Accountant
Designated and Engagement Partner

Hiroyuki Nakada
Certified Public Accountant
Designated Engagement Partner

Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity, and notes to the consolidated financial statements of Advantest Corporation (the "Company") applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the group, which consisted of the Company and its consolidated subsidiaries (collectively, the "Group"), applicable to the fiscal year ended March 31, 2022, in accordance with the provisions of the latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting, which permits companies to omit some disclosure items required under International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information comprises the business report and the related supplementary schedules. Management is responsible for the preparation and disclosure of the other information, and the Audit and Supervisory Committee is responsible for overseeing the execution of duties by Directors in designing and operating the reporting process of the other information. The other information is not included in the scope of our opinion for consolidated financial statements, and we do not intend to express our opinion on the other information. Our responsibility in the audit of consolidated

financial statements is to read the other information and consider whether there is a material inconsistency between the other information and the consolidated financial statements or our knowledge obtained in the audit, and in addition to such a material inconsistency, to remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the provisions of the latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting, which permits companies to omit some disclosure items required under IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by the provisions of the latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting, which permits companies to omit some disclosure items required under IFRSs, matters related to going concern. The Audit and Supervisory Committee is responsible for overseeing the duties of Directors in designing and operating the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether 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. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with

the provisions of the latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting, which permits companies to omit some disclosure items required under IFRSs.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required in auditing standards.

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 audit of the financial statements in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to remove or reduce obstacles.

Conflicts of Interest

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of the Company, prepared in Japanese, for the year ended March 31, 2021. Ernst & Young ShinNihon LLC have not audited the English language version of the consolidated financial statements for the above-mentioned year.

Independent Auditor's Report

May 18, 2022

The Board of Directors
Advantest Corporation:

Ernst & Young ShinNihon LLC
Tokyo, Japan

Toshiyuki Matsumoto
Certified Public Accountant
Designated and Engagement Partner

Minoru Ota
Certified Public Accountant
Designated and Engagement Partner

Hiroyuki Nakada
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Article 436, paragraph 2 (i) of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operation, the statement of changes in net assets, and notes to the financial statements of Advantest Corporation (the "Company") applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2022, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information comprises the business report and the related supplementary schedules. Management is responsible for the preparation and disclosure of the other information, and the Audit and Supervisory Committee is responsible for overseeing the execution of duties by Directors in designing and operating the reporting process of the other information. The other information is not included in the scope of our opinion for financial statements, and we do not intend to express our opinion on the other information. Our responsibility in the audit of financial statements is to read the other information and consider whether there is a material inconsistency between the other information and the financial statements or our knowledge obtained in the audit, and in addition to such a material inconsistency, to remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material

misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern. The Audit and Supervisory Committee are responsible for overseeing the duties of Directors in designing and operating the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the components included in the financial statements to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit of the financial information of the components. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required in auditing standards.

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 audit of the financial statements in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to remove or reduce obstacles.

Conflicts of Interest

We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the financial statements of the Company, prepared in Japanese, for the year ended March 31, 2021. Ernst & Young ShinNihon LLC have not audited the English language version of the financial statements for the above-mentioned year.

Audit Report

The Audit and Supervisory Committee of Advantest Corporation (the "Company") has audited the performance of duties by Directors during the 80th fiscal year (from April 1, 2021 to March 31, 2022). We hereby report the method and result thereof as follows.

1. Methods and Content of Audit

Regarding the content of the resolution of the Board of Directors relating to matters stipulated in Article 399-13, Paragraph 1, Item 1(b) and (c) of the Companies Act of Japan and the status of the system being developed pursuant to such resolutions (internal controls system), the Audit and Supervisory Committee periodically received reports from the Directors, Executive Officers, and employees and other personnel concerning the establishment and management of such system, sought explanations as necessary, and expressed opinions. In addition, the Audit and Supervisory Committee carried out audits according to the following method:

- (i) In compliance with the Rules for Audit by the Audit and Supervisory Committee established by the Audit and Supervisory Committee, pursuant to the audit policies, audit plans, allocation of duties, etc., and in coordination with the internal audit division and other relevant departments with jurisdiction over internal control, the audit and supervisory committee members attended important meetings such as Executive Management Committee, Business Plan Meeting, Internal Control Committee, Disclosure Committee, Compliance Committee, received reports from Directors, Executive Officers and employees on the performance of their duties, requested further explanations as deemed necessary, reviewed important approval-granting documents, and inspected the state of business operations and assets at the head office and other important branch offices.

With respect to subsidiaries, we communicated with and exchanged information with the directors and corporate auditors of the subsidiaries and received business reports from subsidiaries as deemed necessary, and conducted audit to the Company's main consolidated subsidiaries overseas (by interviewing via web conferences or face to face), and confirmed their state of business operations and assets.

- (ii) In addition, we monitored and reviewed whether the Independent Auditors maintained their independent positions and conducted the audit properly, received reports from the Independent Auditors on the performance of their duties, such as audit plans, group audit status, quarterly review results, and year-end audit results, and requested further explanations as deemed necessary. Furthermore, we were informed by the Independent Auditors that they are establishing a "System to ensure the appropriate performance of duties" (*Syokumu no Suikou ga Tekisei ni Okonawareru Koto o Kakuho Suru Tameno Taisei*) (Matters as defined in each Item of Article 131 of the Company Accounting Regulations) pursuant to "Quality control standards of audit" (*Kansa ni Kansuru Hinshitsu Kanri Kijyun*) (the Business Accounting Counsel, October 28, 2005), and requested their explanations as deemed necessary. We also discussed key audit matters (KAM) with the Independent Auditors, received reports on the status of implementation of the audit related to such matters, and requested their explanations as deemed necessary.

Based on the above methods, we reviewed the business report and the related supplementary schedules, the consolidated financial statements (the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and notes to consolidated financial statements), and the non-consolidated financial statements (the balance sheet, statement of operations, statement of changes in net assets, notes to non-consolidated financial statements) as well as the related supplementary schedules for the 78th fiscal year.

2. Results of Audit

- (1) Results of audit of the business report and other documents

- (i) The business report and the related supplementary schedules of the Company accurately present the financial conditions of the Company in conformity with applicable laws and regulations and the Articles of Incorporation of the Company.
- (ii) No irregularity or material violation of applicable laws or regulations or the Articles of Incorporation of the Company was found with respect to the activities of the Directors.
- (iii) The contents of the resolutions of the meeting of the Board of Directors with respect to the internal control system are appropriate. In addition, there are no matters to be pointed out regarding the entries in the business report and the performance of duties of Directors with respect to the internal control system.

(2) Results of audit of the consolidated financial statements and the related supplementary schedules

The methods and results of audit performed by Ernst & Young ShinNihon LLC, the independent auditor of the Company, are appropriate.

(3) Results of audit of the financial statements and the related supplementary schedules

The methods and results of audit performed by Ernst & Young ShinNihon LLC, the independent auditor of the Company, are appropriate.

May 19, 2022

Audit and Supervisory Committee of Advantest Corporation

Yuichi Kurita

Standing Audit and Supervisory Committee Member



Kouichi Nanba

Audit and Supervisory Committee Member



Sayaka Sumida

Audit and Supervisory Committee Member



Note: Audit and Supervisory Committee Members Kouichi Nanba and Sayaka Sumida are outside directors provided in Article 2, Item 15, and Article 331, Paragraph 6 of the Companies Act of Japan.