(Translation)
This document has been translated from the Annual Securities Report for the twelve-month period ended March 31, 2022, pursuant to the Financial Instruments and Exchange act of Japan. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Annual Securities Report

(Report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

From April 1, 2021 to March 31, 2022

(The 80th term)

Advantest Corporation
(E01950)

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This is an English translation of the Annual Securities Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan.

In this report, Advantest Corporation is hereinafter referred to as the "Company" and together with its consolidated subsidiaries as "Advantest".
The term "FY" preceding a year means the twelve-month period ended March 31 of the year subsequent to the year referred to. For example, "FY 2021" refers to the twelve-month period ended March 31, 2022. All other references to years refer to the applicable calendar year.
"¥" or "yen" means Japanese yen.

Cautionary Statement with Respect to Forward-Looking Statements

This Annual Securities Report contains "forward-looking statements" that are based on Advantest's current expectations, estimates and projections. These statements include, among other things, the discussion of Advantest's business strategy, outlook and expectations as to market and business developments, production and capacity plans. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate," "believe," "estimate," "expect," "intend," "project," "should" and similar expressions. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause Advantest's actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including:

• changes in demand for the products and services produced and offered by Advantest's customers, including semiconductors, communications services and electronic goods;
• circumstances relating to Advantest's investment in technology, including its ability to timely develop products that meet the changing needs of semiconductor manufacturers and communications network equipment and components makers and service providers;
• the environment in which Advantest purchases materials, components and supplies for the production of its products, including the availability of necessary materials, components and supplies during a significant expansion in the market in which Advantest operates; and
• changes in economic conditions, competitive environment, currency exchange rates or political stability in the major markets where Advantest produces, distributes or sells its products.

These risks, uncertainties and other factors also include those identified in "Risk Factors" and set forth elsewhere in this Annual Securities Report.

Part I. Information on the Company

Item1. Company Overview

1. Trends in Main Management Indicators

(1) Consolidated Management Indicators

Fiscal year		76th	77th	78th	79th	80th
Year end		March. 2018	March. 2019	March. 2020	March. 2021	March. 2022
Net sales	Millions of Yen	207,223	282,456	275,894	312,789	416,901
Income before income taxes	Millions of Yen	24,282	66,211	58,574	69,618	116,343
Net income attributable to owners of the parent	Millions of Yen	18,103	56,993	53,532	69,787	87,301
Comprehensive income attributable to owners of the parent	Millions of Yen	15,230	56,645	47,729	75,757	107,286
Equity attributable to owners of the parent	Millions of Yen	124,610	198,731	231,452	280,369	294,621
Total assets	Million of Yen	254,559	304,580	355,777	422,641	494,696
Equity attributable to owners of the parent per share	Yen	696.04	1,004.53	1,166.51	1,427.29	1,551.72
Basic earnings per share	Yen	101.94	302.35	270.12	353.87	449.56
Diluted earnings per share	Yen	92.69	287.37	268.96	351.82	447.26
Ratio of equity attributable to owners of the parent	%	49.0	65.2	65.1	66.3	59.6
Return on equity attributable to owners of the parent	%	15.5	35.3	24.9	27.3	30.4
Price-earnings ratio	Times	21.87	8.51	16.07	27.35	21.51
Cash flows from operating activities	Millions of Yen	28,254	44,792	66,475	67,830	78,889
Cash flows from investing activities	Millions of Yen	(2,329)	(15,915)	(38,819)	(16,831)	(46,907)
Cash flows from financing activities	Millions of Yen	(15,237)	(13,724)	(17,916)	(30,415)	(68,736)
Cash and cash equivalents at end of year	Millions of Yen	103,973	119,943	127,703	149,164	116,582
Employees (Average number of temporary employees)	Persons	4,457 (208)	4,630 (285)	5,048 (381)	5,261 (475)	5,941 (509)

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

(2) Non-Consolidated Management Indicators

Fiscal year		JGAAP *				
		76th	77th	78th	79th	80th
Year end		March. 2018	March. 2019	March. 2020	March. 2021	March. 2022
Net sales	Millions of Yen	181,830	261,120	253,795	271,875	355,575
Ordinary income	Millions of Yen	26,709	53,164	59,096	54,736	93,667
Net income	Millions of Yen	26,302	48,310	55,066	53,031	70,814
Common stock	Millions of Yen	32,363	32,363	32,363	32,363	32,363
(Total number of issued shares)	Thousand Shares	(199,567)	(199,567)	(199,567)	(199,567)	(199,542)
Net assets	Millions of Yen	155,528	220,826	260,243	285,409	262,918
Total assets	Millions of Yen	291,126	329,537	372,821	414,128	459,809
Net assets per share	Yen	865.73	1,112.87	1,308.66	1,449.74	1,380.85
Dividend per share (Interim dividend per share)	Yen	32.00 (9.00)	92.00 (50.00)	82.00 (41.00)	118.00 (38.00)	120.00 (50.00)
Net income per share - basic	Yen	148.11	256.28	277.86	268.91	364.61
Net income per share - diluted	Yen	133.57	243.13	276.78	267.89	363.54
Equity-to-assets ratio	%	53.2	66.8	69.6	68.8	57.0
Rate of return on equity	%	18.5	25.8	23.0	19.5	25.9
Price-earnings ratio	Times	15.05	10.04	15.62	36.00	26.52
Payout ratio	%	21.61	35.90	29.51	43.88	32.91
Number of employees (Average number of temporary employees)	Persons	2,104 (122)	2,067 (203)	2,021 (251)	2,025 (306)	1,986 (364)
Total shareholder return	%	108.7	129.7	218.6	481.0	486.3
(Comparison: Dividend-included TOPIX)	%	(115.9)	(110.0)	(99.6)	(141.5)	(144.3)
Highest share price	Yen	2,698	2,875	6,640	9,880	11,550
Lowest share price	Yen	1,787	1,788	2,471	3,785	7,770

(Note) The highest and lowest share prices are on the First Section of the Tokyo Stock Exchange.

* Accounting principles generally accepted in Japan

2. History of the Company

The Company (formally surviving company, trade name before merger: Toshin-Kogyo Corporation) merged with Takeda Riken Industries on April 1, 1974 as the date of the merger, in order to change the face value of shares, and took over all business activities of the merged company after the merger. Therefore, the surviving company in substance is Takeda Riken Industries, the merged company, and the following descriptions refer to the surviving company in substance. Further, Takeda Riken Industries changed its name to Advantest Corporation on October 1, 1985 (Of the subsidiaries, the companies that have been changed their company names are listed below with the changed company names).

Dec, 1954	Established Takeda Riken Industries in Toyohashi-City, Aichi with a common stock of ¥500,000 as a manufacturer specializing in electronic measuring instruments
Feb, 1957	Moved the registered office to Itabashi-ku, Tokyo
Apr, 1959	Newly constructed and relocated headquarters organization and factory to 1-32-1, Asahi-cho, Nerima-ku, Tokyo
Dec, 1969	Opened Gyoda Factory in Gyoda-City, Saitama
Jan, 1975	Relocated the registered office to Nerima-ku, Tokyo
Feb, 1976	Fujitsu Limited made capital participation in the Company.
Jun, 1982	Established a subsidiary Advantest America, Inc. in Illinois, U.S.A. (Currently located in California)
Feb, 1983	Listed on the Second Section of the Tokyo Stock Exchange
Jun, 1983	Established a subsidiary Advantest Europe GmbH in Munich, Germany
Jun, 1983	Opened the head office in Shinjuku NS Building, Shinjuku-ku, Tokyo
May, 1984	Established Gunma Factory in Ora-machi, Ora-gun, Gunma
Sep, 1985	Listed on the First Section of the Tokyo Stock Exchange
Oct, 1985	Established the second Gunma Factory in Ora-machi, Ora-gun, Gunma
Oct, 1986	Established a subsidiary Advantest (Singapore) Pte. Ltd. in Singapore
Jul, 1987	Opened Otone R&D Center (Currently Saitama R&D Center) in Otone Town, Kita-Saitama-gun, Saitama (Currently Shintone, Kazo-City)
Mar, 1990	Established a subsidiary Advantest Taiwan Inc. in Hsinchu-City, Taiwan (Currently Hukou Township, Hsinchu County)
Jan, 1991	Established a subsidiary Advantest Laboratories Ltd.
Oct, 1996	Opened Gunma R&D Center in Meiwa-machi, Ora-gun, Gunma
Apr, 1999	Established a subsidiary Advantest Finance Co., Ltd. (Currently Advantest Pre-Owned Solutions Co., Ltd.)
May, 2001	Completed to build Gunma R&D Center No.2
Sep, 2001	Listed on the New York Stock Exchange (NYSE) (Delisted from NYSE in April 2016)
Jun, 2002	Opened Kitakyushu R&D Center inYahata-higashi-ku, Kita-Kyushu-City, Fukuoka
Sep, 2004	Relocated the head office to the Shin-Marunouchi Center Building in Chiyoda-ku, Tokyo
Jun, 2007	Established a subsidiary Advantest Component Co., Ltd.
Dec, 2007	Opened Sendai Factory "Building A" on the premises of Advantest Research Institute
Jul, 2010	Merged (absorption-type) with subsidiary Advantest Manufacturing, Inc. and subsidiary Advantest Customer Support Corporation
Jul, 2011	Acquired all common shares of Verigy Ltd. and made it a wholly owned subsidiary
Jun, 2018	Relocated the registered office to Chiyoda-ku, Tokyo
Apr, 2022	Transition to the Prime market from the First Section of the Tokyo Stock Exchange in accordance with the restructuring of the Tokyo Stock Exchange market segments

3. Description of Business

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

（Semiconductor and Component Test System Segment）

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

The production activities of this segment are handled by the Company and several outsourced companies.

Sales activities are mainly conducted by the Company for domestic and some overseas users (Korea, China, etc.), and conducted by Advantest America, Inc., Advantest Europe GmbH, Advantest Taiwan Inc, Advantest (Singapore) Pte. Ltd. and others for other overseas users.

Development activities are conducted by the Company, Advantest Europe GmbH, Advantest America, Inc. and others.

（Mechatronics System Segment）

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

Production activities in this segment are conducted by Advantest and several outsourced companies and sales activities are conducted by the same personnel as in the Semiconductor and Component Test Systems Business Unit.

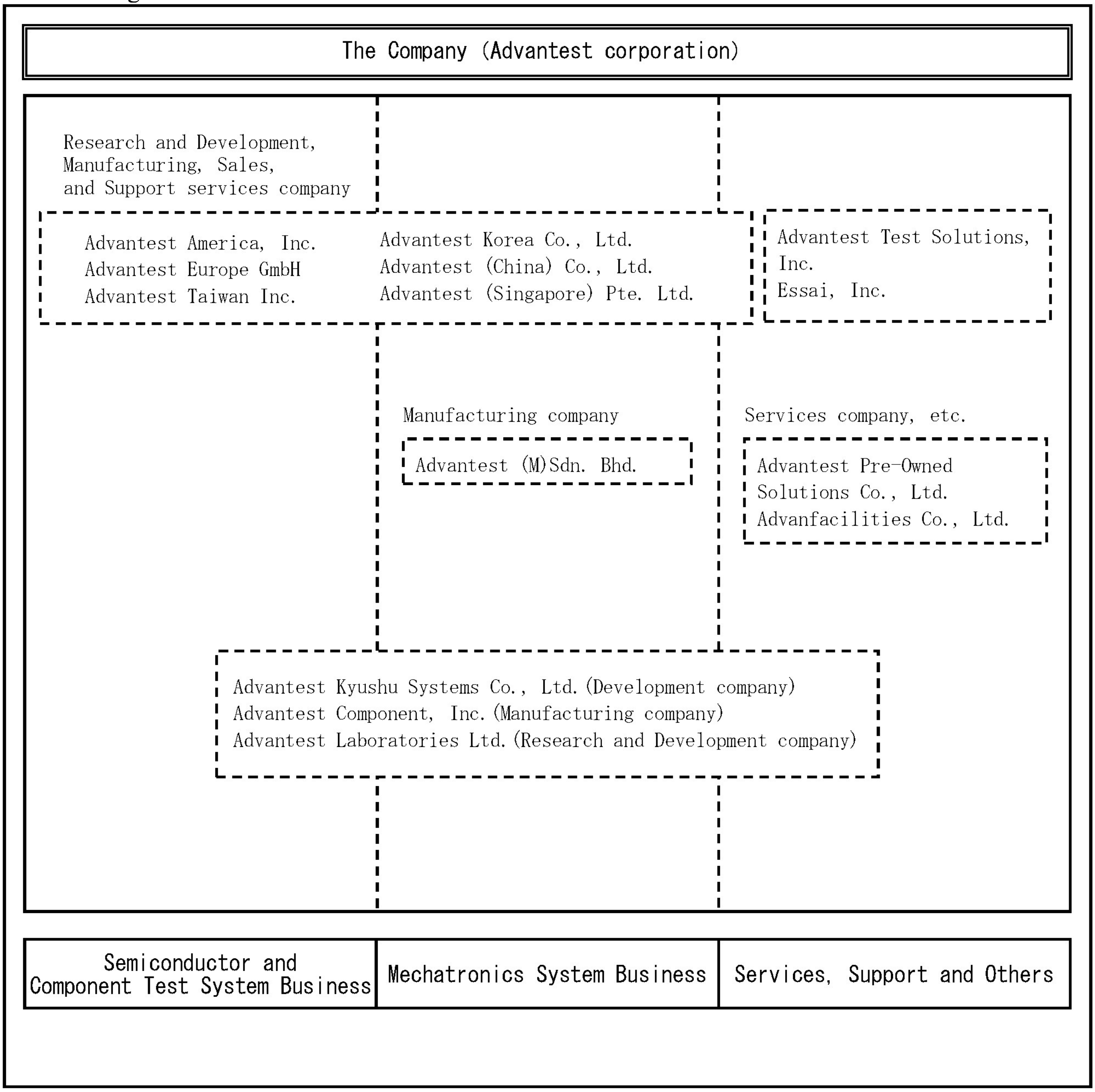
Development activities are mainly conducted by the Company.

（Services, Support and Others Segment）

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

The business activities of Advantest described above are shown in the diagram on the following page.

Business Organization Chart



Other than the above, there are 23 consolidated subsidiaries.
Consolidated subsidiaries (Domestic 7, Overseas 30, Total 37)

4. Status of Affiliated Companies

Company name	Location	Common stock	Principal business	Ratio of voting rights holding (%)	Relationship			
					Concurrent post of officers, etc.	Financial assistance	Business Transaction	Leasing equipment
Consolidated Subsidiaries		Millions of Yen						
Advanfacilities Co., Ltd.	Kazo-City, Saitama	50	Outsourced welfare services	100.0	Yes	No	Outsourced welfare services	Yes
Advantest Laboratories Ltd.	Aoba-ku, Sendai-City, Miyagi	50	R&D of measurement test technology	100.0	Yes	Yes	Outsourced R&D	Yes
Advantest Pre-Owned Solutions Co., Ltd.	Chiyoda-ku, Tokyo	310	Selling second-hand items	100.0	Yes	No	Selling second-hand items	Yes
Advantest Kyushu Systems Co., Ltd.	Yahata-higashi-ku, Kita-Kyushu-City, Fukuoka	50	Development, production and maintenance of electronic products and software	100.0	Yes	Yes	Development, production and support of Advantest products	Yes
Advantest Component Co., Ltd.	Aoba-ku, Sendai-City, Miyagi	80	Development and production of electronic parts and machine parts	100.0	Yes	No	Development and production of parts of Advantest products	Yes

Company name	Location	Common stock	Principal business	Ratio of voting rights holding (%)	Relationship			
					Concurrent post of officers, etc.	Financial assistance	Business Transaction	Leasing equipment
Advantest America, Inc.	California, U.S.A.	4,059 thousand US dollars	Development and sales of test systems, etc.	100.0	Yes	Yes	Development and sales of Advantest products	No
Advantest Test Solutions, Inc.	California, U.S.A.	2,500 thousand US dollars	Design and sales of system level test products, etc.	(100.0) 100.0	Yes	No	Design and sales of Advantest products	No
Essai, Inc.	California, U.S.A.	500 thousand US dollars	Design, production and sales of test sockets, etc.	(100.0) 100.0	Yes	No	Design, production and sales of Advantest products	No
Advantest Europe GmbH	Munich, Germany	10,793 thousand Euros	Development and sales of test systems, etc.	100.0	Yes	No	Development and sales of Advantest products	No
Advantest Taiwan Inc.	Hsinchu County, Taiwan	500,000 thousand New Taiwan dollars	Sales of test systems, etc.	100.0	Yes	No	Sales of Advantest products	No
Advantest (Singapore) Pte. Ltd.	Singapore	15,300 thousand Singapore dollars	Sales of test systems, etc.	100.0	Yes	No	Sales of Advantest products	No
Advantest Korea Co.,Ltd.	Cheonan, South Korea	9,516 million Korean won	Sales support of test systems, etc.	(62.5) 100.0	Yes	No	Support and production of Advantest products	No
Advantest (China) Co., Ltd.	Shanghai, China	8,000 thousand US dollars	Sales support of test systems, etc.	(100.0) 100.0	Yes	No	Support of Advantest products	No
Advantest (M) Sdn. Bhd.	Penang, Malaysia	18,500 thousand Malaysian Ringgit	Manufacture of mechatronics-related products	(100.0) 100.0	Yes	No	Production of Advantest products	No
Other 23 companies								

(Notes) 1. Specified subsidiaries are Advantest America, Inc., Advantest Europe GmbH, and Advantest Taiwan Inc.

2. Of the above, no company has submitted a securities registration statement or securities report.

3. Advantest America, Inc. and Advantest Taiwan Inc. account for more than 10% of consolidated sales (excluding internal sales among consolidated companies). The main profit and loss information is as follows. Note that the numbers are based on local accounting standards.

	Main profit and loss information（Millions of Yen）				
	Net sales	Ordinary income	Net income	Net assets	Total assets
Advantest America, Inc.	100,691	5,948	5,863	42,676	150,595
Advantest Taiwan Inc.	96,134	3,735	2,947	8,751	34,760

4. Percentage of voting rights includes indirectly held shares.
5. Advantest Pre-Owned Solutions Co., Ltd. company name was changed from Advantest Finance Inc. on January 1, 2022.

5. Status of Employee

(1) Status of Consolidated Companies

As of March 31, 2022

Segment	Number of employees (Person)
Semiconductor and Component Test System	3,036 (247)
Mechatronics System	639 (67)
Services, Support and Others	2,058 (160)
Corporate (Common)	208 (35)
Total	5,941 (509)

(Notes) 1. The number of employees indicates the number of full-time employees (excluding employees seconded from Advantest to outside the group, but including employees seconded from outside the group to Advantest) and the average number of temporary employees for the year is shown in parentheses described by outside number.

2. The number of employees listed as Corporate (Common) includes the number of employees who belong to Administration Group or others that cannot be classified in a specific segment.

3. The number of employees who belong to Services, Support and Others segment increased by 621, compared to the fiscal year ended March 31, 2021. The increase is mainly a result of the acquisition of R&D Altanova, Inc., which became a wholly owned subsidiary of Advantest America, Inc. in November 2021.

(2) Status of Filing Company (The Company)

As of March 31, 2022

Number of employees (Person)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
1,986 (364)	46.11	20.95	10,192,826

Segment	Number of employees (Person)
Semiconductor and Component Test System	1,206 (221)
Mechatronics System	362 (66)
Services, Support and Others	246 (45)
Corporate (Common)	172 (32)
Total	1,986 (364)

(Notes) 1. The number of employees indicates the number of full-time employees, and the average number of temporary employees for the year is shown in parentheses described by outside number.

2. The average annual salary is the total gross pay before taxes, including bonuses and surplus wages.

3. The number of employees listed as Corporate (Common) includes the number of employees who belong to Administration Group or others that cannot be classified in a specific segment.

(3) Status of Labour Union

Advantest Labour Union is an organization in the Company, and it is also a member of the Japanese Electrical Electronic & Information Union. There are similar organizations in consolidated subsidiaries.

There are no particular matters to be noted about the relationship between labour and management.

Item2. Business Overview
1. Management Policy, Business Environment, and Issues to be Addressed

Future expectations included in this section are based on judgements of Advantest as of March 31, 2022.

(1) Advantest's Basic Management Policy

Advantest's management philosophy is to "enable leading-edge technologies," and our mission is to contribute to people's lives through the development of leading-edge technologies. With semiconductors expected to play an increasingly important role as social infrastructure, Advantest will continue to add customer value in the evolving semiconductor value chain. In carrying out that mission, all executives and employees are guided by "The Advantest Way," and commit to respecting all stakeholders and working for sustainability, while at the same time seeking to ensure the sustainable development of Advantest and achieve medium-to long-term improvement of corporate value.

(2) Management Strategy and Others

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

In FY2021, Advantest updated the Grand Design to align with the progress of its business performance and the latest recognition of external environment, because the first mid-term management plan (FY2018–FY2020) (MTP1) had been successfully completed, and three years had passed since the formulation of the Grand Design. At the same time, Advantest 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 Advantest 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 Advantest have been strengthening as part of the Grand Design.

At the same time, Advantest recognizes that there are many issues to be addressed in the business environment in FY2022. As business opportunities are expected to expand over the medium to long term, Advantest will aggressively develop growth measures in line with its foundation in line with the Grand Design, including pioneering product development. At the moment, Advantest is aware that the direct impact of the situation in Ukraine is small, but Advantest 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>
Advantest 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, Advantest 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.

Advantest originally set annual sales of (Y)300 billion to (Y)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 (Y)400 billion” thanks to the favorable progress of its business performance spurred by the progress of digital revolution and market share expansion. However, Advantest 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 Advantest 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, Advantest 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). Advantest 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, Advantest will re-evaluate financial models.

	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 Advantest’s new business areas

<Cost / Profit Structure>

As part of Advantest's quest to increase corporate value, Advantest will maintain its high level of R&D investment, which is the source of its growth. At the same time, Advantest will improve SG&A efficiency and profitability by seeking operational efficiency gains.

<Capital Policy, Capital Allocation, Shareholder Returns>

The Company's capital policy under MTP2 will prioritize business investments for growth while flexibly utilizing liabilities (debt) from a balance sheet management perspective that considers both capital efficiency and cost of capital. Furthermore, the Company's policy is to maintain financial soundness and establish an appropriate capital structure to strengthen the foundations of its business and create sustainable corporate value. As a measure of financial soundness, the Company seeks a shareholders' equity ratio of 50% or more, and sets ROE as an indicator of capital efficiency.

Based on the assumption of a stable business environment during the MTP2 period, dividend of ￥50 per share for the half year and dividend of ￥100 per share for the full year shall be the minimum amount. The Company has set the target to achieve a total annual return ratio of 50% or more, enhance shareholder returns through dividends and share repurchases, and improve capital efficiency.

(3) Business Environment and Important Measures for FY2022

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, Advantest expects the favorable environment for semiconductors and related markets to continue in the short and medium to long term, and Advantest anticipates further growth in the semiconductor test equipment market in 2022.

Regarding Advantest's full-year consolidated earnings forecast for FY2022, based on our future market outlook and the prospects for each of its businesses, as well as the exchange rate situation, Advantest anticipates net sales of (Y) 510.0 billion, operating income of (Y) 150.0 billion, income before income taxes of (Y) 150.0 billion, and net income of (Y) 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, Advantest 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. Advantest will respond flexibly to changes in its external environment, with the immediate stabilization of parts procurement as a priority.

< Key Measures for FY2022>

・Measures to ensure stable product supply in response to the industry's prolonged parts procurement difficulties will be our top priority.

・Advantest will push forward the frontiers of test technology in collaboration with customers involved with leading-edge semiconductor technology R&D.

・Advantest will strengthen our business foundation by enhancing our human resources and increasing CapEx from a medium-to long-term perspective to further expand our business.

・Advantest will reinforce our data analytics initiatives to enable further growth amid the progress of digital transformation.

・In addition to semiconductor test processes, SLT demand is also growing steadily. Advantest will not only expand test platform sales, but also reinforce our recurring business, including consumables.

・Advantest will continue to promote climate measures and other ESG initiatives.

・Advantest will respond flexibly to changes in our business environment amid the considerable uncertainties stemming from geopolitical risks, rising inflation, and other factors.

(4) Addressing Climate Change and Responding to TCFD

Based on “The Advantest Way,” Advantest implements climate change mitigation and adaptation measures from a long-term perspective, aiming to contribute to solutions for socially important environmental issues through our business.

Advantest also analyze and disclose information regarding business risks and opportunities attributable to climate change in alignment with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures).

＜Governance＞

In FY2020, Advantest established the Sustainable Management Promotion Working Group headed by the Executive Vice President of Corporate Planning and Stakeholder Relations Group. Advantest has identified and evaluated climate related issues, and compiled priority measures and targets in the ESG Action Plan and promoted activities.

The progress of the ESG Action Plan is reported twice a year to the Executive Management Committee and the Board of Directors for discussion and evaluation.

The working group share information on the implementation status of the ESG Action Plan with related company-wide committees in a timely and appropriate manner and manage the progress of the entire group and perform risk management.

＜Strategy＞

Advantest’s strategy to deal with climate change is referring to the global warming emissions scenarios of the United Nations Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) to examine associated physical risks and transitional risks as a part of our business management.

Under the 2-degrees Celsius framework, Advantest assumed that climate change measures, such as the introduction of carbon pricing would be strengthened and that there would be no physical impact at a level that affects business operations. In a low-carbon society, the demand for semiconductors will increase substantially, leading to an anticipated expansion of our business opportunities. However, under the 4-degrees Celsius warming scenario, where climate change countermeasures are not strengthened, Advantest assumed that Advantest may be physically affected by the effects of climate change such as the intensification of extreme weather events resulting in the collapse of systems.

＜Business Risks and Opportunities Brought About by Climate Change＞

Based on the guidance and classification for TCFD, Advantest has identified and considered environmental risks and opportunities relating to the Advantest Group’s business activities impacted by climate change.

These risks and opportunities are evaluated according to “importance” and “impact,” and classified under the following three temporal axes: “short-term (from now to 2025)”, “mid-term (from now to 2030)”, and “long-term (until 2050)”. Advantest analyzed impacts of climate-change risks and business opportunities using the following two scenarios in line with the TCFD classification: (1) “risks related to the transition to a low-carbon society” that occur mainly in the course of the 2-degrees Celsius or lower scenario , and (2) “risks related to the physical impacts of climate change” that occur when the 4-degrees Celsius scenario is reached due to failure to reduce global CO2 emissions.

2-degrees Celsius or Lower Scenario: Transition Risks to a Low-carbon Society

Category	Major Risks	Strategy & Mitigation Measures	Temporal Axis
Policy & Legal	Soaring part and product prices due to the introduction of carbon taxes	Implementation of CO_2 emissions reduction management throughout the supply chain	Short-term
Technology	Decline in sales due to inability to meet customer demand balancing improved test performance with transition to lower-emissions technology and miniaturization from existing products and services	Research and development of energy-saving technology Fostering human resources for the next generation	Mid-term
Market	Introduction and market adoption of new semiconductors	Research into new test methods and development of test equipment	Long-term
Reputation	Increased stakeholder concern or negative stakeholder feedback due to delayed greenhouse gas emissions reduction plan	Introducing renewable energy based on the roadmap and steadily implementing energy conservation plans	Short and mid-term

4-degrees Scenario: Physical Risks Related to Impacts of Climate Change

Category	Major Risks	Strategy & Mitigation Measures	Temporal Axis
Acute or Chronic	More frequent and severe weather events (e.g. hurricanes and torrential rain) leading to business disruption and damage across the supply chain	Minimization of damage through formulation of business continuity plan (BCP)	Long-term

Opportunities raised by Climate Change

Category	Major Opportunities	Strategy & Mitigation Measures	Temporal Axis
Products and services / markets	Expanding the base of semiconductor demand and growing market due to the digital revolution	Research and development of energy-saving technology	Mid-term
Products and services / markets	Introduction and market adoption of new semiconductors	Research into new test methods and development of test equipment	Mid-term
Reputation	Gaining social trust as a resilient company	Introducing renewable energy based on the roadmap and steadily implementing energy conservation plans	Mid-term

＜Targets and Indicators＞

Advantest works to promote ESG management and realization of a sustainable society, which is the foundation of “The ADVANTEST WAY”. As a measure to combat global warming, we set medium- and long-term climate change countermeasure targets (CO2 emissions reduction) in April 2020, in view of the mitigation of climate change and the desirability of reducing society-wide emissions, as well as “RE100(Renewable Energy 100%)” In Japan, Advantest achieved RE100% at Advantest’s Gunma Factory in April 2021. In terms of global CO2 emission, Advantest have set long-term reduction targets for the entire supply chain.

- Promote the implementation of renewable energy (70% or more by 2030)
- Reduce Scope 1+2 CO2 emissions (60% reduction by 2030)
- Reduce Scope 3 CO2 emissions (50% reduction by 2030)

2. Risk Factors

(1) Risk Management Structure

1) Organization

Under the risk management policy set by the Internal Control Committee, each unit manages its own risks, and the Internal Control Committee monitors and evaluates the status and provides feedback.

Risks information is collected by each committee. In addition, there is also risk information that is reported directly to the Board of Directors and the Executive Management Committee.

A Risk Management Group, headed by the President, has also been set up to act promptly in the event of an emergency.

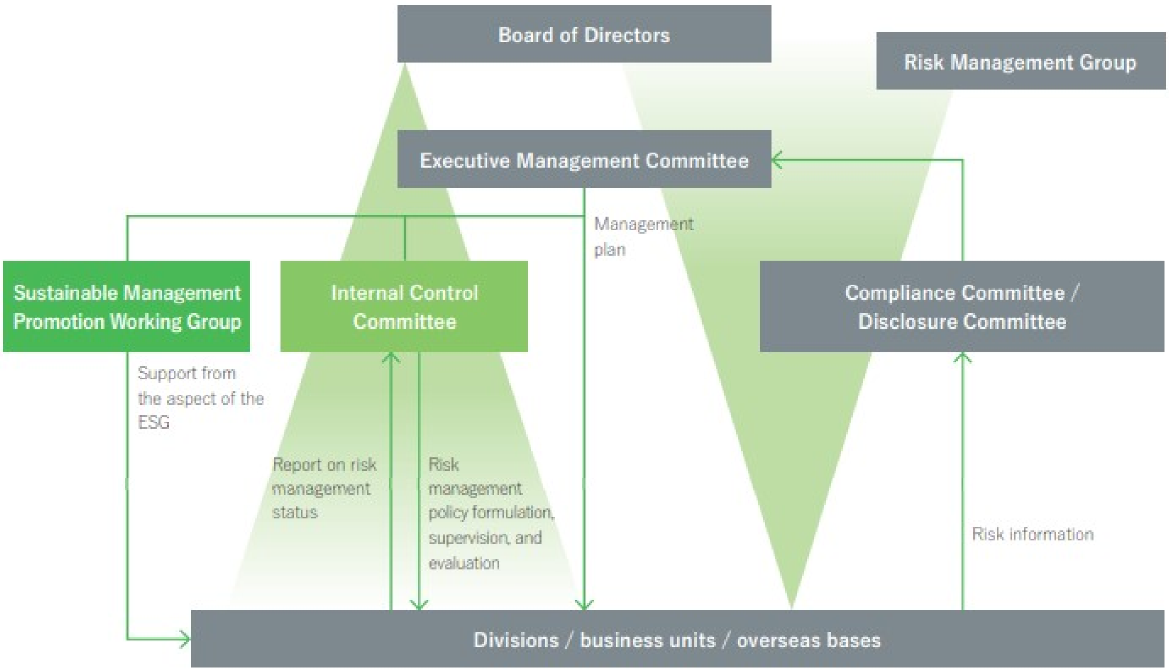
2) Process

Each unit incorporates the management plan formulated by the Board of Directors and the Executive Management Committee into priority measures for its own division. The Sustainable Management Promotion Working Group supports the policy planning and risk management activities of each Unit, especially from the aspect of ESG.

The Internal Control Committee defines the risks as factors that hinder the achievement of these priority measures, and requests individual units (individual divisions, business units, and six overseas bases) for a report of evaluations of identified risks and its mitigation plan. In this manner, the Internal Control Committee supports the risk analyses of individual units as well as information sharing between units from a company-wide perspective. Each unit reports its risk management status to the Internal Control Committee twice a year. The Internal Control Committee then checks the risk management status of individual units and provides feedback.

Risks information is collected by each committee. The officers in charge of each committee then report them to the Board of Directors and the Executive Management Committee. Depending on the importance and urgency of the risk, some risk information may be reported directly to the Board of Directors or the Executive Management Committee. The Board of Directors or the Executive Management Committee handles risks at the corporate level by making timely decisions and giving instructions to related units.

In the event of an urgent matter, quicker response is possible under the direction of the Risk Management Group.



(2) Risks Related to Advantest's Business

Advantest's business risks that may result in a significant impact on the financial results such as, financial positions, cashflow conditions, and investor decisions are described together with each conceivable risk scenarios and risk mitigation measures as follows. However, they do not cover all risks associated with Advantest. Furthermore, "the probability of occurrence" is assessed not only from short-term perspective, but also mid-to-long term perspectives, and "the degree of impact" is assessed by the evaluation of quantitative impact on sales and net income.

Forward-looking statements in the report are based on the judgements of the Company as of the end of the fiscal year ended March 31, 2022.

Risk Map

Potential Impact	Low	Middle	High
Major	(1)-f, (2)-a, (2)-b, (4)-a, (5)-a, (6)-a, (7)-a, (7)-b, (8)-c	(1)-d	(1)-a, (1)-b, (1)-c, (3)-a, (8)-a
Middle	(2)-d, (2)-e, (4)-b	(2)-c, (8)-b	
Minor		(1)-e, (2)-f	
	Potential Occurrence		

(1)	External environment	a	Industry
		b	Sensitivity
		c	Regulatory
		d	Competitors
		e	Catastrophic loss(Infection disease)
		f	Catastrophic loss(Disaster)
(2)	Decision-making	a	Investment valuation/evaluation(M&A/Alliance)
		b	Life cycle
		c	Business portfolio
		d	Investment valuation/evaluation(CAPEX)
		e	Measurement(Strategy)
		f	Product/Service pricing
(3)	Financial price	a	Currency
(4)	Financial liquidity	a	Concentration
		b	Cash flow
(5)	Governance	a	Succession planning
(6)	Reputation	a	Image and branding
(7)	Information technology	a	Infrastructure
		b	Security
(8)	Operations	a	Sourcing
		b	Human capital
		c	Business interruption

(Note) Symbols in the tables and figures are risk categories and symbols that are consistent with each risk category described below.

(1) External environment

(1) - a

Advantest's business and results of operations are subject to significant demand volatility in the semiconductor industry			
Classification		**Probability of occurrence**	**Degree of impact**
(1) External environment	a Industry	High	Major

Advantest's business depends largely upon capital expenditures of semiconductor industrial, design and manufacturing companies, fabless semiconductor companies, foundries and test houses. These companies, in turn, determine their capital expenditures and investment levels largely based on current and anticipated market demand for semiconductors and products incorporating semiconductors. Such demand is influenced significantly by overall condition of the global economy. Historically, a reduction rate of capital expenditures of semiconductor manufacturers during downturns in the semiconductor industry, including investments in semiconductor test systems, has typically been much greater than a reduction rate of worldwide semiconductor sales. The semiconductor industry has been highly cyclical with recurring periods of excess inventory, which often have had a severe effect on the semiconductor industry's demand for semiconductor test systems, including those of Advantest. As the complexity of semiconductors has increased in recent years, the need to ensure reliability has increased, and the difficulty of improving test efficiency has also increased. Advantest expect that demand for testers will continue to increase in the future. However, there is a risk of fluctuations in demand for semiconductors and testers due to the impact on the global economy caused by major changes in the international political situation and the spread of serious infectious diseases.

The global semiconductor market in 2019 decreased by 12.0% compared to 2018, due to the impact of slowdown in global economic growth caused by geopolitical risks such as trade friction between the United States of America and China. In 2020, the global semiconductor market increased by 6.8% compared to 2019. While the global economy stagnated due to the impact of COVID-19 pandemic, several positive factors offset this, including an increase in demand for PCs and tablets as a result of an increase in hours spent at home. In 2021, the global semiconductor market increased by 26.2% compared to 2020. While the global economy slowly picks up under the influence of COVID-19, the global semiconductor market continued to grow at a high pace due to strong demand for a wide range of applications, following the steady growth trend of the previous year.

Global sales of SoC semiconductors in 2019 decreased by 3.6% compared to 2018, due to remaining demand for test equipment for smartphone at a high level throughout the period, despite a decline of end-product demand and capital investment under this economic uncertainty. In 2020, global sales of SoC semiconductors increased by 7.4% compared to 2019 due to strong demand continued against the backdrop of the expansion of remote work and the enhancement of smartphone performance, despite friction between the United States of America and China intensified. In 2021, global sales of SoC semiconductors increased by 26.8% compared to 2020 due to solid growth in leading-edge process products such as HPC and due to higher demand for semiconductors for automotive, industrial, and consumer devices.

Global sales of memory semiconductors in 2019 decreased by 32.6% compared to 2018, due to an oversupply of memory semiconductors. In, 2020, global sales of memory semiconductors increased by 10.4% compared to 2019 due to significant growth in data servers and game consoles. In 2021, global sales of memory semiconductors increased by 30.9% compared to 2020 due to improvements in device density, speed, and performance.

The significant volatility in demand for semiconductors is affected by various factors such as:

• the overall state of the global economy;

• trends in the semiconductor industry;

• levels of investment in communications infrastructure and trends of demand in communication devices such as smartphones and wearable devices;

• demand in personal data center, computer and server industries;

• consumer demand for digital consumer products such as TVs, game devices, VR (Virtual Reality) / AR (Augmented Reality) devices;

• trends in the industrial equipment market, including automotive, robotics and medical equipment;

In FY2019, major semiconductor manufacturers have actively made efforts to improve semiconductor performance, stimulating demand for semiconductor test equipment. In particular, demand in test equipment for smartphone semiconductors manufactured with advanced processes remained at a high level throughout the period. However, the memory tester market shrank significantly due to an oversupply of memory semiconductors. As a result, Advantest's net sales in FY2019 decreased by 2.3%, as compared to FY2018, to ¥275,894 million. Net income attributable to owners of the parent decreased by 6.1%, as compared to FY2018, to ¥53,532 million due to an increase in selling, general and administrative expenses. In 2020, semiconductor test equipment business, the mainstreaming of remote work and increased domestic consumption due to COVID-19 restrictions supported firm demand related to data centers and game consoles. In addition, in smartphone-related markets, Advantest compensated for this impact by striving to capture the demand for new test equipment that has arisen because of competition in handset performance. As a result, Advantest's net sales in FY2020 increased by 13.4%, as compared to FY2019, to ¥312,789 million. In terms of profit, although our sales composition ratio saw a decline in products with a high gross profit margin, a one-time profit of approximately ¥8.1 billion was recorded, consisting of gains on business transfers and gains due to the transfer to one defined benefit corporate pension plan at Advantest's German subsidiary. Net income attributable to owners of the parent increased by 30.4%, as compared to FY2019, to ¥69,787 million. In FY2021, 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, Advantest has steadily captured semiconductor test equipment demand expansion by leveraging its broad product portfolio and its global sales and support network, which are among its greatest strengths. As a result, Advantest's net sales in FY2021 increased by 33.3%, as compared to FY2020, to ¥416,901 million. In terms of profit, Net income attributable to owners of the parent was increased by 25.1%, as compared to FY2020, to ¥87,301 million. The gradual increase in net income from the previous year was due to the use of operating loss carryforwards in Japan and a decrease in tax expenses resulting from the recording of approximately ¥10 billion in deferred tax assets in the previous year.

Advantest believes that its results are significantly affected by the significant volatility of demand in the semiconductor industry. If there is a significant downturn in the semiconductor industry, Advantest's financial condition and results of operations will be adversely affected including the write-down of inventories due to excess inventory.

To reduce this risk, Advantest is going to be flexible to meet fluctuations in demand by expanding its business into adjacent semiconductor value chain markets such as semiconductor design, evaluation processes and system level test processes. Additionally, Advantest is promoting the use of outsource manufacturing for productions while continuing to strengthen services for the development of a recurring types of business and new businesses.

(1) - b

Advantest's business is subject to economic, political and other risks associated with international operations and sales

Classification		Probability of occurrence	Degree of impact
(1) External environment	b Sensitivity	High	Major

Advantest's business is subject to risks associated with conducting business internationally because it manufactures and sells its products, and purchases parts and components from, around the world. In FY2021, 88.4% of Advantest’s total net sales were shipped to Asia (excluding Japan), the majority of which were to Taiwan, the People's Republic of China and South Korea. Additionally 4.9% were shipped to the Americas and 2.8% to Europe. Advantest anticipates that net sales from international operations will continue to represent a substantial portion of its total net sales. In addition, some of Advantest’s distribution and support subsidiaries are located in the Americas, Europe, and Asian countries, including Taiwan, Singapore, South Korea and China, and some of Advantest’s suppliers and factories are also located overseas, such as South Korea, Malaysia and the United States of America. Accordingly, Advantest’s future results could be harmed by a variety of factors, including:

・ risks with respect to a loss of demand for Advantest’s products, inability to supply products and services, or a decline in supply capacity due to inability to procure parts due to import and export restrictions and distorted licensing systems in response to protectionist policies such as trade friction between the United States of America and China;

・ political and economic instability, including economic and political disruptions, disputes, natural calamities, epidemics or other risks related to countries where Advantest procures its components and parts or manufactures and sells its products;

・ risks with respect to disrupting the movement of people and the flow of goods and bringing the entire economy to a standstill caused by epidemics, including infections, spread throughout the world as the global economy develops;

・ risks with respect to procurement due to the closure or reduced operation of suppliers' production facilities in specific regions and the limited means of transportation caused by the pandemic;

・ risks with respect to social and political crises and issues resulting from deterioration in the political, economic relationships, struggle for supremacy, terrorism, war or other conflicts between countries;

・ potentially negative consequences from changes in tax laws or disagreement with National Tax Bureau;

・ risks with respect to international taxation, including transfer pricing regulations;

・ difficulty in staffing and managing widespread operations;

・ differing protection of intellectual property;

・ difficulties in collecting accounts receivable because of distance and different legal rules;

・ risks with respect to decline in the quality of procurement and manufacturing where Advantest’s suppliers or manufacturing facilities are located in countries that do not have developed infrastructures in mechanical processing and assembly;

・ risks with respect to delays or stagnation in the manufacture and shipment of products by the shutdown of suppliers and production plants, the occurrence of major local disasters caused by global warming and climate change;

・ risk with respect to suspension of production by suppliers due to environmental regulations of each country and local environmental authorities;

・ risks with respect to increases in cost, delays in delivery or expenses in repairing products where low quality and counterfeit products are mixed into the supply chain;

· risks with respect to human rights violations in the supply chain;
To reduce this risk, Advantest collects information on risks at overseas sites in a timely manner. In addition, Advantest is further strengthening its relationships with customers and suppliers. Advantest will also work to expand its procurement channels and make its production sites more flexible in order to build a system that is less susceptible to economic and political trends. With regard to human rights issues in the supply chain, Advantest has established a basic procurement policy and are working to reduce risks by encouraging suppliers to understand human rights and labor safety initiatives.

(1) - c

When chemicals used by Advantest may become subject to more stringent regulations or environmental laws and regulations are tightened, Advantest may be required to incur significant costs in adapting to new requirements			
Classification		**Probability of occurrence**	**Degree of impact**
(1) External environment	c Regulatory	High	Major
Advantest uses chemicals in the manufacturing of its products, processing and distribution of which are subject to environmental related laws, regulations and rules of Japanese governmental agencies, as well as by various industry organizations and other regulatory bodies in other countries. These regulatory bodies may strengthen existing regulations governing chemicals used by Advantest and may also begin to regulate other chemicals used by Advantest. While Advantest is taking measures to eliminate toxic substances included in parts used to manufacture its products, Advantest uses solder, which contains lead for mounting electronic parts and components for its products except for some of them, in order to ensure the reliability of its products as a matter of priority. Further, as a method to cool some of its semiconductor and component test systems and mechatronics systems, Advantest uses fluorinated liquid which use is not currently regulated by laws. Advantest believes that it is complying with regulations with respect to the use of chemicals by promoting environmental policies for its products with the focus on ensuring the safety and the reliability of its products; however, Advantest must prepare to adapt to regulatory requirements in all relevant countries as requirements change. Advantest may be required to incur significant cost in adapting to new requirements. Any failure by Advantest to comply with applicable government or industry regulations could result in restrictions on its ability to carry on with or expand sales of its products. Regarding global environmental issues, in the event that greenhouse gas emission regulations, energy efficiency regulations, European circular economics regulations, carbon taxes, and other environmental laws and regulations become stricter in the future, there is a possibility that a large amount of expenses will be incurred in response to these regulations.			
To reduce this risk, Advantest seeks to find alternative technology as well as monitor environmental regulations for chemical materials and legal regulation.			

(1) - d

Advantest faces fierce competition in its businesses, and if Advantest is not able to maintain or expand its market share, its business may suffer			
Classification		**Probability of occurrence**	**Degree of impact**
(1) External environment	d Competitors	Middle	Major
Advantest faces stiff competition throughout the world. Advantest's primary competitors in the semiconductor and component test system market include, among others, Teradyne, Inc., Cohu, Inc., YIK Corp., UniTest Inc. and EXICON Ltd. In the mechatronics system related market, Advantest also competes with Cohu, Inc., TechWing, Inc., and Hon. Precision, Inc. in test handler devices, and with TSE Co., Ltd., ESA Electronics Pte Ltd., TFE Inc. and ISC. Ltd. in device interfaces. Some of these competitors have greater financial and other resources than Advantest. Advantest faces many challenges in its businesses, including increased pressure from customers to			

produce semiconductor and component test systems, mechatronics systems that reduce testing costs, and catering to customers that have developed internal test solutions. Due to the characteristics of recurring types of business (equivalent to the running cost of the customer), there are numerous demands for cost reductions in device interfaces. If a competitor acquires a vendor that supplies core technology components, or if the PCB design/manufacturing technology that is essential to achieving high performance is leaked to a competitor, Advantest would lose its product performance advantage and pricing control, hence making it difficult to maintain or secure business. To compete effectively and maintain and expand its market share, Advantest must continue to enhance its business processes to lower the cost of its products or introduce enhancements that lower overall testing costs. Advantest also expects its competitors to continue to introduce new products with improvements in price and performance, as well as increasing their customer service and support offerings, and expects new market participants to launch low-price testers. Significant increases in competition may weaken Advantest's earnings.
To reduce this risk, Advantest strives to maintain product competitiveness by understanding its customer needs, analyzing the competitive landscape, and provide unique technologies as well as value-added solutions.

(1) - e

Advantest has assumed the following risks associated with the spread of the COVID-19			
Classification		**Probability of occurrence**	**Degree of impact**
(1) External environment	e Catastrophic loss (Infection disease)	Middle	Minor
(1) Interruptions to business / reduced efficiency due to possible infection of employees of the Advantest Group, customers, and/or suppliers (2) Problems caused by long-term restrictions on movement and lockdowns around the world i) Declines in product supply capacity due to shortages of manufacturing personnel at the Advantest Group / subcontractors ii) Decreased ability to provide customer support due to restrictions on movement iii) Declines in product supply capacity due to global supply chain disruptions causing difficulties in the procurement of materials and components (3) Decreases in end-product demand and spillover effects to the electronics industry as a whole, and a slowdown in the semiconductor and semiconductor manufacturing equipment markets (4) Potential significant mid-term changes in the structure of the semiconductor industry resulting from changes in customer supply chains (5) Changes in Advantest's business environment due to changes in human behavior and society in the post-COVID-19			
To reduce this risk, Advantest's Risk Management Group , which is under the direct control of the president, takes the lead in conducting activities including (1) a implementation of measures that places the highest priority on the safety and health of employees, through telecommuting and banning of business trips, (2) online support for customers, (3) global understanding of production, sales, inventory and logistics conditions, (4) Business Continuity Plan in place if Advantest has infected person, (5) interchange information of best practices and support material among group companies, and (6) cash management, in order to respond to the COVID-19.			

(1) - f

If Advantest's main facilities for research and development, production or information technology systems for its businesses, or the facilities of its subcontractors and suppliers, were to experience catastrophic loss,

its results of operations would be seriously harmed			
Classification		**Probability of occurrence**	**Degree of impact**
(1) External environment	f Catastrophic loss (Disaster)	Low	Major

Advantest's main facilities for research and development for its Semiconductor and Component Test Systems and Mechatronics System Segments production, as well as Advantest's service bases, are located in Gunma Prefecture, Saitama Prefecture and Miyagi Prefecture in Japan. In addition, the main system server and the network hub are maintained in system centers approved by the Information System Management System, or ISMS, and local servers are located in certain operations offices in Japan.

Japan is a region that is susceptible to frequent earthquakes. If Advantest's facilities, particularly its semiconductor and component test system manufacturing factories, were to experience a catastrophic loss from, but not limited to, earthquakes or floods, it would materially disrupt Advantest's operations, delay production, shipments and revenue, and may result in large expenses to repair or replace the facilities. Advantest has insurance to cover most potential losses at its manufacturing facilities, other than those that result from earthquakes. However, this insurance may not be adequate to cover all possible losses. Similar disruptions to Advantest's business may occur if the facilities of Advantest's subcontractors and suppliers or if the facilities of Advantest's information system network were to experience a catastrophic loss.

Advantest has prepared itself for crises such as large-scale natural disasters, and each department of Advantest has documented its own disaster-response procedures and manuals. Furthermore, in order to prevent any disruption of its core businesses, or in case of suspension, to re-start the suspended businesses, including the recovery of important facilities, in the shortest possible time, Advantest formulated and implemented a "Business Continuity Plan." However, if such Business Continuity Plan is not effective, Advantest's core businesses could be disrupted at a time of crisis, such as large-scale natural disasters, and could take a substantial amount of time to recover.

To reduce this risk, Advantest has a developed a business continuity plan to ensure that business operations are not interfered with decentralizing production facilities and suppliers. Additionally, Advantest stores corporate records and data in a cloud system.

(2) Decision-making

(2) - a

Goodwill and intangible assets resulting from Advantest business acquisitions or capital and business alliance could have a material adverse effect on Advantest's financial condition and results of operations due to significant impairment charge			
Classification		**Probability of occurrence**	**Degree of impact**
(2) Decision-making	a Investment valuation/evaluation (M&A/Alliance)	Low	Major

If there is any indication of impairment for property, plant and equipment, goodwill and intangible assets, the assets are tested for impairment. 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. Especially, if goodwill and intangible assets resulting from acquisitions do not have the expected synergy effects, Advantest may be required to record a significant impairment charge, which could have a material adverse effect on Advantest's financial condition and results of operations.

Advantest also holds investment securities for the purpose of promoting capital and business alliance. A significant decline in stock prices or significant deterioration in the financial condition of the company issuing the shares could have a material adverse effect on Advantest's financial condition and results of operations.

To reduce this risk, when acquiring a business through M&A and other means, investments should be made taking into consideration the time it will take to recover the capital cost. Furthermore, after the acquisition, Advantest will be able to organically function in terms of strategy, sales network, management system, employee awareness and information systems. In order to achieve synergies, Advantest will execute Post Merger Integration (PMI) plan and aim to realize the effects as soon as possible.

(2) - b

If Advantest does not introduce new products that meets customers' technical requirements in a timely manner at competitive prices, existing products will become obsolete, affecting financial condition and results of operations

Classification		Probability of occurrence	Degree of impact
(2) Decision-making	b Life cycle	Low	Major

Advantest sells its products to several industries that are characterized by rapid technological changes, frequent introduction of new products and services, varying and unpredictable product lifecycles and evolving industry standards. Advantest anticipates that future demand for its products will be driven, in large part, by technological innovation in semiconductor technology, which creates new testing requirements that are not adequately addressed by currently installed semiconductor test systems. Customer needs in response to these technological innovations, and their needs for greater cost-effectiveness and efficiency to respond to the market environment, include:

- test solutions of SoC semiconductors that incorporate more advanced memory semiconductors, logic, analog and sensor circuits;
- test solutions of power semiconductors that control small and large motor drives;
- solutions for complex SOC devices incorporating heterogeneous chips, such as logic and memory, in a single advanced package e.g. 3D integration through TSV (Through Silicon Via) technology;
- solutions of parametric test for measuring and verifying electrical and timing characteristics for the characterization and monitoring of leading-edge semiconductor wafers.
- mechatronics-related products which transport devices faster, more accurately and more stably;
- test solutions of testing technologies that employ self test-circuit designs incorporated into semiconductor chips;
- test solutions of testing technologies that employ test circuit designs for device under test (DUT);
- test solutions of system level testing that guarantee performance of the final products;
- test solutions of testing temperatures for dynamic and delicate control of the test environment;
- prompt response and quick repair in the event of system failure;
- total solutions that allow customers to reduce their testing costs; and
- solution by electron-beam metrology to enable reliable pattern critical dimension measurement or defect review on a leading-edge photomask.

Advantest also believes demand for its products, including semiconductor and component test systems, is strongly affected by the level of demands for personal computers, high-speed wireless and wireline data services, digital consumer products, advanced driver assistance system (ADAS) and communication devices,

such as smartphones, wearable devices, and data center. It is likely that advances in technologies used in those products and services will require new testing systems. Without the timely introduction of semiconductor test systems which is capable of effectively testing and measuring equipment that use these new technologies, existing Advantest's products and services may become technologically obsolete over time. A failure by Advantest to meet its customers' technical requirements at competitive prices or to deliver conforming equipment in a timely manner may result in its products being replaced by those of a competitor or an alternative technology solutions of competitors. Furthermore, Advantest's inability to secure sufficient personnel resource to provide products that meet requested performance criteria at acceptable prices when required by its customers would severely damage its reputation with such customers and may adversely affect future sales efforts with respect to such customers.
To reduce this risk, Advantest seeks to identify the next technological innovations, new products, and rapid creation of new markets by holding technology exchange events with leading customers and providing opportunities to exchange information on leading-edge solutions. In addition, Advantest conducts basic research on elemental technologies for the next generation with an eye to the future, and production engineering from the initial stages of product development to prepare for mass production. Furthermore, through a business alliance with PDF Solutions, Advantest conducts research on new products that take into account potential demand by utilizing data analysis of semiconductor manufacturing processes to grasp customer needs in a timely manner.

(2) - c

The market for Advantest's major products is highly concentrated, and Advantest may not be able to increase sales of its products because of limited opportunities			
Classification		**Probability of occurrence**	**Degree of impact**
(2) Decision-making	c Business portfolio	Middle	Middle
The market for test systems for memory semiconductors in the Semiconductor and Component Test System Segment is highly concentrated, with a small number of large semiconductor manufacturers, foundries and test houses accounting for a large portion of total sales in the semiconductor and component test system industry. Advantest believes that this market concentration could become even more severe in the future as larger semiconductor device manufacturers, foundries and test houses acquire semiconductor market participants, and as corporate restructuring, such as elimination and consolidation of businesses, progresses. Advantest's ability to increase sales will depend in large part upon its ability to obtain or increase orders from large-volume customers. Furthermore, in the event there is an over-supply of semiconductor and component test system products on the second-hand market reflecting, among others, restructuring within the industry, or delay to meet the specific needs of Advantest's customers, Advantest faces an additional risk of losing its sales opportunities.			
To reduce this risk, Advantest develops products for a variety of applications to strengthen customer partnerships and avoid missed opportunities. On the other hand, Advantest aims to expand its business domain by launching new businesses and M&A.			

(2) - d

Advantest may not be able to recover its capital expenditures			
Classification		**Probability of occurrence**	**Degree of impact**
(2) Decision-making	d Investment valuation/evaluation (CAPEX)	Low	Middle
Advantest continues to make capital expenditures. Advantest may not be able to recover the capital expenditures for such projects within the assumed timeframe, or at all, if it cannot achieve the assumed volume of sales due to customers cutting back on capital expenditures or if intense competition with competitors results in a reduction in unit prices. In such event, the asset would be subject to impairment,			

which may have an adverse impact on Advantest's profitability.
To reduce this risk, Advantest decides capital expenditures after the review of return on investment based upon capital cost. Advantest also continues to monitor the expected growth rate, which is an investment effect and continue to consider the optimal future investment decision.

(2) - e

Advantest may not recoup costs incurred in the development of new products			
Classification		**Probability of occurrence**	**Degree of impact**
(2) Decision-making	e Measurement (Strategy)	Low	Middle
Enhancements to existing products and the development of new generations of products are, in most cases, costly processes. Furthermore, because the decision to purchase semiconductor and component test systems products and mechatronics systems generally involves a significant commitment of capital, the sale of this equipment typically involves a lengthy sales period and requires Advantest to expend substantial funds and sales efforts to secure the sale. Advantest's enhancements or new generations of products may not generate net sales in excess of development and sales costs if, for example, these new enhancements or products are quickly rendered obsolete by changing customer preferences, the introduction by Advantest's competitors of products embodying new technologies or features, the introduction by Advantest's customers of new products that require different testing functions or the failure of the market for Advantest's customer's products to grow at the rate, or to the levels, anticipated by Advantest. In some cases, Advantest must anticipate industry trends and develop products in advance of the commercialization of its customers' products. This requires Advantest to make significant investments in product development well before it determines the commercial viability of these innovations. If Advantest's customers fail to introduce their devices in a timely manner or the market rejects their devices, Advantest may not recover its investments in product development through sales in significant volume.			
To reduce this risk, Advantest attempts to improve return on investment by developing product roadmaps that meet customer needs through technology exchange meetings, improving development efficiency through the creation of product platforms, and strengthening marketing through proactive evaluation of investment returns with ROIC and innovative product development.			

(2) - f

Advantest's product lines are facing price pressure			
Classification		**Probability of occurrence**	**Degree of impact**
(2) Decision-making	f Product/Service pricing	Middle	Low
The increase in material costs and the price pressure on Advantest's businesses is adversely affecting Advantest's operating margins. In recent years, many parts manufacturers, who are Advantest's business partners, have raised parts prices due to soaring material costs. On the other hand, semiconductor manufacturers, which are Advantest's customers, seek to absorb the soaring material costs by improving productivity and reducing test costs, while the price pressure on Advantest's product lines remains strong. In recent years, the number of customers adopting multiple-vendor system has increased, and it is making Advantest face further price pressure. If price pressure further increases in the future, Advantest's financial condition and results of operations may be adversely affected.			
To reduce this risk, Advantest attempts to maintain product price at a level that satisfies their customers by providing proprietary technologies and solutions of high added value. At the same time, Advantest works continuously to improve profitability by reducing production costs.			

(3)Financial price

(3) - a

Fluctuations in exchange rates could reduce Advantest's profitability			
Classification		**Probability of occurrence**	**Degree of impact**
(3)Financial price	a Currency	High	Major

The majority of Advantest's net sales are derived from products sold to customers located outside of Japan. Of Advantest's FY2021 net sales, 96.1% were from products sold to overseas customers. Approximately 73% of Advantest's net sales in FY2021 were derived from currencies other than the Japanese yen, predominantly the U.S. dollar. If the Japanese yen becomes strong relative to foreign currencies (mostly the U.S. dollar), it may adversely affect Advantest's sales because it cannot necessarily pass on product price.

With respect to the Euro, if the Japanese yen weakens, there may be a negative impact on Advantest's profitability since there are currently more costs incurred in Euro than net sales derived in Euro.

In addition, significant fluctuations in the exchange rate between the Japanese yen and foreign currencies, especially the U.S. dollar, could require Advantest to lower its prices with respect to foreign sales of its products that are priced in Japanese yen, and reduce the Japanese yen equivalent amounts of its foreign sales for products that are based in U.S. dollars or other foreign currencies, thereby reducing its profitability overall. These fluctuations could also cause prospective customers to push out or delay orders because of the increased relative cost of Advantest's products. In the past, there have been significant fluctuations in the exchange rate between the Japanese yen and the foreign currencies in which Advantest's sales are denominated.

Furthermore, Advantest's consolidated financial statements for a particular period or for a particular date will be affected by changes in the prevailing exchange rates of the currencies in which subsidiaries of Advantest prepare their financial statements against the Japanese yen. Foreign exchange rate fluctuations may have an effect on those amounts not denominated in yen which are translated into yen for Advantest's consolidated financial statements, and depending on the direction of the foreign exchange fluctuation, it may have an adverse effect on Advantest's reported financial position, results of operations and net assets.

To reduce this risk, in addition to rebalancing currency holdings, Advantest strives to reduce the impact of currency fluctuations through the use of foreign exchange contracts and other financial instruments, and balance sheet management to ensure that foreign currency denominated financial assets and liabilities are offset.

(4) Financial liquidity

(4) - a

Advantest has top tier customers that account for a significant part of the net sales and thus has risk of losing those customers or fluctuations in their investment. Additionally, Advantest may not be able to recover trade receivables if top tier customers experience a deterioration in their financial position			
Classification		**Probability of occurrence**	**Degree of impact**
(4) Financial liquidity	a Concentration	Low	Major

Advantest's success depends on its continued ability to develop and manage relationships with its major customers. A small number of such major customers currently account for a significant portion of its net sales. Sales to Advantest's five largest customers accounted for approximately 34% for FY2020 and FY2021. The success and loss of one or more of these major customers, changes in their capital expenditures or failure of their main products could materially harm Advantest's business. Furthermore, if Advantest's major customers experience deterioration in their financial position and are unable to fulfill their payment obligations to Advantest in accordance with the applicable terms, Advantest's business, results of operations and financial position may be adversely affected.

To reduce this risk, Advantest seeks to gain broad customer base by entering new markets and developing new customers and emerging market, while paying attention to operating efficiency.

(4) - b

Advantest is at risk of not being able to raise funds when necessary			
Classification		**Probability of occurrence**	**Degree of impact**
(4) Financial liquidity	b Cash flow	Low	Middle
As for the working capital requirements, Advantest shall appropriate the cash and deposits earned from its operating activities. In the event that it becomes necessary to raise funds due to an acquisition or a sudden downturn in economic conditions, it may issue bonds or borrow funds from financial institutions. In the event of financial market instability or a reduction in Advantest's credit rating due to a deterioration of creditworthiness, there is no guarantee that Advantest will be able to procure funds in a timely manner, which could affect the results of operations and financial position.			
To reduce this risk, Advantest have built a strong financial position to withstand sharp demand fluctuations. Furthermore, Advantest maintains friendly relations with several financial institutions to enable the immediate borrowing of funds and the establishment of commitment lines when necessary.			

(5) Governance

(5) - a

Advantest may not ensure management stability and sustainability if a succession plan of the CEO and executives is not developed or does not function			
Classification		**Probability of occurrence**	**Degree of impact**
(5) GOVERNANCE	a Succession planning	Low	Major
Advantest formulates a succession plan for the CEO and executives at the Nomination and Compensation Committee. However, if the succession plan is not developed or does not work, management stability and sustainability may not be ensured.			
To reduce this risk, the Nomination and Compensation Committee is deliberating and implementing (1) arrangement of required human resource requirements, (2) selection of candidates, (3) development of candidates over time, (4) evaluation of candidates and (5) selection of candidates. Furthermore, the Board of Directors receives reports from the Nomination and Compensation Committee on requirements for succession planning for the positions, and proactively discusses them.			

(6) Reputation

(6) - a

Advantest's financial position and business performance may be adversely affected by damage to its brand power or loss of trust			
Classification		**Probability of occurrence**	**Degree of impact**
(6) Reputation	a Image and branding	Low	Major
Advantest may experience damage to its brand power or less credibility due to the degradation of safety, reliability, or product performance as well as acts that may violate laws and regulations or social ethics. These would result in a suspension of trading, sanctions, or other social measures. Advantest manufactures its products in accordance with internationally accepted quality control standards such as ISO9001. However, Advantest cannot guarantee that there are no defects in its products. Advantest maintains product liability insurance but cannot guarantee that such insurance will sufficiently cover the			

ultimate amount of damages with respect to Advantest’s liabilities. Therefore, shipping stoppage and delivery delay due to quality defects of parts or manufacturing defects of products, large-scale accidents due to product defects or any discovery of defects in its products could harm Advantest’s reputation for not adequately addressing defects, could cause Advantest to incur higher costs, could result in claims for damages.
To reduce this risk, Advantest undertakes design review at the initial design stage and cross-references with the quality assurance division to provide products with high reliability. Advantest also established the Compliance Department to maintain its credibility and perform activities to raise awareness of legal compliance that have been carried out.

(7) Information technology

(7) - a

If Advantest is unable to promptly proceed with Digital Transformation of Core systems and processes on business, Advantest’s business results could have a material adverse effect

Classification		Probability of occurrence	Degree of impact
(7) Information technology	a Infrastructure	Low	Major

Digital Transformation is an initiative to increase the competitiveness of companies with data and digital technologies. There are high expectations for digital transformation in a wide range of fields, including the utilization using IoT and artificial intelligence to revolutionize manufacturing floor, the creation of new value through the sharing of data between production facilities and logistics, and the response to changes in the business environment brought about by the COVID-19.

However, as proceeding with Digital Transformation if Advantest is unable to make full use of date due to the aging, complexity, and black-boxing of existing IT systems, or to keep resources for IT investment that utilizes new digital technology due to funds and human resources are dedicated the maintenance of existing systems, it loses competitiveness, the maintenance cost of the old system becomes high, or system problems and data loss occur by the retirement of system maintenance operation person in charge or the aging of the population, Advantest’s business results could have a material adverse effect.

To reduce this risk, Advantest reviews IT systems and promotes applications continuity and alternatives to new market technologies. Advantest is also working to expand the Digital Workplace (Workplaces created by digital technologies) concept worldwide and connect it to opportunities for organizations to innovate.

(7) - b

Damage, interference or interruption to Advantest’s information technology networks and systems could hinder business continuity and lead to substantial costs or harm Advantest’s reputation

Classification		Probability of occurrence	Degree of impact
(7) Information technology	b Security	Low	Major

Advantest relies on various information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, including confidential data, personal information and to carry out and support a variety of business activities, including manufacturing, research and development, supply chain management, sales and accounting. Advantest has the Information Security Committee to create policies on information security measures. The IT section builds and operates the information and technology network and system based on the above-mentioned policies. However, attacks by hackers or computer viruses, wrongful use of the information security system, careless use, accidents or disasters could undermine the defenses established by Advantest and disrupt business continuity, which could not only risk leakage or tampering of information but could also result in a legal claim, litigation, damages liability or an obligation to pay fines. If this were to occur, Advantest’s reputation could be harmed, Advantest could incur substantial costs, and it may have a material adverse effect upon Advantest’s financial condition

and results of operation.
To reduce this risk, Advantest constantly monitors cyber-attacks to enhance their detection and strives to improve employee awareness through regular information security education.

(8) Operations

(8) - a

Advantest future market share and results may be adversely affected if Advantest is unable to supply its products in a timely manner due to its inability to procure parts or if Advantest is unable to meet the demands of its rapidly expanding markets			
Classification		**Probability of occurrence**	**Degree of impact**
(8) Operations	a Sourcing	High	Major
Advantest relies on suppliers to perform some of the assembly requirements for its products. In addition, many of the components used in Advantest's semiconductor and component test systems and mechatronics systems are produced by suppliers based on Advantest's specifications. Advantest's reliance on these suppliers may give it less control over the manufacturing process and exposes it to significant risks, especially inadequate manufacturing capacity, late delivery, substandard quality, lack of labor availability and high costs. In addition, Advantest depends on a sole source or a limited number of suppliers for a portion of its components and parts and purchases most parts and components on individual orders without entering into long-term supply agreements. If a supplier becomes unable to provide components or parts in the volumes needed and at acceptable prices, or if a supplier withdraws from business thereby stopping production or sales of custom or general components and parts that Advantest uses or will use in the future, or a large-scale natural disaster or electricity shortage occurs, Advantest would have to identify and procure acceptable replacements. Advantest may lose its capacity to supply test systems if it becomes unable to procure acceptable replacements. Suppliers have typically adjusted their production capacity through the reduction of production lines and personnel. Therefore, if the market for semiconductor and component test systems and mechatronics systems were to suddenly expand, Advantest would require significant increases in production capabilities including personnel, as well as materials, components and supplies from suppliers, in order to fully capitalize on such expansion. The process of selecting suppliers and of identifying suitable replacement components and parts is lengthy and may result in Advantest being unable to deliver products meeting customer requirements in a timely manner. Moreover, a deterioration in the financial position of Advantest's suppliers reflecting the decline in the economic environment or the failure of Advantest to adjust to large increases in demand for its products during the period of recovery in demand could result in Advantest losing one or more of its existing large-volume customers or losing the opportunity to establish a strong relationship with potential large-volume customers with which it currently does little or no business. Such failure may adversely affect Advantest's future market share and its financial results.			
To reduce this risk, in accordance with for product design best practices, taking into account the latest technology, determined by Advantest internal working group. By doing so, Advantest is able to create and update a standard parts list of multiple potential suppliers, taking into account the parts lifecycle, while also looking to standardize parts and designs, and to build systems which are not overly reliant on specific suppliers. In addition, it is important to consider various risks when selecting suppliers for components and parts. Furthermore, when selecting these suppliers, Advantest takes various risks into consideration and search for the best partners, and continuously evaluate and review them. On top of these measures, aiming to realize more lean supply chain, Advantest negotiates with main suppliers not only to conclude a contract of minimum volume supply agreement, but also to keep half-finished materials such as die bank, in which supplier completes substantial time required wafer process, and keep wafers or diced chips to fulfill demand increase.			

(8) - b

<table>
<tr><td colspan="4">The labor market is very competitive, and Advantest's business could have a material adverse effect upon Advantest's business operations and business results if Advantest is unable to hire and retain diverse technical experts and important staff for operations</td></tr>
<tr><th colspan="2">Classification</th><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>(8) Operations</td><td>b Human capital</td><td>Middle</td><td>Middle</td></tr>
<tr><td colspan="4">In order to develop business in the rapidly changing electronics industry, Advantest needs to secure a diverse range of human resources who are familiar with R&D, manufacturing, marketing, sales and maintenance services and other technical experts. In addition, Advantest believes it is important to continuously develop and maintain human resources with management capabilities such as business strategy and organizational management.
Therefore, in addition to hiring new graduates, Advantest employs and secures a wide range of experienced personnel on a global basis, continuously review personnel systems and conduct employee education, as well as strive to establish and develop employees.
However, the competition for continuously hiring and retaining the necessary personnel is fierce. If Advantest does not proceed as planned or becomes less attractive to employees, it would result in the outflow of human resources due to the group's system becoming unattractive caused by a delay of improvements in the working environment. Additionally, if employee training is inadequate, Advantest's business could have a material adverse effect upon Advantest's business operations and business results.</td></tr>
<tr><td colspan="4">To reduce this risk, in addition to recruiting based on long-term view, job rotation upon a global basis, and improving the working environment and improving engagement, Advantest tries to stabilize the workforce by investment in employee education.</td></tr>
</table>

(8) - c

<table>
<tr><td colspan="4">Advantest may face risks related to intellectual property including the possibility that a third-party claim that their intellectual property has been infringed upon. This can potentially result in Advantest not being able to adequately protect their intellectual property.</td></tr>
<tr><th colspan="2">Classification</th><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>(8) Operations</td><td>c Business interruption</td><td>Low</td><td>Major</td></tr>
<tr><td colspan="4">Advantest may be unknowingly infringing on the intellectual property rights of third parties and may be held responsible for doing so. If Advantest were to lose an appeal, it may be forced to pay significant damages, pay license fees, modify its products or processes, stop making products or stop using processes.</td></tr>
<tr><td colspan="4">In order to reduce this risk, Advantest makes an effort to conduct research on intellectual property to not infringe on other companies' intellectual property throughout the R&D stage and prior to product shipment.

Additionally, Advantest relies on patents, utility model rights, design rights, trademarks and copyrights obtained in various countries to actively protect its proprietary rights. In general, it is difficult for Advantest to gain access to, and investigate, products believed to be infringing intellectual property rights. Nonetheless, Advantest believes it is important to protect its intellectual property rights from third party infringement and will continue to monitor breaching of its intellectual property. Furthermore, Advantest will also communicate compliance to its customers.</td></tr>
</table>

3. Management's Discussion and Analysis

(1) Analysis of Results of Operations

1) Statement of Operations

	Fiscal year ended March 31, 2021 (Millions of Yen)	Fiscal year ended March 31, 2022 (Millions of Yen)	Change (Millions of Yen)	Change (%)
Net sales	312,789	416,901	104,112	33.3
Cost of sales	(144,498)	(180,994)	(36,496)	25.3
Selling, general and administrative expenses	(105,870)	(121,132)	(15,262)	14.4
Other income (expenses), net	8,305	(41)	(8,346)	―
Operating income	70,726	114,734	44,008	62.2
Operating income ratio	22.6%	27.5%	4.9%	―
Financial income (expenses), net	(1,108)	1,609	2,717	―
Income before income taxes	69,618	116,343	46,725	67.1
Income taxes	169	(29,042)	(29,211)	―
Net income	69,787	87,301	17,514	25.1
Net income attributable to: Owners of the parent	69,787	87,301	17,514	25.1

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, Advantest 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, Advantest continues to face unprecedented difficulties in terms of parts procurement.

Average currency exchange rates in the current 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).

Net sales

Active tester investment continued throughout the year mainly by SoC semiconductor manufacturers due to the ongoing digitalization of society, expansion of investment for data centers, higher functionality of 5G smartphones, and higher performance of semiconductors including miniaturization.

As a result of above, net sales for FY2021 increased by ¥104,112 million or 33.3%, from the previous fiscal year to ¥416,901 million.

Cost of sales

In FY2021, cost of sales increased by ¥36,496 million, or 25.3%, compared to FY2020 to ¥180,994 million due to the increase of net sales. Cost of sales to net sales ratio was 43.4%, a decrease of 2.8 percentage points from FY2020 due to a higher proportion of value-added products for higher functional semiconductor in Advantest's product mix.

Selling, general and administrative expenses

Selling, general and administrative expenses for FY2021 increased ¥15,262 million or 14.4%, from the previous fiscal year to ¥121,132 million. This restrained growth in expenses, despite efforts to strengthen support personnel resources in line with increased sales.

Other income (expenses), net

In FY2021, other income (expense), net decreased by ¥8,346 million compared to FY2020 to a loss of ¥41 million. This is mainly due to the fact that in the previous fiscal year, Advantest recorded a one-time gain of approximately ¥8.1 billion, including a gain on the transfer of a business and on the transition of a subsidiary in Germany's pension plan to a unified defined-benefit plan.

Operating income

As a result of the above, in FY2021, Advantest's operating income increased by ¥44,008 million, or 62.2%, compared to FY2020, resulting in operating income of ¥114,734 million. Operating income to net sales ratio was 27.5%, an increase of 4.9 percentage points from FY2020.

Financial income (expenses), net

In FY2021, net financial income increased by ¥2,717 million compared to FY2020 to a gain of ¥1,609 million. This was mainly due to the foreign exchange gain caused by the depreciation of the yen against the U.S. dollar and the depreciation of the Euro against the U.S. dollar.

Income before income taxes

As a result of the above, income before income taxes increased by ¥46,725 million, or 67.1%, compared to FY2020, resulting in income before income taxes of ¥116,343 million in FY2021.

Income taxes

In FY2021, Advantest's effective tax rate was 25.0%, while the effective income tax rate for FY2020 was negative 0.2%. For more details on income taxes of Advantest in FY2021 and FY2020, see note 16 under "Notes to Consolidated Financial Statements" in "1. Consolidated Financial Statements."

Net income attributable to owners of the parent

As a result of the above, in FY2021, Advantest's net income attributable to owners of the parent increased by ¥17,514 million, or 25.1%, compared to FY2020, resulting in an income of ¥87,301 million. Net income attributable to owners of the parent to net sales ratio was 20.9%, a decrease of 1.4 percentage points from FY2020.

2) Result of Production, Orders received and Sales

a. Production results

Advantest manufacturing is principally based on customer orders, and since the production results are similar to sales results, production results are not listed.

b. Orders received and Backlog by Segment

The results of orders received for the fiscal year ended March 31, 2022 by segment are as follows.

	Orders received (Millions of Yen)	Change (%)	Backlog (Millions of Yen)	Change (%)
Semiconductor and Component Test System Segment	537,501	136.6	309,329	409.7
Mechatronics System Segment	58,588	39.2	31,083	110.0
Services, Support and Others Segment	104,293	66.9	54,248	62.7
Elimination	(66)	—	—	—
Total	700,316	111.8	394,660	262.7

(Note) Amounts are including inter-segment internal transfer sales.

c. Sales results

The results of sales for the fiscal year ended March 31, 2022 by segment are as follows.

	Amount (Millions of Yen)	Change (%)
Semiconductor and Component Test System Segment	288,859	39.4
Mechatronics System Segment	42,305	5.7
Services, Support and Others Segment	85,803	28.5
Elimination	(66)	—
Total	416,901	33.3

(Notes) 1. Amounts are including inter-segment internal transfer sales.

2. There were no customers whose sales accounted for more than 10% of total sales in the previous or current fiscal year.

3) Operations by Segment

Semiconductor and Component Test System Segment

In FY2021, net sales of Advantest's Semiconductor and Component Test System Segment accounted for 69.3% of total net sales.

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, net sales of Advantest's Semiconductor and Component Test System Segment for FY2021 increased by ¥81,656 million, or 39.4%, compared to FY2020 to ¥288,859 million, and segment income increased by ¥44,038 million, or 71.5%, compared to FY2020 to ¥105,655 million.

Mechatronics System Segment

In FY2021, net sales of Advantest's Mechatronics System Segment accounted for 10.1% of total net sales.

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, net sales of Advantest's Mechatronics System Segment for FY2021 increased by ¥2,300 million, or 5.7%, compared to FY2020 to ¥42,305 million, and segment income increased by ¥1,146 million, or 23.1%, compared to FY2020 to ¥6,101 million.

Services, Support and Others Segment

In FY2021, net sales of Advantest's Services, Support and Others Segment accounted for 20.6% of total net sales.

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, net sales of the Services, Support and Others Segment increased by ¥19,050 million, or 28.5%, compared to FY2020 to ¥85,803 million, and segment income increased by ¥7,394 million, or 71.0%, compared to FY2020 to ¥17,813 million.

4) Sales by Geographic Markets

Advantest's overseas sales as a percentage of total sales was 96.1% for FY2021 (95.5% in FY2020).

Japan

Net sales in Japan increased by ¥2,360 million, or 16.8%, compared to FY2020 to ¥16,381 million in FY2021.

Asia (excluding Japan)

Net sales in Asia (excluding Japan) increased by ¥108,088 million, or 41.5%, compared to FY2020 to ¥368,690 million in FY2021. This was mainly due to strong sales of test systems for SoC semiconductors in both Taiwan and China.

Americas

Net sales in the Americas decreased by ¥9,914 million, or 32.9%, compared to FY2020 to ¥20,250 million in FY2021.

Europe

Net sales in Europe increased by ¥3,578 million, or 44.7%, compared to FY2020 to ¥11,580 million in FY2021 due to strong sales of test systems for SoC semiconductors.

(2) Analysis of Financial Condition and Cash Flows

1) Liquidity and Capital Resources

In accordance with Advantest's funding and treasury policy, which is overseen and controlled by its Accounting Department, Advantest funds its cash needs through cash from operating activities and cash and cash equivalents on hand, and is able to procure funds as necessary through issuance of debt and equity securities in domestic and foreign capital markets and through obtainment of bank loans.

If conditions in the semiconductor industry, and thus the semiconductor and component test system industry, experience a downturn in the mid-term, Advantest may need to fund future capital expenditures and other working capital needs through the incurrence of issuance of debt or dilutive issuances of equity securities.

2) Cash Flows

Advantest's cash and cash equivalents balance decreased by ¥32,582 million to ¥116,582 million as of March 31, 2022.

Cash flows from operating activities

Net cash provided by operating activities was ¥78,889 million, an increase of ¥11,059 million yen compared to FY2020. This amount was attributable to an increase of ¥28,004 million in inventories, an increase of ¥ 19,368 million in trade and other receivables, income tax paid of ¥ 14,486 million and adjustments of non-cash items such as depreciation and amortization in addition to the income before income taxes of ¥ 116,343 million.

Cash flows from investing activities

In FY2021, expenditure was ¥46,907 million, an increase of ¥30,076 million compared to the previous consolidated fiscal year. This amount was primarily attributable to acquisition of subsidiaries of ¥28,976 million and purchase of property, plant and equipment of ¥ 17,158 million.

Cash flows from financing activities

In FY2021, expenditure was ¥68,736 million, an increase of ¥38,321 million compared to the previous consolidated fiscal year. This amount was primarily attributable to dividends paid of ¥25,456 million and purchase of treasury shares amounting to ¥ 70,148 million.

3) Assets, Liabilities and Equity

Total assets as of March 31, 2022 amounted to ¥494,696 million, an increase of ¥72,055 million compared to March 31, 2021. This was primarily due to the increases of ¥30,764 million in goodwill and intangible assets, ¥30,673 million in inventories, ¥25,127 million in trade and other receivables, and ¥9,779 million in property, plant and equipment respectively despite the decrease of ¥32,582 million in cash and cash equivalents.

Liabilities increased by ¥57,803 million from the end of FY2020 to ¥200,075 million as of March 31, 2022. This was mainly due to the increases in borrowings of ¥30,598 million and income taxes payable of ¥18,195 million, respectively.

The amount of total equity or equity attributable to owners of the parent as of March 31, 2022 was ¥294,621 million, an increase of ¥14,252 million compared to March 31, 2021. Equity attributable to owners of the parent to assets ratio was 59.6% as of March 31, 2022, a decrease of 6.7 percentage points from March 31, 2021. This was primarily due to the increases of ¥66,546 million in treasury shares and ¥30,598 million in borrowings, respectively.

(3) Factors Materially Affecting Advantest's Business Results and Financial Condition

Factors materially affecting Advantest's business results and financial condition refer to "2. Risk Factors."

(4) Significant Accounting Estimates and Assumptions Used in Such Estimates

Advantest prepares the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board.

The preparation of the consolidated financial statements requires Advantest to make judgments, accounting estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable according to the situation. The global epidemic of the COVID-19 is not expected to have a material impact on Advantest's estimates and assumptions. However, given their nature, actual results may differ from those estimates and assumptions.

Advantest's important accounting policies and estimates are described in "note 3 and note 4" under "Notes to Consolidated Financial Statements" in "1. Consolidated Financial Statements", "Significant Accounting Policy" and "Significant Accounting Estimates" under "Notes to Non-Consolidated Financial Statements" in "2. Non-Consolidated Financial Statements."

4. Material Contracts

Not applicable.

5. Research and Development

In order to enable leading-edge technologies, Advantest undertakes research and development initiatives to develop products which play a central role in the area of measuring technologies to support electronics, information and communications, and semiconductor manufacturing. Advantest's research and development focuses on the development of new products and the improvement of existing products. In particular, in the Semiconductor and Component Test System Segment, a large and ongoing investment in research and development is necessary in order to maintain market competitiveness and to provide many types of products that meet the various needs of the customers. Advantest also conducts research of basic technologies. Advantest's expenditures for research and development were approximately ¥42.7 billion in FY2020 and approximately ¥48.4 billion in FY2021. The number of employees in its research and development division is approximately 30% of Advantest group workforce.

The contents and achievements for FY2021 of Advantest's research and development activities include:

Basic Technology

• development of electro-optic devices, optical sources, and photonic integrated circuits for optical measurements and test systems;

• development of magnetic sensors and signal processing algorism technologies for ultra-high sensitivity magnetic measurements and their applications;

• component technologies of pin-electronics, test vector and timing generation and DC parametric testing for semiconductor and component test systems;

• development of wideband signal analysis methods and algorithms used for semiconductor and component test systems or millimeter wave measurement;

• development of compound semiconductor, including less-distortion, high-voltage large-current or high-speed high-frequency devices used for semiconductor and component test systems;

• development of near future interface test technologies for multi-level signaling, new protocol and optical port;

• development of a novel calibration methodology for ultra-high speed signal integrity and tens of thousands channels; and

• development of data linkage and analysis methods throughout the semiconductor supply chain, from design to testing.

Semiconductor and Component Test System Segment

• development of semiconductor and component test systems that enable testing of super high speed memory semiconductors at actual motion speed;

• development of semiconductor and component test systems that enhance the functionality of testing of DRAM semiconductors and flash memory semiconductors and require less floor space;

• development of high speed memory burn in system to enable reliability and functionality testing on high parallel memory devices;

• development of semiconductor and component test systems that have the capacity to simultaneously test multiple complex SoC semiconductors with large pin counts and require less floor space;

• development of semiconductor and component test systems with specialized applications such as image sensor devices with increasingly high pixels, display driver devices with increasingly complex pixels, etc.;

• development of semiconductor and component test systems for devices that operate at extremely high frequencies such as millimeter wave communication standards and for networks that carry extremely high density transmissions;

• development of high speed transmission technologies for high speed large pin counts and high speed transmission signal contact technologies;

• development of application software for interface between the semiconductor designing environment and semiconductor and component test systems, as well as development of software to analyze defective semiconductors; and

• development of systems that impress the physical stimulus on each sensor.

Mechatronics System Segment

• development of test handlers for memory semiconductors enabling measuring of multiple semiconductors with high throughput testing;

• development of test handlers for SoC semiconductors that respond to diversified device types and packages;

• development of real Active Thermal Control technology with high speed response and high reliability for high power devices;

• development of core technology; vision alignment for fine pitch and small package by high density device;

• development of the device interface (substrate/circuit technology) to measure high speed device;

• development of conveyance technology and the device interface which supports miniaturization and fine pitches of semiconductors; and

• development of advanced electron-beam metrology systems for leading-edge photomask to measure pattern critical dimension, and to review, analyze defects found on a sample.

Services, Support and Others Segment

• development of system level testing technologies and methods to test semiconductor components and modules to ensure compliance of the device in its final integrated product environment;

• development of test sockets with large pin counts, high speed response and high reliability for high power devices, and development of thermal control units;

• development of technologies and systems with particle measurement methods or bio-sensor devices to detect various microorganisms, including biological products; and

• development of technologies and systems that apply optics and magnetism to check and diagnose living organisms; and

• development of terahertz spectroscopic technologies and systems to measure characteristics of materials for high speed communication etc.

Advantest has research and development facilities in Japan, Europe, the United States of America and China.

Advantest promotes joint development efforts between its various research facilities to capitalize on the capabilities of its researchers worldwide. Advantest's research and development team for semiconductor and component test systems in Japan works closely with Advantest research and development teams in Europe and the United States of America for the development of hardware and software.

Item3. Status of Facilities

1. Overview of Capital Investment

Advantest made capital investments totaling ¥18.0 billion (including property, plant and equipment and intangible assets) during the fiscal year ended March 31, 2022, mainly for the development of new products, rationalization and labor-saving of production, and expansion of production capacity.

Mainly for the development and manufacturing of new products and production increases, capital investments of ¥10.0 billion were made in the semiconductor and component test system business segment and ¥0.8 billion in the mechatronics system business segment.

Capital investments of ¥6.9 billion were made in services, support and others segment.

2. Status of Major Facilities

The Company

As of March 31, 2022

Name of office (Location)	Name of segments	Details of equipment	Book value (Millions of Yen)				Number of employees (Persons)
			Buildings and structures	Land (Area in ㎡)	Others	Total	
Gunma R&D Center (Meiwa-machi, Ora-gun, Gunma)	Semiconductor and Component Test System Business, Mechatronics System Business, Services, Support and Others	Development equipment	1,761	4,069 (195,617.84)	2,296	8,126	1,159
Saitama R&D Center (Shin-tone, Kazo-shi, Saitama)	Mechatronics System Business	Development equipment	147	1,388 (56,977.77)	693	2,228	165
Kitakyushu R&D Center (Yahatahigashi-ku, Kitakyushu-shi, Fukuoka)	Semiconductor and Component Test System Business	Development equipment	283	560 (5,460.60)	37	880	1
Sendai Factory & Advantest Research Institute (Aoba-ku, Sendai-shi, Miyagi)	Semiconductor and Component Test System Business, Basic Research	Manufacturing equipment and Research and development equipment	558	561 (66,904.35)	824	1,943	11
Gunma Factory (Ora-machi, Ora-gun, Gunma)	Semiconductor and Component Test System Business, Mechatronics System Business, Services, Support and Others	Manufacturing equipment	448	1,593 (88,512.16)	2,084	4,125	390

Overseas Subsidiaries As of March 31, 2022

Name of subsidiary (Location)	Name of segments	Details of equipment	Book value (Millions of Yen)				Number of employees (Persons)
			Buildings and structures	Land (Area in ㎡)	Others	Total	
Advantest Korea Co., Ltd. (Cheonan, South Korea)	Semiconductor and Component Test System Business, Mechatronics System Business, Services, Support and Others	Manufacturing equipment	3,790	1,902 (39,605)	746	6,438	234
Essai, Inc. (California, U.S.A.)	Services, Support and Others	Manufacturing equipment	1,322	1,375 (59,076)	3,875	6,572	376

3. Plans for New Facilities Installation, Retirement

No particular matters to be noted.

Item4. Status of the Company

1. Status of Shares

(1) Total Number of Shares

1) Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common shares	440,000,000
Total	440,000,000

2) Total Number of Issued Shares

Class	Number of issued shares as of the end of the current fiscal year (shares) (March 31, 2022)	Number of issued shares as of the filing date (shares) (June 22, 2022)	Stock exchange on which the Company is listed	Description
Common shares	199,542,265	199,542,265	Tokyo Stock Exchange First Section (as of the end of the fiscal year) Prime Market (as of filing date)	One unit of shares constitutes 100 shares
Total	199,542,265	199,542,265	—	—

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

(2) Status of Stock Acquisition Rights

1) Stock Acquisition Rights

Resolution date at the Board of Directors' Meeting	July 25, 2018	June 26, 2019
Classification and number of persons granted	Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) and executive officers Total: 24 members	Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) and executive officers Total: 24 members
Number of stock acquisition rights*	1,580 [1,580]	3,310 [3,310]
Class, details, and number of shares to be issued upon exercise of stock acquisition rights*	(Note 2) Common shares 158,000 [158,000]	(Note 2) Common shares 331,000 [331,000]
Unit Exercise price to be paid upon exercise of each stock acquisition right*	¥2,540 per share (Note 1, 2)	¥3,090 per share (Note 1, 2)
Exercise period of the stock acquisition rights*	Between August 11, 2020 to August 10, 2023	Between July 13, 2021 to July 12, 2024
The amount of capital and the additional paid-in capital increased by the issuance of shares upon exercise of the stock acquisition rights*	Issue price: ¥2,540 Amount to be included in capital: ¥1,575	Issue price: ¥3,090 Amount to be included in capital: ¥1,929
Conditions for exercise of stock acquisition rights*	(Note 3)	
Matters concerning transfer of stock acquisition rights*	(Note 4)	
Matters concerning issuance of stock acquisition rights accompanying organizational restructuring*	―	

Resolution date at the Board of Directors' Meeting	June 25, 2020
Classification and number of persons granted	Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) and executive officers Total: 24 members
Number of stock acquisition rights*	1,920 [1,920]
Class, details, and number of shares to be issued upon exercise of stock acquisition rights*	(Note 2) Common shares 192,000 [192,000]
Unit Exercise price to be paid upon exercise of each stock acquisition right*	¥6,990 per share (Note 1, 2)
Exercise period of the stock acquisition rights*	Between July 14, 2022 to July 13, 2025
The amount of capital and the additional paid-in capital increased by the issuance of shares upon exercise of the stock acquisition rights*	Issue price ¥6,990 Amount to be included in capital ¥4,528
Conditions for exercise of stock acquisition rights*	(Note 3)
Matters concerning transfer of stock acquisition rights*	(Note 4)
Matters concerning issuance of stock acquisition rights accompanying organizational restructuring*	——

*The contents described above are as of the fiscal year ended March 31, 2022. The contents as of the end of the month prior to the filing date (May 31, 2022) are shown in [ ] for items that have changed since the end of the fiscal year ended March 31,2022 to the end of the month prior to the filing date (May 31, 2022). Other matters remain unchanged from the end of the fiscal year ended March 31, 2022.

(Notes) 1. Subsequent to the day of allocation of the stock acquisition rights, if the Company splits or consolidates its common shares, or issues new shares or disposes of its treasury shares below market price (excluding the issuance or delivery upon exercise of the stock acquisition rights or conversion of securities which are convertible to the common shares of the Company), the exercise price per share shall be adjusted according to the formula set forth below, rounded up to the nearest yen. Furthermore, the exercise price per share may, to the extent necessary and reasonable, be adjusted in a way deemed appropriate by the Company, (i) when the Company issues securities which are convertible to the common shares of the Company at a price lower than the fair value (including shares with acquisition claim rights and shares with acquisition clause, setting the Company's common shares as consideration), (ii) when the Company issues the stock acquisition rights or securities with the stock acquisition rights that effect the issuance or transfer of the Company's common shares at a price lower than the fair value, (iii) when the adjustment of the exercise price per share is necessary for merger, corporate split or stock-for-stock exchange, or (iv) other than above, when the adjustment of the exercise price per share is necessary due to the occurrence of matters that cause or may cause the number of outstanding shares of the Company to change.

(1) Formula for adjustment in the case of share split or consolidation

$$\text{Exercise price per share after adjustment} = \text{Exercise price per share before adjustment} \times \frac{1}{\text{Ratio of split / consolidation}}$$

(2) Formula for adjustment in the case of issuance of new shares or disposition of treasury shares below market price

$$\text{Exercise price per share after adjustment} = \text{Exercise price per share before adjustment} \times \frac{\text{Number of outstanding shares} + \dfrac{\text{Number of new shares to be issued} \times \text{Exercise price per share to be issued}}{\text{Market price per share}}}{\text{Number of outstanding shares} + \text{Number of new shares to be issued}}$$

In the above formula, "number of outstanding shares" shall mean the total number of issued shares of the Company after deduction of shares held by the Company as treasury shares. In the case of disposition of treasury shares, “number of new shares to be issued” in the above formula shall be read as “number of treasury shares to be disposed of.”

2. When the subscription price per share has been adjusted in accordance with the formula listed in (1) above, the number of shares shall be adjusted in accordance with the following formula. This adjustment shall be made only with respect to stock acquisition rights that have not yet been exercised as of the time of adjustment. Any fractional share that arises as a result of an adjustment will be rounded down to the nearest whole number of shares.

$$\text{Number of shares to be issued or delivered upon exercise of each stock acquisition right} = \frac{\text{Unit exercise price}}{\text{Exercise price per share}}$$

When the number of shares to be issued or delivered upon exercise of each stock acquisition right has been adjusted, the total number of shares to be issued or delivered upon exercise of the stock acquisition rights shall be adjusted to the number obtained by multiplying (i) the number of shares to be issued or delivered upon exercise of each stock acquisition right after adjustment by (ii) the number of the stock acquisition rights that have not yet been exercised as of such adjustment, then adding the number of shares that have been issued or delivered upon exercise of the stock acquisition rights.

3. (1) The stock acquisition rights may not be inherited.
(2) No stock acquisition rights may be exercised in part.
(3) When the number of shares deliverable upon exercise of the stock options includes less than one unit, the exercising Stock Option Holder (as defined bellow) shall be deemed to have requested the Company to purchase such shares pursuant to Article 192, Paragraph 1 of the Companies Act. The determination of whether the number of shares deliverable upon exercise includes less than one unit shall be made in the aggregate, by taking into consideration the total number of shares deliverable upon each exercise of all stock acquisition rights that are exercised at the same time.

4. (1) Acquisition of the stock acquisition rights by transfer shall require approval by the Board of Directors’ meeting. 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’ meeting.
(2) The stock acquisition rights held by its holder (a “Stock Option Holder”) shall be transferred to the Company for no consideration if any of the following events occurs:

(a) the general meeting of shareholders resolves to approve (if approval by the shareholders' meeting is not legally required, then the Board of Directors' meeting may 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;

(b) a Stock Option Holder becomes a person who does not hold any position as a director, corporate auditor, executive officer, employee, advisor, part-time worker or any other similar position of the Company or its domestic or overseas subsidiaries, except when a Stock Option Holder's term of office has expired or the Company acknowledges that the exercise of the stock subscription rights by a Stock Option Holder is reasonable and notifies the Stock Option Holder;

(c) a Stock Option Holder dies.

(d) a Stock Option Holder waives all or part of his/her stock acquisition rights by submitting to the Company the form specified by the Company;

(e) a Stock Option Holder becomes, for any reason, a director, corporate auditor, officer or employee of a company that competes with the Company or its domestic or overseas subsidiaries and the Company notifies the Stock Option Holder that his/her stock acquisition rights are non-exercisable; or

(f) a Stock Option Holder is in violation of laws or regulations, internal rules or other regulations of the Company, or breaches the stock subscription agreement (for Stock Option Holders who are foreigners or directors or employees of our foreign subsidiaries, that means Rules of the Advantest Corporation Incentive Stock Option Plan 2018, Rules of the Advantest Corporation Incentive Stock Option Plan 2019 or Rules of the Advantest Corporation Incentive Stock Option Plan 2020) entered into between such Stock Option Holder and the Company. The Company notifies the Stock Option Holder that his/her stock acquisition rights are non-exercisable.

The Representative Director may decide in his/her sole discretion whether exercise by a Stock Option Holder of the stock acquisition rights is reasonable (as in item (b) above) and whether a Stock Option Holder's options are non-exercisable (as in item (e) and (f) above).

2) Rights Plans

Not applicable.

3) Other Status of Share Options

Not applicable.

(3) Status in the Exercise of Bonds with Share Options with Exercise Price Amendment

Not applicable.

(4) Changes in the Total Number of Issued Shares and the Amount of Common Stock and Others

Date	Changes in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Changes in common stock (Millions of Yen)	Balance of common stock (Millions of Yen)	Changes in legal capital reserve (Millions of Yen)	Balance of legal capital reserve (Millions of Yen)
September 8, 2021 (Note)	△24,505	199,542,265	—	32,363	—	32,973

(Note) The decrease is due to the cancellation of treasury shares.

(5) Shareholding by Shareholder Category

As of March 31, 2022

Classification	Status of shares (the number of one unit is 100 shares)								Status of shares less than one unit (shares)
	Government and local municipalities	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations and others		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	—	89	60	305	833	43	27,516	28,846	—
Number of shares held (units)	—	970,691	70,668	15,066	714,822	134	222,882	1,994,263	115,965
Percentage of shares held (%)	—	48.67	3.54	0.76	35.84	0.01	11.18	100.00	—

(Notes) 1. 9,209,364 shares of treasury shares are included as 92,093 units in the item of “Individuals and others” and as 64 shares in the item of "Status of shares less than one unit."
In addition, treasury shares does not include 89,773 shares of the Company Shares owned by the BIP Trust and 335,722 shares of the Company Shares owned by the ESOP Trust.
2. The columns of "Other corporations" and "Status of shares less than one unit" include 34 units and 46 shares in the name of Japan Securities Depository Center respectively.

(6) Major Shareholders

As of March 31, 2022

Name	Address	Number of shares held (1000 shares)	Percentage of shares held to the total number of issued shares, less treasury shares(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	62,956	33.07
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	20,042	10.53
Custody Bank of Japan, Ltd. (Investment Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	6,459	3.39
NORTHERN TRUST CO.(AVFC) SUB A/C NON TREATY (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	3,838	2.01
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	3,393	1.78
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	1 QUEEN'S ROAD CENTRAL, HONG KONG (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	2,546	1.33
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1, Konan, Minato-ku, Tokyo)	2,464	1.29
STATE STREET BANK AND TRUST COMPANY 505025 (Standing proxy: Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	2,193	1.15
BNYM AS AGT/CLTS NON TREATY JASDEC (Standing proxy: MUFG Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NEW YORK 10286 U.S.A (2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	2,022	1.06
BBH BOSTON CUSTODIAN FOR NEXT GENERATION CONNECTIVITY FUND A SERIES TRUST 620818 (Standing proxy: Mizuho Bank, Ltd.)	18 FORUM LANE, P.O. BOX 2330 CAMANA BAY, GRAND CAYMAN ISLANDS KY1-1106 (2-15-1, Konan, Minato-ku, Tokyo)	1,892	0.99
Total	—	107,808	56.64

(Notes) 1. The number of shares held is rounded down to the nearest thousand shares.

2. According to the large shareholding report "change report" made available for public inspection on August 21, 2019, the following large shareholders are stated to jointly hold the following shares as of August 15, 2019, but the portion for which the Company cannot confirm the actual number of shares held by each shareholder is not included in the above table. The details of the report on large shareholding report "change report" are as follows.

Large Shareholders "Co-Owners"	BlackRock Japan Co., Ltd. and 6 other companies
Number of shares held	13,332,187 shares
Shareholding ratio	6.68%

3. According to the large shareholding report "change report" made available for public inspection on April 21, 2020, the following large shareholder is stated to jointly hold the following shares as of April 15, 2020, but the portion for which the Company cannot confirm the actual number of shares held by each shareholder is not included in the above table. The details of the report on large shareholding report "change report" are as follows.

Large Shareholder "Co-Owners"	Daiwa Asset Management Co.Ltd.
Number of shares held	12,269,000 shares
Shareholding ratio	6.15%

4. According to the large shareholding report "change report" made available for public inspection on September 7, 2021, the following large shareholders are stated to jointly hold the following shares as of September 1, 2021, but the portion for which the Company cannot confirm the actual number of shares held by each shareholder is not included in the above table. The details of the report on large shareholding report "change report" are as follows.

Large Shareholders "Co-Owners"	Sumitomo Mitsui Trust Asset Management Co., Ltd. and 1 other company
Number of shares held	19,558,500 shares
Shareholding ratio	9.80%

5. According to the large shareholding report "change report" made available for public inspection on October 4, 2021, the following large shareholders are stated to jointly hold the following shares as of September 27, 2021, but the portion for which the Company cannot confirm the actual number of shares held by each shareholder is not included in the above table. The details of the report on large shareholding report "change report" are as follows.

Large Shareholders "Co-Owners"	Mitsubishi UFJ Trust and Banking Corporation and 2 other companies
Number of shares held	14,864,136 shares
Shareholding ratio	7.45%

6. According to the large shareholding report "change report" made available for public inspection on December 8, 2021, the following large shareholders are stated to jointly hold the following shares as of December 2, 2021, but the portion for which the Company cannot confirm the actual number of shares held by each shareholder is not included in the above table. The details of the report on large shareholding report "change report" are as follows.

Large Shareholders "Co-Owners"	Nomura Securities Co.,Ltd. and 1 other company
Number of shares held	26,618,620 shares
Shareholding ratio	13.34%

(7) Status of Voting Rights

1) Issued Shares

As of March 31, 2022

Classification	Number of shares (shares)		Number of voting rights (units)	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury shares)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury shares)	Common shares	9,209,300	—	—
Shares with full voting rights (others)	Common shares	190,217,000	1,902,170	—
Less than one unit Shares	Common shares	115,965	—	—
Total number of issued shares		199,542,265	—	—
Total voting rights held by all shareholders		—	1,902,170	—

(Note) In the column of "Shares with full voting rights (others)," there are 3,400 shares in the name of Japan Securities Depository Center (34 voting rights), 89,700 shares of the Company Shares owned by the BIP Trust (897 voting rights) and 335,700 shares of the Company Shares owned by the ESOP Trust (3,357 voting rights), in the column of "Less than one unit Shares," 46 shares in the name of Japan Securities Depository Center, 73 shares of the Company Shares owned by the BIP Trust and 22 shares of the Company Shares owned by the ESOP Trust.

2) Treasury Shares

As of March 31, 2022

Shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total number of shares held (shares)	Percentage of shares held to the total number of issued shares (%)
Advantest Corporation	1-6-2 Marunouchi, Chiyoda-ku, Tokyo	9,209,300	—	9,209,300	4.61
Total	—	9,209,300	—	9,209,300	4.61

(Note) Other than the above, 89,773 shares of the Company Shares owned by the BIP Trust and 335,722 shares of the Company Shares owned by the ESOP Trust are treated as treasury shares in the financial statements.

(8) Details of the Directors / Executive Officers / Employee Share Ownership System

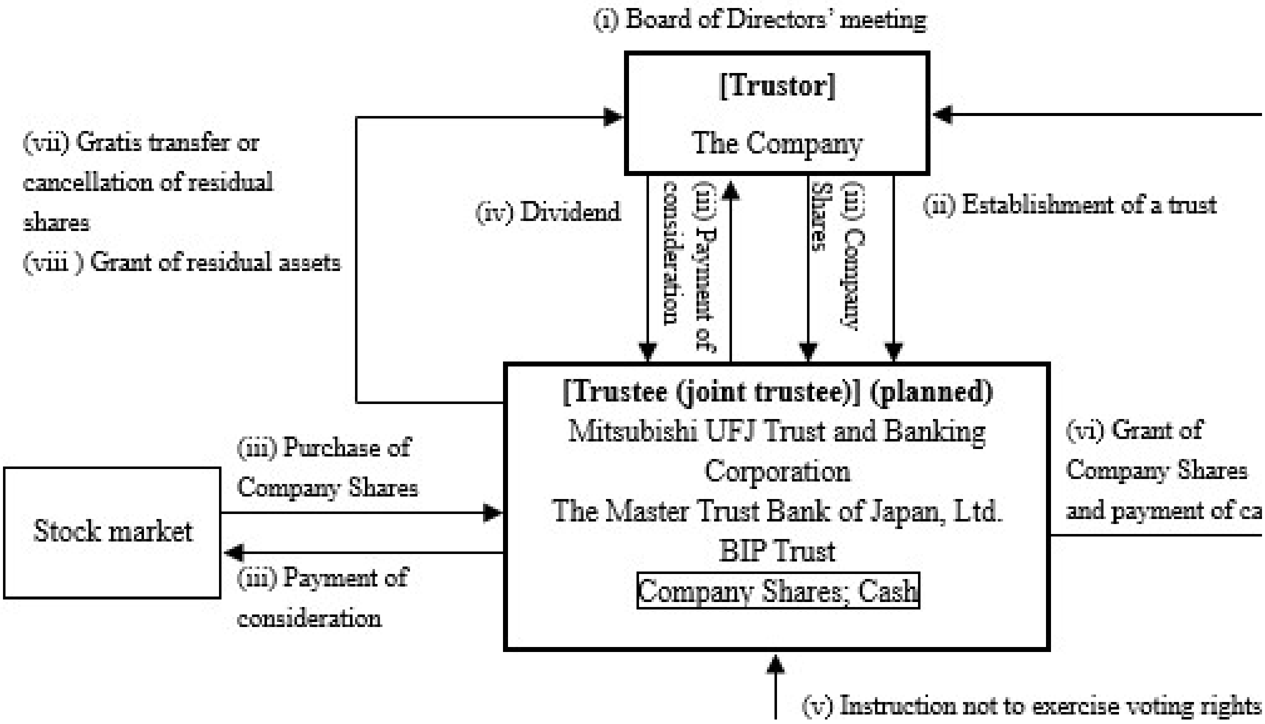
Since the Company has replaced the existing stock option plans and performance-based stock remuneration plans with a new share-based compensation plan consisting of a restricted stock compensation plan and a performance share unit plan, no additional establishment of trusts with regard to existing performance-based stock remuneration plan introduced for directors (excluding outside directors and directors who are audit and supervisory committee members; "Eligible Directors") ("BIP Plan") and a performance-based stock remuneration plan introduced for executive officers and executive employees ("Eligible Employees") ("ESOP Plan") of the Company and its major group subsidiaries ("Eligible Subsidiaries"; the Company and the Eligible Subsidiaries collectively referred to as "Eligible Companies") in the fiscal year ended March 31, 2019 will take place in the future. However, the granting of points under the performance-based stock remuneration plan established prior to fiscal year ended March 31, 2021 may be possible in the future. For additional details on the new share-based compensation plan, see note 25 in the consolidated financial statements.

1) Outline of BIP Plan

a. The Eligible Companies have introduced the BIP Plan in the fiscal year ended March 31, 2019 as a highly transparent and objective board incentive plan closely linked to group performance and shareholder value for the Eligible Directors to be more focused on enhancing the medium-to-long-term group performance as well as to be further incentivized to achieve the medium-to-long-term performance targets and be more conscious of contributing to corporate management aiming at enhanced shareholder value.

b. The BIP Plan adopts a scheme called a Board Incentive Plan (BIP) Trust ("BIP Trust"). The BIP Trust, similarly to the Performance Share Plan or the Restricted Stock Plan prevalent in the U.S. and Europe, grants or pays the common shares of the Company ("Company Shares") or the amount of cash equivalent to the Company Shares converted into cash to the Eligible Directors depending on their executive rank or achievement level of performance target, among others.

2) Structure of BIP Trust



(i) Respective Eligible Companies shall obtain the approval at the Board of Directors' meeting for the board incentive plan related to the introduction of the Plan.

(ii) Respective Eligible Subsidiaries shall, to the extent of the amount approved at the general meetings of shareholder (GMS), contribute cash to the Company as the fund for remuneration for directors of the Eligible Subsidiaries. The Company shall, to the extent of the amount approved at the GMS of the Company, entrust cash as the fund for remuneration for directors of the Company collectively with the cash contributed by the Eligible Subsidiaries to establish the BIP Trust for Eligible Directors as beneficiaries who meet the prescribed beneficiary requirements.

(iii) The BIP Trust shall, pursuant to the instructions of the Trust Administrator, acquire the Company Shares from the Company (disposal of treasury shares) or the stock market using the cash entrusted in (ii) above as the fund for purchase. The BIP Trust shall acquire the Company Shares to the extent of the number of shares approved at the GMS. The Company Shares held within the BIP Trust shall be administered per account separately established for respective Eligible Companies in accordance with the cash contributed thereby.

(iv) Dividends for the Company Shares held within the BIP Trust shall be paid in the same manner as for other Company Shares.

(v) Voting rights of the Company Shares held within the Trust shall not be exercised throughout the trust period.

(vi) During the trust period, the Eligible Directors shall, after receiving certain points in accordance with the Share Grant Rules established by respective Eligible Companies, receive the Company Shares corresponding to a certain proportion of such points and the amount of cash equivalent to the selling price of the Company Shares corresponding to the remaining points, which the BIP Trust shall sell in the market, and converted into cash in accordance with the provisions of the trust agreement.

(vii) In the event the Company Shares remain upon the expiry of the trust period due to such reasons as failure to achieve the performance target during the trust period, the Company will continuously use the BIP Trust by revising the trust agreement and entrusting additional cash, or cancel such shares based on the resolution at the Board of Directors' meeting after receiving such remaining shares gratis from the BIP Trust.

(viii) The trust asset remaining after the distribution to the Eligible Directors upon the expiry of the BIP Trust will belong to the Company to the extent of the allowances for trust expenses which remain after the fund for share purchase is deducted from the cash in trust. Furthermore, the amount exceeding the allowances for trust expenses will be donated to an organization with which the Eligible Companies and the Eligible Directors have no conflict of interest.

(Notes) 1. In the event no Company Share remains within the BIP Trust after the grant or payment of the Company Shares, to the Eligible Directors who meet the beneficiary requirements, the BIP Trust shall expire before the expiry of the trust period. Respective Eligible Companies may entrust additional cash to the BIP Trust (through the Company in the case of the Eligible Subsidiaries) to the extent of the amount approved at the GMS as the fund to purchase the Company Shares of the grant or payment to the Eligible Directors of those Eligible Companies.

2. Since the Company has introduced a new share-based compensation plan consisting of a restricted stock compensation plan and a performance share unit plan in place of the existing stock option and performance-based stock remuneration plan, the BIP Trust will not be established in the future.

3) Details of the BIP Plan

a. Outline of the BIP Plan

The BIP plan is in effect for three (3) fiscal years("Covered Period") under which the Company is limited to establish one (1) Trust each year, and should a Trust be established each year, a maximum of three (3) Trusts may be established concurrently.

b. Eligible persons under the Plan (beneficiary requirements)

The Eligible Directors shall, after the expiry of the Covered Period in principle and subject to the satisfaction of the following beneficiary requirements, receive the Company Shares equivalent to 50% of granted points (prescribed in c. below) (the number of shares less than a share unit will be disregarded) and the amount of cash equivalent to the selling price of the remaining Company Shares, which the BIP Trust shall sell in the market, following the completion of the prescribed procedures for the designation as a beneficiary; provided, however, that non-resident Eligible Directors not having a securities account for the management of Japanese shares shall receive the amount of cash equivalent to the selling price of the Company Shares corresponding to the number of points, which the BIP Trust shall sell in the market.

(i) A person who holds the office as an Eligible Director during the Covered Period as of the end of the fiscal year during the Covered period

(ii) A person who has not committed certain illegal activities during his/her service

(iii) A person for whom the number of points as prescribed in c. below has been determined

(iv) A person who meets other conditions necessary to fulfill the purpose as a performance-based share remuneration plan

(Note) In the event an Eligible Director who meets the beneficiary requirements retires during the Covered Period (excluding those who retire for personal reasons or those who are dismissed based on legitimate reasons for dismissal), such Eligible Director shall, without delay following the completion of the prescribed procedures, receive the Company Shares equivalent to 50% of the points to be granted upon retirement (the number of shares less than a share unit will be disregarded) and the amount of cash equivalent to the selling price of the Company Shares corresponding to the remaining points, which shall be sold in the market, Furthermore, if an Eligible Director who meets the beneficiary requirements passes away during the trust period, an heir of such Eligible Director shall receive the amount of cash equivalent to the selling price of the Company Shares corresponding to the number of points to be granted at the point in time, which the BIP Trust shall sell in the market.

c. Number of Company Shares, to be granted or paid to Eligible Directors

Certain points will be granted to a person who holds the office as an Eligible Director as of the end of the final fiscal year during the Covered Period ("Granted Points") in principle. The Granted Points shall be determined depending on the executive rank of Eligible Directors at the establishment of the BIP Trust and the achievement level of performance target.

One (1) point shall be equivalent to one (1) Company Share; provided, however, that, if the total number of the Company Shares increases or decreases during the trust period due to share split, allotment of shares without contribution, consolidation of shares, the Company will adjust the number of Company Shares, to be granted or paid per point depending on the ratio of such increase or decrease.

(Note) The indicators to evaluate the achievement level of the performance target are consolidated net sales, consolidated operating income ratio, net income, ROE, of the Company and is within the range of 0% to 150%.

d. Method and timing of grant or payment of Company Shares, to Eligible Directors

The Eligible Director who meets the beneficiary requirements stated in b. above shall, after the expiry of the Covered Period of the Plan, receive the Company Shares equivalent to 50% of the Granted Points (the number of shares less than a share unit will be disregarded) and the amount of cash equivalent to the selling price of the remaining Company Shares, which the BIP Trust shall

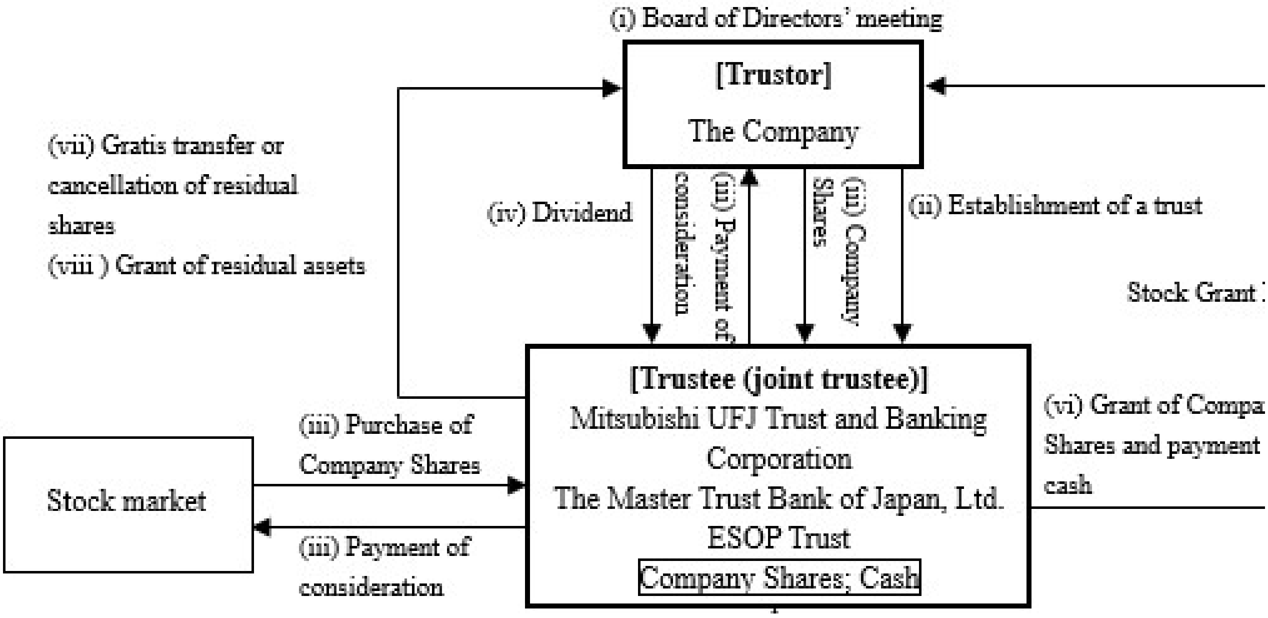
sell in the market, following the completion of the prescribed procedures for the designation as a beneficiary.
See b. above for handling of non-resident Eligible Directors not having a securities account for the management of Japanese shares, retirement of Eligible Directors during the trust period who meet the beneficiary requirements, and death of Eligible Directors while in office.

e. Exercise of voting rights related to Company Shares held within BIP Trust
Voting rights of the Company Shares held within the BIP Trust shall not be exercised to ensure the neutrality of the corporate management.

4) Outline of ESOP Plan

a. The Company has introduced the Plan in the fiscal year ended March 31, 2019 for the purpose of enhancing the welfare system for the Eligible Employees and raising awareness of contribution to improved business performance and enhanced corporate value of our group in the medium to long term by fostering a sense of belonging to our group and inspiring the awareness of participation in the corporate management through the Plan commonly applied throughout our group.
b. The Company adopts a system called the Employee Stock Ownership Plan (ESOP) trust (“ESOP Trust”). The ESOP Trust represents an incentive plan under which the common shares of the Company Shares acquired by the ESOP Trust is granted pursuant to the Share Grant Rules prescribed in advance to the Eligible Employees who meet certain requirements. Furthermore, no burden is imposed on the Eligible Employees since the purchase costs of the Company Shares acquired by the ESOP Trust is totally contributed and borne by respective Eligible Companies.
c. The Company expects the Plan will facilitate business operations with the awareness of the share price and increase work motivation since the Eligible Employees can, through the introduction of the Plan, receive economic returns brought by the increased share price of the Company Shares.

5) Structure of ESOP Trust



(i)	Respective Eligible Companies shall obtain the approval at the Board of Directors' meeting for the employee stock ownership plan related to the introduction of the Plan.
(ii)	The Company shall entrust cash to establish the ESOP Trust for the Eligible Employees of the Eligible Companies who meet the prescribed beneficiary requirements as beneficiaries.
(iii)	The ESOP Trust shall, pursuant to the instruction of the Trust Administrator, acquire the number of the Company Shares expected to be granted to beneficiaries during the trust period from the Company (disposal of treasury shares) or the stock market using the cash entrusted in (ii) above as the fund for purchase.

(iv) Dividends for the Company Shares held within the ESOP Trust shall be paid in the same manner as for other Company Shares.

(v) The Trust Administrator shall, throughout the trust period, give instructions on the exercise of shareholders' rights including the exercise of voting rights, pursuant to which the ESOP Trust shall exercise the shareholders' rights.

(vi) During the trust period, the Eligible Employees shall, after receiving certain points three (3) years later in accordance with the Stock Grant Rules established by respective Eligible Companies, receive the Company Shares corresponding to a certain proportion of such points and the amount of cash equivalent to the selling price of the Company Shares corresponding to the remaining points, which the ESOP Trust shall sell in the market in accordance with the provisions of the trust agreement.

(vii) In the event the Company Shares remain upon the expiry of the trust period due to such reasons as the failure to achieve the performance target during the trust period, the Company will continuously use the ESOP Trust by revising the trust agreement and entrusting additional cash, or cancel such shares based on the resolution at the Board of Directors' meeting after receiving such remaining shares gratis from the ESOP Trust.

(viii) The trust asset remaining after the distribution to the Eligible Employees upon the expiry of the ESOP Trust will belong to the Company. Furthermore, the amount exceeding the allowances for trust expenses will be donated to an organization with which the Eligible Companies or the Eligible Employees have no conflict of interest.

(Notes) 1. In the event no Company Shares remain within the ESOP Trust after the grant of the Company Shares to the Eligible Employees who meet the prescribed beneficiary requirements, the ESOP Trust shall expire before the expiry of the trust period. Respective Eligible Companies may entrust additional cash to the ESOP Trust (through the Company in the case of Eligible Subsidiaries) as the fund to purchase the Company Shares.

2. Since the Company has introduced a new share-based compensation plan consisting of a restricted stock compensation plan and a performance share unit plan in place of the existing stock option and performance-based stock remuneration plan, the ESOP Trust will not be established in the future.

2. Status of Acquisition of Treasury Shares

【Class of shares】 Acquisition of common shares which falls under Article 459, Paragraph 1 and Article 155, Item 7 of the Companies Act.

(1) Status of Acquisition by Resolution of the General Meeting of Shareholders

Not applicable.

(2) Status of Acquisition by resolution of the Board of Directors' Meeting

Classification	Number of shares	Total price (yen)
Resolution of the Board of Directors' meeting (July 28, 2021) (Period of acquisition: From August 2, 2021 to March 24, 2022)	10,000,000	70,000,000,000
Treasury shares acquired before the fiscal year ended March 31, 2021	—	—
Treasury shares acquired during the fiscal year ended March 31, 2022	7,167,500	69,999,997,000
Total number and total value of shares to be acquired by the resolution	2,832,500	3,000
Unexercised rate as of the end of the fiscal year ended March 31, 2022 (%)	28.3	0.0
Treasury shares acquired during the current period	—	—
Unexercised rate as of the filing date (%)	28.3	0.0

(3) Acquisitions Not Based on Resolution of the General Meeting of Shareholders or the Board of Directors' Meeting

Classification	Number of shares	Total price (yen)
Treasury shares acquired during the fiscal year ended March 31, 2022	26,007	79,148,888
Treasury shares acquired during the current period	116	1,012,600

(Note) The number of treasury shares acquired during the current period does not include the number of shares acquired from June 1, 2022 to the date of filing of this Annual Securities Report.

(4)Disposals or holding of Acquired Treasury Shares

Category	Fiscal year ended March 31, 2022		Current Period	
	Number of shares	Total disposal price(yen)	Number of shares	Total disposal price(yen)
Acquired treasury shares for which persons to subscribe are solicited	—	—	—	—
Acquired treasury shares cancelled	24,505	65,791,088	—	—
Acquired treasury shares transferred in association with a merger, equity swap, or company split	—	—	—	—
Others				
(Transfer by exercising stock acquisition rights)	357,000	2,486,000,000	—	—
(Disposal of treasury shares as restricted stock compensation)	39,877	247,604,696	—	—
(Sales through requests to purchase shares of less than one unit)	4	34,564	—	—
Treasury shares held	9,209,364	—	9,209,480	—

(Note) The disposal or holding of treasury shares acquired during the current period does not include the number of shares due to the transfer by exercising stock acquisition rights, sale through requests to purchase shares of less than one unit from June 1, 2022 through the filing date of this Annual Securities Report.

3. Dividend Policy

The Company’s dividend policy is structured as follows to further enhance shareholder returns, corporate value, and development of a flexible capital strategy, based on the premise of a stable business environment during the second mid-term management plan.

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

The Company's dividend policy is to pay dividends from surplus twice a year, once as an interim dividend and once as a year-end dividend. The resolution organ is the Board of Directors, which is authorized to determine matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, including the distribution from surplus, unless otherwise stipulated by laws and regulations. The Company's Articles of Incorporation stipulate to this effect.

The dividends from surplus for the current fiscal year are as follows.

Resolution date	Total dividend (Millions of Yen)	Dividend per share (Yen)
Board of Directors' meeting held on October 28, 2021	9,776	50
Board of Directors' meeting held on May 20, 2022	13,323	70

(Note) Dividend of ¥21 million and ¥29 million to the Company Shares for the BIP Trust and the ESOP Trust are included in the amount of dividend which was resolved at the Board of Directors’ meeting held on October 28, 2021, and May 20, 2022, respectively.

4**. Corporate Governance**

(1) Summary of Corporate Governance

1) Basic views on Corporate Governance

Advantest's Purpose & Mission is "Enabling Leading-Edge Technologies." Advantest constantly strives to improve so that we can offer products and services that will satisfy customers around the world, and contribute to the future of society through the development of the most advanced technologies.

In accordance with the corporate mission described in the preceding paragraph, by being open, honest and respectful at all times with all stakeholders, Advantest aims to achieve a sustainable level of business development for Advantest and to enhance corporate value over the mid-to-long term. To that end, Advantest will establish a fair, efficient and transparent governance system. Above is a basic view on Advantest's corporate governance.

2) Summary of Corporate Governance Systems and Reason for Adapting the Systems

・Summary of Corporate Governance systems

The Board of Directors of the Company, as the management decision making body, shall make decisions on significant matters with respect to the management policies and management strategies for Advantest and shall monitor and supervise the execution of business by Executive Officers. The Company strengthens the oversight and supervisory functions of the Board of Directors so as to appoint multiple outside directors as members of the Board of Directors. The Board of Directors met 13 times in FY2021. All members were present at every Board of Directors' meeting. At the Board of Directors' meetings, directors with a wealth of knowledge and experience expressed their opinions from each point of view on the agenda proposed by the management team, and active discussions took place. The Board of Directors spends about 3 to 5 hours per meeting, and considers budgets, financial statements, Executive Officer personnel, and acquisition or sales of businesses.

The Board of Directors of the Company (including Directors who are Audit and Supervisory Committee members) as of the filing date of this Annual Securities Report (June 22, 2022) is composed of five executive directors (inside directors), one non-executive director (inside directors) and five non-executive directors (outside directors). Two of the directors have non-Japanese nationality (U.S. citizenship). One of the directors is female. In order to maintain seamless communication despite the diversification of Directors, the Company has arranged for simultaneous interpretation at the Board of Directors' meetings so that Board members can speak freely in both Japanese and English. Materials and minutes are also translated into English. Details of the members of the Board of Directors are as described in "(2) Status of Directors" below. The Chairperson of the Board of Directors is Mr. Yoshiaki Yoshida, Representative Director, President and CEO. The Company has proposed the "Election of 8 directors (excluding directors who are audit and supervisory committee members)" and the "Election of 1 director who is an audit and supervisory committee member" as proposals (items to be resolved) for the Ordinary General Meeting of Shareholders to be held on June 24, 2022. Even though the proposal for the election of the Board of Directors is approved by the Ordinary General Meeting of Shareholders, the composition of the Board will not change. If the proposal for the election of the Board of Directors is approved by the Ordinary General Meeting of Shareholders, Mr. Yoshiaki Yoshida is scheduled to serve as the chairperson after the extraordinary meeting of the Board of Directors to be held on June 24, 2022.

The Company delegates necessary authorities to ensure the prompt and efficient performance of duties. The Company holds the Executive Management Committee to deliberate important matters that delegates its authorities. The Executive Management Committee is held approximately twice a month. The Executive Management Committee composed of the Senior Executive Officers. Details of the members of the Executive Management Committee are as described in "(2) Status of Directors" below. Mr. Yoshiaki Yoshida is scheduled to serve as the chairperson of the Executive Management Committee after the extraordinary meeting of the Board of Directors to be held on June 24, 2022.

The Company has shifted to the Audit and Supervisory Committee system on June 24, 2015. In compliance with the audit policies, audit plans, allocation of duties, etc. established by the Audit and Supervisory Committee, and in coordination with the internal audit division and other relevant departments with jurisdiction over internal control, the Audit and Supervisory Committee members attend important meetings such as Executive Management Committee, Business Plan Meeting, Internal Control Committee, Disclosure Committee, Compliance Committee, receive reports from Directors, Executive Officers and employees on the performance of their duties, request further explanations as deem necessary, review important approval-granting documents, and inspect the state of business operations and assets at the head office and other important branch offices. With respect to subsidiaries, the Audit and Supervisory Committee communicate with and exchanged information with the directors and corporate auditors of the subsidiaries and receive business reports from subsidiaries as deem necessary, and conduct audit to the Company's main consolidated subsidiaries overseas (by interviewing via web conferences or face to face), and confirm their state of business operations and assets. The Company's Audit and Supervisory Committee as of the filing date of this Annual Securities Report composed of one inside director and two outside directors. Details of the members of the Audit and Supervisory Committee are as described in "(2) Status of Directors" below. The Chairperson of the Audit and Supervisory Committee is Mr. Yuichi Kurita. The Audit and Supervisory Committee has appointed one person 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. The Company has proposed the "Election of 1 director who is an audit and supervisory committee member" as proposals (items to be resolved) for the Ordinary General Meeting of Shareholders to be held on June 24, 2022. Even though the proposal for the election of the Board of Directors is approved by the Ordinary General Meeting of Shareholders, the composition of the Audit and Supervisory Committee will not change. The Chairperson of the Audit and Supervisory Committee is scheduled to be resolved at the meeting of the Audit and Supervisory Committee scheduled to be held after the Ordinary General Meeting of Shareholders.

The Company has established the Nomination and Compensation Committee as a voluntary organization to assist the Board of Directors in the appointment/selection and dismissal/removal of Directors and Executive Officers and in determining their compensation. The Nomination and Compensation Committee is responsible for the functions of both "the Nomination Committee" and "the Compensation Committee". The Nomination and Compensation Committee shall be responsible for improving the fairness, rationality and transparency of appointment/selection and dismissal/removal of Directors and Executive Officers and their compensation.

The Nomination and Compensation Committee is composed of members selected in members of the Board of Directors under the resolution of the Board of Directors. In order to incorporate an independent perspective, the majority of committee members are outside directors. In FY2021, the Nomination and Compensation Committee met 13 times, and Mr. Toshimitsu Urabe and Mr. Yoshiaki Yoshida attended 13 times, Ms. Sayaka Sumida attended 9 times, and Mr. Kouichi Nanba attended 4 times. All the members were present at every the Nomination and Compensation Committee meeting which they were eligible to attend (given the varying dates of their appointments). The main discussion agenda of the Nomination and Compensation Committee was as follows.

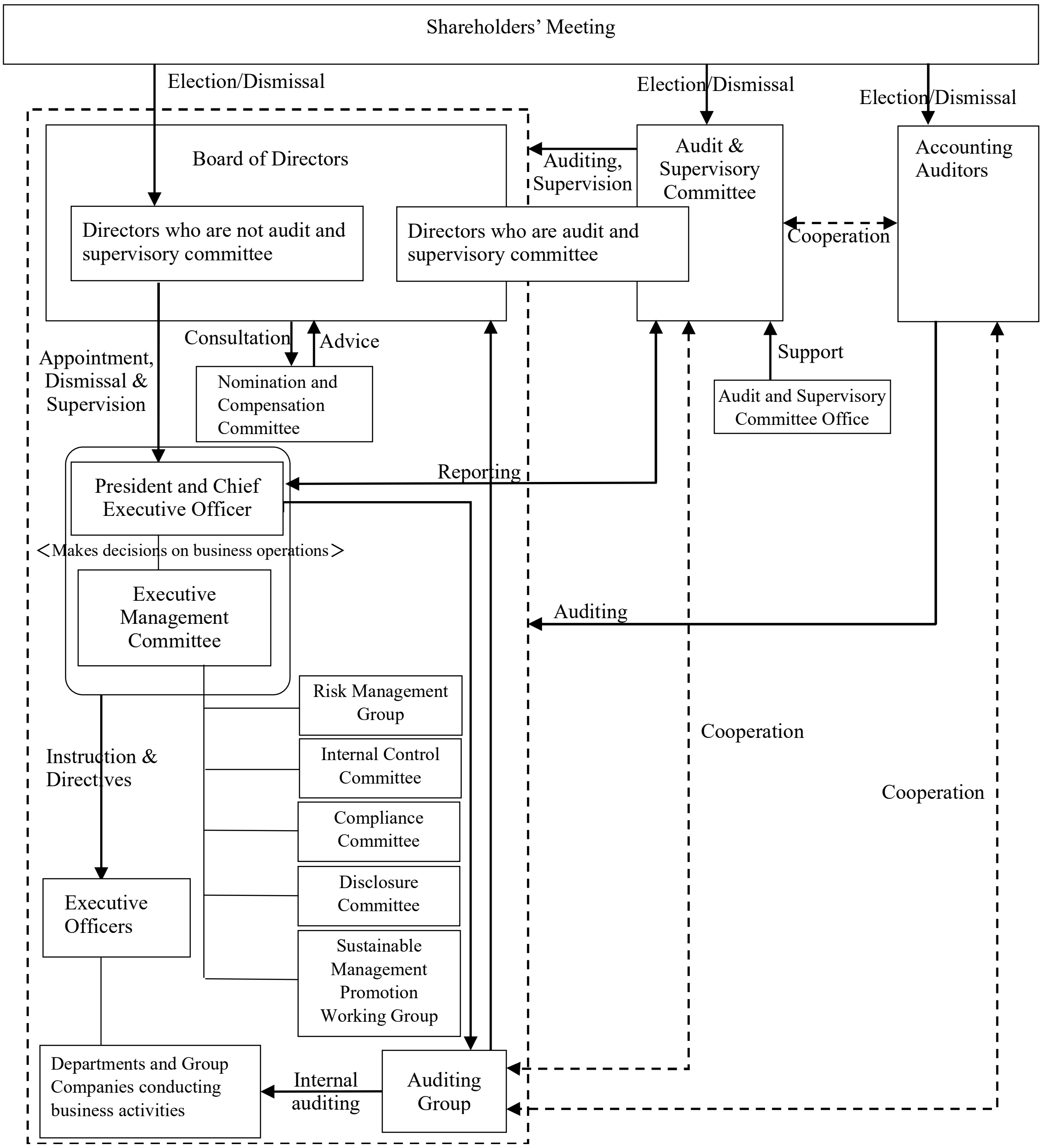
- Candidates for Directors and Executive Officers
- Succession Plan for CEO
- Appropriate levels for Fixed Compensation, Performance-based Bonuses and Stock Compensation and their operations

The current committee members are Mr. Toshimitsu Urabe, Ms. Sayaka Sumida and Mr. Yoshiaki Yoshida. Mr. Toshimitsu Urabe is a chairperson. The above three Directors are scheduled to be elected as members of the Nomination and Compensation Committee at the Board of Directors' meeting scheduled to be held after the Ordinary General Meeting of Shareholders to be held on June 24, 2022. Mr. Toshimitsu Urabe is scheduled to serve as the chairperson at the meeting of the Nomination and Compensation Committee scheduled to be held after the Board of Directors to be held on June 24, 2022.

The Nomination and Compensation Committee shall, in accordance with the "Directors and Executive Officers Nomination/Dismissal Policy and Procedures" established by the Board of Directors, report to the Board of Directors on candidates for Directors and Executive Officers who are capable of contributing to the sustainable development of Advantest and the improvement of mid-to-long term corporate value. In addition to the aforementioned "Directors and Executive Officers Nomination/Dismissal Policy and Procedures," report to the Board of Directors on candidates for Independent Outside Directors who have abundant knowledge and are expected to actively contribute to the Board of Directors in accordance with the "Independence Standards for Independent Outside Directors" established by the Board of Directors. The Board of Directors deliberates on these reports, determines candidates for Directors, and selects Executive Officers.

When a report on the results of deliberations by the Nomination and Compensation Committee falls under the dismissal criteria for Directors and/or Executive Officers or if there is a proposal for dismissal from another Director, the Board of Directors will deliberate.

The chart below shows the corporate governance system for management decision-making, business execution and audits.



・Reasons for adoption of current Corporate Governance systems

Under a company with Audit and Supervisory Committee, the audit and supervisory functions of the Board of Directors can be further strengthened, as shown by the fact that Directors who are Audit and

Supervisory Committee members have voting rights at the Board of Directors. Advantest believes that this will enable us to achieve a sustainable level of business development and improvement of mid-to-long term corporate value; therefore, Advantest has adopted the structure of a company with an Audit and Supervisory Committee.

Advantest also believes that a certain number of external persons are necessary among the members of the Board of Directors in order to provide advice that will lead to the sustainable development of Advantest and the improvement of mid-to-long term corporate value, as well as to monitor and supervise management. Therefore, Advantest has appointed five outside directors. We will continue to consider the best structure for the Board of Directors.

Furthermore, Advantest has established a system to respond quickly to the rapidly changing business environment, adopted an executive officer system in order to execute business operations swiftly, and delegated much of the authority to execute business to an executive side.

3) Other Matters Concerning Corporate Governance

・Status of development of Internal Control systems

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.

The Company established The Advantest Way, which articulates the Purpose & Mission, the Vision, the Core Values, the Guiding Principle, and the Ethical Standards. Advantest held “Leading with INTEGRITY” workshops for managers around the world to help them embody leadership based on “INTEGRITY”.

In FY2021, the Compliance Committee met four times, which has been headed by CCO (Chief Compliance Officer). In the Committee, compliance cases and results of compliance surveys were reported.

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.

・Status of development of Risk management systems

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 Advantest 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.

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

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, Advantest 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.

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

・Status of Framework to ensure proper operations of the Company's subsidiaries

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.

・Overview of limited liability agreements

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company enters into contracts with its Directors (excluding its Executive Directors) to limit their liabilities for a failure to perform their duties. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.

・Overview of the contents of indemnification agreements

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.

・Overview of the contents of the directors and officers liability insurance contracts

Advantest 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 the Company's 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.

・Number of Directors

The number of Directors of the Company shall be no more than fifteen. Among the Directors set forth in the preceding paragraph, the number of Directors who are Audit and Supervisory Committee members shall be no more than five.

・Requirements for resolution of Directors Nomination/Dismissal

Directors shall be elected, distinguishing Directors who shall become Audit and Supervisory Committee members from those who shall not, at the General Meeting of Shareholders. A resolution to elect a Director shall be made at a meeting at which the shareholders holding one-third or more of the voting rights of all shareholders who are entitled to exercise their voting rights, and shall be adopted by a majority of votes thereof. Pursuant to Article 341 of the Companies Act, a resolution to dismiss a director shall be adopted by a majority of the voting rights of the shareholders present at the meeting where the shareholders holding a majority of the voting rights of the shareholders entitled to exercise their voting rights are present.

Cumulative voting shall not be used for election of Directors in the Article of Incorporation.

・Resolutions of the General Meeting of Shareholders that can be resolved by the Board of Directors

In order to make management decisions more flexibly, the Company's Articles of Incorporation provide that matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, may be determined by resolution of the Board of Directors, unless otherwise provided for in laws and regulations.

Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation provide that the Company may, by resolution of the Board of Directors, exempt Directors (including former Directors) from liability for damages arising from negligence in the performance of their duties to the extent permitted by laws and regulations, so that Directors can fully exercise their expected roles in the performance of their duties. The Company has stipulated in the supplementary provisions of the Articles of Incorporation that the provisions of the Articles of Incorporation prior to the change to the Company with Audit and Supervisory Committee shall remain in force with respect to agreements concerning partial exemption from liability based on the actions of the Audit and Supervisory Board Members by resolution of the Board of Directors prior to the change to the Articles of Incorporation and the limitation of such liability.

・Special resolutions of general meetings of shareholders

The Company’s Articles of Incorporation prescribe that Special resolutions of general meetings of shareholders set forth in Article 309, Paragraph 2 of the Companies Act shall be made at a meeting at which the shareholders holding one-third or more of the voting rights of all shareholders who are entitled to exercise their voting rights, and shall be adopted by two-thirds of votes thereof.

(2) Directors

1) List of Directors

a. The Directors of the Company as of June 22, 2022 (As of the filing date of this Annual Securities Report) are shown as below.

Ten men and one woman (Percentage of women: 9%)

Title	Name	Date of Birth	Brief biography	Term of office	Share ownership (unit:100 shares)
Representative Director, President and CEO	Yoshiaki Yoshida	February 8, 1958	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)	(Notes) 2	535
Director	Osamu Karatsu	April 25, 1947	April 1975 Joined Nippon Telegraph and Telephone Public Corporation June 1991 Executive Manager, LSI Laboratories, Nippon Telegraph and Telephone Corporation June 1997 Vice President and Director, Advanced Telecommunications Research Institute International April 1999 Principal Consultant, SRI Consulting K.K. April 2000 Chief Executive Director, SRI International Japan June 2012 Outside Director of Advantest Corporation (present position)	(Notes) 2	33
Director	Toshimitsu Urabe	October 2, 1954	April 1978 Joined Mitsubishi Corporation April 2009 Senior Vice President and Deputy Chief Representative for China of Mitsubishi Corporation, and President for Mitsubishi Corporation (Hong Kong) Ltd. April 2011 Senior Vice President and Senior Assistant to Senior Executive Vice President, Human Resources of Mitsubishi Corporation April 2013 Executive Vice President, Group CEO, Business Service Group of Mitsubishi Corporation April 2017 Advisor, Mitsubishi Corporation June 2017 Deputy President and Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) June 2019 Outside Director of Advantest Corporation (present position) April 2021 Outside Director of Japan Business Systems, Inc. (present position)	(Notes) 2	5

Title	Name	Date of Birth	Brief biography	Term of office	Share ownership (unit:100 shares)
Director	Nicholas Benes	April 16, 1956	September 1983 Joined Morgan Guaranty Trust Company of New York (currently JPMorgan Chase & Co.) November 1983 Joined California and New York State Bar Association May 1994 Senior Managing Director, Kamakura Corporation April 1997 President and Founder, JTP Corporation (present position) March 2000 Outside Director, Alps Mapping Co., Ltd. December 2006 Outside Director, Livedoor Holdings Co., Ltd. March 2007 Outside Director, Cecile Co., Ltd. November 2009 Representative Director, The Board Director Training Institute of Japan (present position) June 2016 Outside Director, Imagica Robot Holdings Inc. (currently IMAGICA GROUP Inc.) June 2019 Outside Director of Advantest Corporation (present position)	(Notes) 2	6
Director, Senior Executive Officer CPO (Chief Production Officer)	Soichi Tsukakoshi	February 1, 1960	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 Executive Officer (Senmu Shikko Yakuin) June 2021 Director, Senior Executive Officer (Keiei Sikko Yakuin) (present position) CPO (Chief Production Officer) (present position)	(Notes) 2	96
Director, Senior Executive Officer CFO & CCO (Chief Financial Officer & Chief Compliance Officer)	Atsushi Fujita	November 15, 1959	April 1983 Joined Advantest Corporation June 2015 Executive Officer June 2017 Managing Executive Officer Executive Vice President, Corporate Administration Group (present position) June 2019 Director, Managing Executive Officer Corporate Administration June 2020 Corporate Administration and Compliance June 2021 Director, Senior Executive Officer (present position) CFO & CCO (Chief Financial Officer & Chief Compliance Officer) (present position)	(Notes) 2	61

Title	Name	Date of Birth	Brief biography	Term of office	Share ownership (unit:100 shares)
Director, Senior Executive Officer CTO (Chief Technology Officer)	Koichi Tsukui	December 11, 1964	April 1987 Joined Advantest Corporation June 2014 Executive Officer June 2015 Managing Executive Officer June 2018 Executive Vice President, Memory Test Business Unit, ATE Business Group 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)	(Notes) 2	58
Director, Senior Executive Officer CSO (Chief Strategy Officer)	Douglas Lefever	December 10, 1970	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)	(Notes) 2	-
Director, Standing Audit and Supervisory Committee Member	Yuichi Kurita	July 28, 1949	April 1973 Joined Fujitsu Limited March 2001 Joined Advantest Corporation June 2003 Executive Officer June 2007 Director, Managing Executive Officer June 2009 Corporate Planning and Administration June 2010 Director, Senior Executive Officer June 2012 Standing Corporate Auditor June 2015 Director, Standing Audit and Supervisory Committee Member (present position)	(Notes) 3	66

Title	Name	Date of Birth	Brief biography		Term of office	Share ownership (unit:100 shares)
Director, Audit and Supervisory Committee Member	Kouichi Nanba	September 1, 1949	April 1979 April 1989 April 1993 April 1997 April 1999 May 2010 August 2012 October 2014 June 2019	Assistant Judge, Tokyo District Court Judge, Chiba District Family Court Professor, Legal Training and Research Institute Judge, Tokyo District Court Chief Judge, Tokyo District Court Director, Kumamoto District Court Chief Judge, Tokyo High Court Special Counsel, Mori Hamada & Matsumoto Legal Firm (present position) Director, Audit and Supervisory Committee Member (present position)	(Notes) 3	5
Director, Audit and Supervisory Committee Member	Sayaka Sumida	January 28, 1961	October 1984 May 2006 August 2007 July 2010 January 2015 February, 2017 June 2020	Joined Asahi Accounting Company (currently KPMG AZSA LLC) Partner, KPMG Azsa & CO., (currently KPMG AZSA LLC) Chairperson of Audit Standards Committee, The Japanese Institute of Certified Public Accountants Executive Board Member (in charge of Quality Control Standards and Audit Standards), The Japanese Institute of Certified Public Accountants Board Member, International Auditing and Assurance Standards Board (IAASB), International Federation of Accountants (IFAC) Member, Business Accounting Council in the Financial Services Agency (present position) Outside Audit and Supervisory Board Member, Furukawa Electric Co., Ltd. (present position) Outside Audit and Supervisory Board Member, Nisshin OilliO Group, Ltd. (present position) Director, Audit and Supervisory Committee Member (present position)	(Notes) 2	3
Total						872

(Notes) 1. Mr. Osamu Karatsu, Mr. Toshimitsu Urabe, Mr. Nicholas Benes, Mr. Kouichi Nanba and Ms. Sayaka Sumida are outside directors.

2. Term of office will expire upon the closing of the Ordinary General Meeting of Shareholders to be held in June 2022.
3. Term of office will expire upon the closing of the Ordinary General Meeting of Shareholders to be held in June 2023.
4. Less than 100 shares ownership is rounded down.
5. The Company has in place an Executive Officers System to clarify and separate the functions of

Board members (decision-making and supervision) from the functions of Executive Officers (business execution) with the aim of making Board activities more effective. The position of Executive Officer is currently held by 24 persons (including those who serve as Director), as follows:

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

b. The Directors of the Company will be as shown below, when the proposed items of “Election of eight (8) Directors (excluding Directors who are Audit and Supervisory Committee members)” and “Election of one (1) Director who is an Audit and Supervisory Committee member” will be resolved at the Ordinary General Meeting of Shareholders to be held on June 24, 2022. This table below also shows the proposed items, including titles and positions resolved at the Board of Directors' Meeting of the Company held on June 17, 2022. The changes from June 22, 2022 (As of the filing date of this Annual Securities Report) are underlined.

Ten men and one woman (Percentage of women: 9%)

Title	Name	Date of Birth	Brief biography	Term of office	Share ownership (unit:100 shares)
Representative Director, President and CEO	Yoshiaki Yoshida	February 8, 1958	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)	(Notes) 2	535
Director	Osamu Karatsu	April 25, 1947	April 1975 Joined Nippon Telegraph and Telephone Public Corporation June 1991 Executive Manager, LSI Laboratories, Nippon Telegraph and Telephone Corporation June 1997 Vice President and Director, Advanced Telecommunications Research Institute International April 1999 Principal Consultant, SRI Consulting K.K. April 2000 Chief Executive Director, SRI International Japan June 2012 Outside Director of Advantest Corporation (present position)	(Notes) 2	33
Director	Toshimitsu Urabe	October 2, 1954	April 1978 Joined Mitsubishi Corporation April 2009 Senior Vice President and Deputy Chief Representative for China of Mitsubishi Corporation, and President for Mitsubishi Corporation (Hong Kong) Ltd. April 2011 Senior Vice President and Senior Assistant to Senior Executive Vice President, Human Resources of Mitsubishi Corporation April 2013 Executive Vice President, Group CEO, Business Service Group of Mitsubishi Corporation April 2017 Advisor, Mitsubishi Corporation June 2017 Deputy President and Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) June 2019 Outside Director of Advantest Corporation (present position) April 2021 Outside Director of Japan Business Systems, Inc. (present position)	(Notes) 2	5

Title	Name	Date of Birth	Brief biography		Term of office	Share ownership (unit:100 shares)
Director	Nicholas Benes	April 16, 1956	September 1983	Joined Morgan Guaranty Trust Company of New York (currently JPMorgan Chase & Co.)	(Notes) 2	6
			November 1983	Joined California and New York State Bar Association		
			May 1994	Senior Managing Director, Kamakura Corporation		
			April 1997	President and Founder, JTP Corporation (present position)		
			March 2000	Outside Director, Alps Mapping Co., Ltd.		
			December 2006	Outside Director, Livedoor Holdings Co., Ltd.		
			March 2007	Outside Director, Cecile Co., Ltd.		
			November 2009	Representative Director, The Board Director Training Institute of Japan (present position)		
			June 2016	Outside Director, Imagica Robot Holdings Inc. (currently IMAGICA GROUP Inc.)		
			June 2019	Outside Director of Advantest Corporation (present position)		
Director, Senior Executive Officer CPO (Chief Production Officer)	Soichi Tsukakoshi	February 1, 1960	April 1983	Joined Advantest Corporation	(Notes) 2	96
			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 Executive Officer (Senmu Shikko Yakuin)		
			June 2021	Director, Senior Executive Officer (Keiei Sikko Yakuin) (present position) CPO (Chief Production Officer) (present position)		
			June 2022	In Charge of Quality Assurance Group (present position)		
Director, Senior Executive Officer CFO & CCO (Chief Financial Officer & Chief Compliance Officer)	Atsushi Fujita	November 15, 1959	April 1983	Joined Advantest Corporation	(Notes) 2	61
			June 2015	Executive Officer		
			June 2017	Managing Executive Officer Executive Vice President, Corporate Administration Group (present position)		
			June 2019	Director, Managing Executive Officer Corporate Administration		
			June 2020	Corporate Administration and Compliance		
			June 2021	Director, Senior Executive Officer (present position) CFO & CCO (Chief Financial Officer & Chief Compliance Officer) (present position)		

Title	Name	Date of Birth	Brief biography	Term of office	Share ownership (unit:100 shares)
Director, Senior Executive Officer CTO (Chief Technology Officer)	Koichi Tsukui	December 11, 1964	April 1987 Joined Advantest Corporation June 2014 Executive Officer June 2015 Managing Executive Officer June 2018 Executive Vice President, Memory Test Business Unit, ATE Business Group 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)	(Notes) 2	58
Director, Senior Executive Officer CSO (Chief Strategy Officer)	Douglas Lefever	December 10, 1970	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 Executive Vice President, 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)	(Notes) 2	-
Director, Standing Audit and Supervisory Committee Member	Yuichi Kurita	July 28, 1949	April 1973 Joined Fujitsu Limited March 2001 Joined Advantest Corporation June 2003 Executive Officer June 2007 Director, Managing Executive Officer June 2009 Corporate Planning and Administration June 2010 Director, Senior Executive Officer June 2012 Standing Corporate Auditor June 2015 Director, Standing Audit and Supervisory Committee Member (present position)	(Notes) 2	66

Title	Name	Date of Birth	Brief biography		Term of office	Share ownership (unit:100 shares)
Director Audit and Supervisory Committee Member	Kouichi Nanba	September 1, 1949	April 1979 April 1989 April 1993 April 1997 April 1999 May 2010 August 2012 October 2014 June 2019	Assistant Judge, Tokyo District Court Judge, Chiba District Family Court Professor, Legal Training and Research Institute Judge, Tokyo District Court Chief Judge, Tokyo District Court Director, Kumamoto District Court Chief Judge, Tokyo High Court Special Counsel, Mori Hamada & Matsumoto Legal Firm (present position) Director, Audit and Supervisory Committee Member (present position)	(Notes) 2	5
Director Audit and Supervisory Committee Member	Sayaka Sumida	January 28, 1961	October 1984 May 2006 August 2007 July 2010 January 2015 February, 2017 June 2020	Joined Asahi Accounting Company (currently KPMG AZSA LLC) Partner, KPMG Azsa & CO., (currently KPMG AZSA LLC) Chairperson of Audit Standards Committee, The Japanese Institute of Certified Public Accountants Executive Board Member (in charge of Quality Control Standards and Audit Standards), The Japanese Institute of Certified Public Accountants Board Member, International Auditing and Assurance Standards Board (IAASB), International Federation of Accountants (IFAC) Member, Business Accounting Council in the Financial Services Agency (present position) Outside Audit and Supervisory Board Member, Furukawa Electric Co., Ltd. (present position) Outside Audit and Supervisory Board Member, Nisshin OilliO Group, Ltd. (present position) Director, Audit and Supervisory Committee Member (present position)	(Notes) 3	3
Total						872

(Notes) 1. Mr. Osamu Karatsu, Mr. Toshimitsu Urabe, Mr. Nicholas Benes, Mr. Kouichi Nanba and Ms. Sayaka Sumida are outside directors.

2. Term of office will expire upon the closing of the Ordinary General Meeting of Shareholders to be held in June 2023.

3. Term of office will expire upon the closing of the Ordinary General Meeting of Shareholders to be held in June 2024.

4. Less than 100 shares ownership is rounded down.

5. The Company has in place an Executive Officers System to clarify and separate the functions of

Board members (decision-making and supervision) from the functions of Executive Officers (business execution) with the aim of making Board activities more effective. The position of Executive Officer is currently held by 24 persons (including those who serve as Director), as follows:

Representative Director, President and CEO:	Yoshiaki Yoshida
Director, Senior Executive Officer:	Soichi Tsukakoshi, Atsushi Fujita, Koichi Tsukui, Douglas Lefever
Senior Executive Officer:	Keith Hardwick, CHO (Chief Human Capital Officer)
	Kimiya Sakamoto, CCRO (Chief Customer Relations Officer)
	Yasuo Mihashi, Co-CSO (Co-Chief Strategy Officer)
	Juergen Serrer, Sub Leader, ATE Business Group
	Sanjeev Mohan, Co-CCRO (Co-Chief Customer Relations Officer)
	Richard Junger, CDO & Co-CPO (Chief Digital Officer & Co-Chief Production Officer)
	Yong Xu, China Business Strategy
Executive Officer:	Kazuhiro Yamashita, Sub Leader, ATE Business Group
	Michael Stichlmair, Senior Vice President (Officer) (Europe), Sales Group
	Suan Seng Sim (Ricky Sim), Managing Director (CEO), Advantest (Singapore) Pte. Ltd.
	Makoto Nakahara, Senior Vice President (Officer) (Asia), Sales Group
	Masayuki Suzuki, Executive Vice President, Memory Test Business Unit, ATE Business Group
	Naruo Tanaka, Executive Vice President, New Area Business Development Initiative
	Toshiaki Adachi, Senior Vice President (Officer), SoC Test Business Unit, ATE Business Group
	Wan-Kun Wu (Alex Wu), Chairman of the Board and President (CEO), Advantest Taiwan Inc.
	Chien-Hua Chang (Titan Chang), Executive Vice President, Field Service Group
	Akio Osawa, Senior Vice President (Officer) (System Solution), Sales Group
	Yasushi Yoshimoto, Co-CHO (Co-Chief Human Capital Officer)
	Jaehyuk Cha, Director, Advantest Korea Co., Ltd.

2) Outside Directors

The Company enhances the supervisory and oversight functions of the Board of Directors by including outside directors among the board members and also enhances audit functions by including outside directors among the Audit and Supervisory Committee members.

The number of outside directors as of the filing date of this Annual Securities Report (June 22, 2022) is five (two of whom are Audit and Supervisory Committee Members). The status of important concurrent positions held by each Outside Director and the reasons for their appointment and independence are as follows. The Company has proposed the "Election of 8 directors (excluding the Audit and Supervisory Committee members" and "Election of 1 director who is an audit and supervisory committee member" as proposals (items to be resolved) for the Ordinary General Meeting of Shareholders to be held on June 24, 2022. Even though the proposal for the election of the Board of Directors is approved by the Ordinary General Meeting of Shareholders, the members of outside directors will not change from the filing date of this Annual Securities Report.

Each outside director of our company owns shares in our company, but the number of such shares is small as described in "1) Directors" In addition, the relationship between each outside director and the Company, and the relationship between the company in which each outside director concurrently serves and the Company are as follows.

Name	Concurrent position(s)	The reasons for nomination and Independence
Osamu Karatsu	-	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. 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” 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.
Toshimitsu Urabe	Outside Director, Japan Business Systems, Inc.	Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company, particularly overseas experience in the United States of America 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. 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 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.

Name	Concurrent position(s)	The reasons for nomination and Independence
Nicholas Benes	Representative Director, The Board Director Training Institute of Japan	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. 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 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.
Kouichi Nanba	Special Counsel, Mori Hamada & Matsumoto Legal Firm	Although Mr. Kouichi Nanba has not been directly involved in the management of a company in the past, he has a wealth of experience and a high level of expertise in law and compliance, after serving as a judge mainly in charge of civil cases for many years, and as engaging in the practice of corporate legal affairs as a lawyer. He 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. Thus, the Company believes that he is a suitable person a director who is an audit and supervisory member, and therefore, has nominated him again as a candidate for an outside director. The Company has no special transactions with Mr. Kouichi Nanba or the law firm to which he belongs. Therefore, the Company judges that he is sufficiently independent in light of the Independence Criteria of Independent Outside Directors specified by the Company. And since he also satisfies the requirements for independent directors/auditors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director.
Sayaka Sumida	Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd. Outside Audit & Supervisory Board Member, The Nisshin OilliO Group, Ltd.	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. 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 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.

Independence Criteria of Independent Outside Directors

Outside Director of 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 the Company
   (3) Relative of person who was an Executive or Board Director of the Company or subsidiary of the 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.

3) Interoperation between supervising or auditing by outside directors and internal audit, Audit and Supervisory Committee members, financial audits and relationship with internal control department

The status of design and operation of internal control systems and significant results and significant material deficiencies detected in the course of assessment evaluation of internal controls shall be reported to the Board of Directors. Outside directors can attend the Internal Control Committee as observers.

The Audit and Supervisory Committee, the Auditing Group and the Independent Accounting Auditors collaborate with one another so as to carry out regular discussions or timely meetings. Outside directors who are the Audit and Supervisory Committee members express their opinions as necessary.

(3) Status of Auditing

1) Status of Auditing by Audit and Supervisory Committee

a. Organization of the Audit and Supervisory Committee

As of the filing date of this Annual Securities Report, the Audit and Supervisory Committee is comprised of one inside director and two outside directors. The Audit and Supervisory Committee appoints the inside director a standing Audit and Supervisory Committee member. The Company has proposed "Election of one Director who is a member of the Audit and Supervisory Committee" as an agenda item (resolution item) for the Ordinary General Meeting of Shareholders to be held on June 24, 2022, and if such agenda item is approved, the Audit and Supervisory Committee will be structured in the same manner as of the filing date of this Annual Securities Report.

Mr. Yuichi Kurita, an inside director and a member of the Audit and Supervisory Committee, has long experience as an officer in Advantest's corporate planning, finance and administration. Ms. Sayaka Sumida, an outside director and a member of the Audit and Supervisory Committee, has work experience in an accounting firm as a certified public accountant. Both have sufficient knowledge of finance and accounting. Also, Mr. Kouichi Nanba, an outside director and a member of the Audit and Supervisory Committee, has long experience and abundant knowledge of legal affairs.

The company has the Audit and Supervisory Committee Office dedicated to supporting the duties of the Audit and Supervisory Committee and its members. The office is comprised of one full-time employee who is independent of business execution.

b. Activities of the Audit and Supervisory Committee

(Major considerations by the Audit and Supervisory Committee)

The major matters considered by the Audit and Supervisory Committee are as follows

- The audit policy, audit plan, and the assignment of duties by Audit and Supervisory Committee members
- Status of execution of duties by directors, executive officers, and other officers responsible for the execution of the business
- Status of development and operation of internal control systems
- Prior confirmation of the contents of the agenda of the Board of Directors meetings that are deemed to be of particular importance
- Status of discussions at the Executive Management Committee, highest decision-making body for business execution
- Independence of the independent auditor and the status of their audits

During FY2021, the Audit and Supervisory Committee conducted its audit primarily from the perspective of global and group management, paying particular attention to the following points.

- Whether the Company's business operations are properly conducted in accordance with Grand Design and Second Mid-Term Management Plan.
- Whether appropriate measures are taken to ensure the penetration and effectiveness of The Advantest Way.
- Whether substantive discussions are held at the Executive Management Committee composed by the senior executive officers.
- Whether status of risks surrounding Advantest Group and measures to deal with such risks are understood and reflected in management policies and strategies.
- Whether policies determined by the Board of Directors are thoroughly implemented at the front lines of business execution.
- Issues in business execution are reported to the executive officers and directors, and particularly important matters are reported to the Board of Directors.

(Activities of the Audit and Supervisory Committee)

The Audit and Supervisory Committee audits the execution of duties by directors, executive officers and other officers responsible for the execution of the business in accordance with the audit policy, audit plan and assignment of the Audit and Supervisory Committee member’s duties. The main activities of the Audit and Supervisory Committee during FY2021 are as follows.

Activities		Standing	Outside
The Audit and Supervisory Committee	- The Audit and Supervisory Committee meeting (13 times)	○	○
Attendance at important meetings	- The Board of Directors meetings (13 times)	○	○
	- Internal Control Committee (twice), Compliance Committee (four times)	○	○
	- Executive Management Committee, Business Plan Meeting, Disclosure Committee, Executive Mid-term Strategy Meeting, Executive Officers Meeting in Japan, General managers' meeting, etc.	○	—
Interviews with executive directors,	- Interview with Representative Director and CEO (twice) - Interviews with executive directors, executive officers	○ ○	○ (Notes) 1.

Activities		Standing	Outside
executive officers			
Audits of major departments and subsidiaries	- Audits of departments selected in the audit plan and major domestic and foreign consolidated subsidiaries - Inspection of the status of operations and assets of the head office and major domestic and overseas consolidated subsidiaries	○ ○	(Notes) 1. (Notes) 1.
Inspection of important documents	- Inspection of important approval documents - Monthly reports from domestic and overseas consolidated subsidiaries	○ ○	— —
Collaboration with outside directors and subsidiary auditors	- Attendance at meetings of outside directors - Periodic discussions with auditors of domestic and overseas consolidated subsidiaries (twice) - Exchange of opinions as needed	○ ○ ○	○ (Notes) 1. (Notes) 1.
Cooperation with the Auditing Group	- Periodic reports from the Auditing Group (internal audit division) (5 times) - Exchange of opinions as needed	○ ○	○ (Notes) 1.
Cooperation with the independent auditor	- Periodic exchanges of opinions on audit plans, status of quarterly reviews and year-end audits, and Key Audit Matters (KAM) with the independent auditor (6 times) - Meetings with the global audit team, including the audit teams of overseas consolidated subsidiaries (once) - Exchange of opinions as needed	○ ○ ○	○ — (Notes) 2.

(Notes) 1. Outside Audit and Supervisory Committee members participate in meetings to the extent possible, including the use of WEB conferencing.
2. Outside Audit and Supervisory Committee members participate according to the agenda.

In FY2021, as in the previous fiscal year, due to the impact of COVID-19, the Audit and Supervisory Committee members were unable to conduct the planned on-site audit of major domestic and overseas consolidated subsidiaries and some domestic offices, but conducted WEB conferences and face-to-face interviews.

(Status of the Audit and Supervisory Committee meetings)

During FY2021, the Audit and Supervisory Committee held 13 meetings, and Mr. Yuichi Kurita, who is the standing Audit and Supervisory Committee member, and Mr. Kouichi Nanba and Ms. Sayaka Sumida, who are outside Audit and Supervisory Committee member, each attended 13 meetings, with each attendance rate of 100%.

The average time of the Audit and Supervisory Committee was approximately one and a half hours, and active exchange of opinions and discussions took place. The Audit and Supervisory Committee mainly shares and discusses the following agenda items.

- The status of business execution based on information that the standing Audit and Supervisory Committee member obtains through his activities, including attendance at important meetings such as the Executive Management Committee and hearing reports on business operations.
- Proposals that are (or have been) brought up for discussion at the Board of Directors meetings
- The status of risk assessment and compliance of the Group at the Internal Control Committee and Compliance Committee meetings
- Audit by the independent auditor

In addition, the Audit and Supervisory Committee takes up the status of discussions at the Nomination and Compensation Committee meetings as appropriate to share information.

(Collaboration with outside directors of Advantest and Audit & Supervisory Board Member of consolidated subsidiaries)

The Audit and Supervisory Committee members participate in meetings of outside directors and ensure that they have regular opportunities to exchange opinions with outside directors other than Audit and Supervisory Committee members regarding management policies and the status of execution of duties. In addition, the Audit and Supervisory Committee members regularly exchange opinions with the auditors of Advantest Group company and ensure that they have opportunities to exchange opinions and communicate with each other as necessary.

（Cooperation with the Audit Group [internal audit division] ）

The Audit and Supervisory Committee regularly exchanges opinions on the annual audit plan and quarterly activities of the Audit Group, including the evaluation of internal control over financial reporting based on the Financial Instruments and Exchange Act. The Audit and Supervisory Committee also exchanges opinions on the results of internal audits on individual topics as necessary.

（Cooperation with the Independent Auditor）

The Audit and Supervisory Committee has regular meetings with the independent auditor at the time of audit planning and on a quarterly basis. At these meetings, the Audit and Supervisory Committee receives reports from the independent auditor on the audit plan, status of group audits, quarterly review results, and year-end audit results and questions are raised as necessary on audit issues.

With regards, Key Audit Matters (KAM), at the time of the year-end audit, the independent auditor presented a draft of the KAM along with the reasons for narrowing down the list of potential KAM candidates during the period (including reasons for changes from KAM items in the previous fiscal year). The Audit and Supervisory Committee communicated opinions and requests regarding the description of KAM to the independent auditor.

In addition to "Valuation of goodwill and intangible assets related to recent business acquisitions," which is determined as a KAM in the year-end audit, the Audit and Supervisory Committee also discussed with the independent auditor the relative degree of risk of material misstatement and audit procedures with respect to other items which the independent auditor identified as “Significant Risks” such as the revenue recognition around the year-end and valuation of inventories. The Audit and Supervisory Committee also had in-depth discussions with the independent auditor regarding the data analytics applied by the independent auditor and their approach to discount rates applied to business acquisitions and fixed asset valuations.

2) Status of Auditing by Internal Auditors

The Company has the Auditing Group that is under the direction of the Representative Director, President and CEO. The Auditing Group composed of seven full-time employees, in cooperation with the internal audit members of the main subsidiaries, conducts internal audits of the Company and Advantest Group based on the audit plan for each fiscal year. The Auditing Group is monitoring the design and operation of Advantest's internal control in order to fulfill the internal audit function, as well as grasping, pointing out, and recommending improvements. The Audit and Supervisory Committee, the Auditing Group and the Accounting Auditors collaborate with one another so as to carry out regular discussions or timely meetings.

3) Status of Auditing by the Independent Auditor

The Company has entered into an audit contract with Ernst & Young ShinNihon LLC for audits of the Advantest’s financial statements and its internal control over financial reporting in accordance with the Companies Act and the Financial Instruments and Exchange Act. The certified public accountants who performed audit services and the assistants for audit services during the fiscal year 2021 are as follows:

a. Name of Independent Auditor

Ernst & Young ShinNihon LLC

b. Period of consecutive audit

Financial audits are being continued since fiscal year ended March 31, 1983, when listed on the second section of the Tokyo Stock Exchange. There is the possibility that continuous audit term may over the above year because it is extremely difficult to investigate prior to the fiscal year ended March 31, 1983.

c. Certificated public accountants (CPA) who executed audit are as follows:

<table>
<tr><th colspan="2">Name of CPA, and others</th></tr>
<tr><td rowspan="3">Certificated public accountant Designated and Engagement Partner</td><td>Toshiyuki Matsumoto</td></tr>
<tr><td>Minoru Ota</td></tr>
<tr><td>Hiroyuki Nakada</td></tr>
</table>

(Note) The rotation of the certified public accountants is conducted appropriately at Ernst & Young ShinNihon LLC and no certified public accountants are involved in accounting audits of same company for more than seven consecutive fiscal years. Lead certified public accountants are not involved in accounting audits of the same company for more than five consecutive fiscal years. If a certified public accountant is involved in accounting audits of the same company for seven consecutive fiscal years, he or she will be involved in accounting audits of that company only after an interval of five fiscal years. Lead certified public accountants who are involved in accounting audits of the same company for five consecutive fiscal years will not be involved in accounting audits of that company again.

d. Assistants in financial audits

Assistants for accounting audit services are mainly composed of certified public accountants and include those who have expert knowledge such as system experts.

e. Reasons for the selection of the Independent Auditor

The reason for selecting Ernst & Young ShinNihon LLC as the independent auditor is that the Company has judged that they are qualified to be an Independent Auditor based on the Practical Guidelines published by the Japanese Audit & Supervisory Board Association, and that they have a system to ensure that accounting audits are conducted properly, taking into account the audit corporation’s quality control system, independence and expertise, appropriateness, effectiveness and efficiency of audit activities, and other matters related to the execution of duties in a comprehensive manner.

(Policies on dismissal or non-reappointment of the accounting 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 to 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 accounting auditor to be submitted to a general meeting of shareholders.

f. Evaluation of the independent auditor by Audit and Supervisory Committee

The Audit and Supervisory Committee evaluated the appropriateness of audit by the independent auditor by taking account various factors such as the quality control system of the independent auditor, independence and expertise of the audit team, appropriateness of audit fees, effectiveness of communication with the Audit and Supervisory Committee, effectiveness of communication with management, effectiveness of group audit utilizing overseas network firms, and appropriateness of assessment and response to fraud risks This evaluation was conducted comprehensively by collecting relevant materials from the independent auditor, interviewing them. As a result, The Audit and Supervisory Committee concluded that audit was appropriately conducted.

4) Audit Fee and Others

a. Details of fees paid to the independent auditor involved in the audit

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Fees for audit services (Millions of Yen)	Fees for non-audit services (Millions of Yen)	Fees for audit services (Millions of Yen)	Fees for non-audit services (Millions of Yen)
Advantest Corporation (The Company)	146	—	153	—
The Company's consolidated subsidiaries	—	—	—	—
Total	146	—	153	—

b. Details of fees paid to the same network firms (Ernst & Young) involved in the audit (except for a.)

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Fees for audit services (Millions of Yen)	Fees for non-audit services (Millions of Yen)	Fees for audit services (Millions of Yen)	Fees for non-audit services (Millions of Yen)
Advantest Corporation (The Company)	—	156	—	58
The Company's consolidated subsidiaries	136	125	144	101
Total	136	281	144	159

(Fiscal year ended March 31, 2021)

The details of fees for non-audit services for the company mainly consisted of consulting services for financial due diligence. The details of fees for non-audit services for the company's consolidated subsidiaries mainly consisted of tax consulting services.

(Fiscal year ended March 31, 2022)

The details of fees for non-audit services for the company mainly consisted of consulting services for financial due diligence. The details of fees for non-audit services for the company's consolidated subsidiaries mainly consisted of tax consulting services.

c. Other important fees for audit services

Not applicable

d. Policy for determining the audit fees

Audit fee for the independent auditor is appropriately determined with the consent of the Audit and Supervisory Committee, taking into consideration the scope of works and the number of audit hours.

e. Reason that the Audit and Supervisory Committee gave consent to the amount of audit fees

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

(4) Compensation for Members of the Board of Directors

1) Total Amount of Compensation by Officer Category, the Total Amount of Compensation, by Compensation Category, and the Number of Eligible Directors are as Follows:

Officer category	Total compensation (Millions of Yen)	Total compensation by category (Millions of Yen)					Number of eligible directors
		Cash compensation		Non-cash compensation			
		Fixed compensation	Performance-based compensation	Stock options	Restricted stock compensation	Performance-based stock remuneration	
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	-	-	-	-	1
Outside Directors (excluding Audit and Supervisory Committee members)	40	40	-	-	-	-	3
Outside Directors (Audit and Supervisory Committee members)	29	29	--	-	-	-	2

(Notes) 1. As of March 31, 2022, the number of directors (excluding outside directors and directors who are Audit and Supervisory Committee members) and outside directors were five and five.

2. Performance-based bonuses are paid to directors (excluding outside directors and directors who are Audit and Supervisory Committee members) as performance-based compensation.

3. For stock options granted by FY2020, the amount of stock options are recorded as expenses for FY2021 in accordance with generally accepted accounting principles in Japan. No stock options were granted in FY2021. Restricted stock compensation and performance-based stock remuneration are recorded as expenses in accordance with generally accepted accounting principles in Japan for FY2021.

2) Directors with Total Compensation of ¥100 million or more

Name	Total compensation (Millions of Yen)	Classification	Company name	Total compensation by category (Millions of Yen)				
				Cash compensation		Non-cash compensation		
				Fixed compensation	Performance-based compensation	Stock options	Restricted stock compensation	Performance-based stock remuneration
Yoshiaki Yoshida	249	Representative Director, President and CEO	Advantest Corporation (The Company)	63	91	21	21	53
Soichi Tsukakoshi	144	Director, Senior Executive Officer	Advantest Corporation (The Company)	39	49	12	12	32
Atsushi Fujita	142	Director, Senior Executive Officer	Advantest Corporation (The Company)	38	49	11	12	32
Koichi Tsukui	141	Director, Senior Executive Officer	Advantest Corporation (The Company)	38	50	11	12	30
Douglas Lefever	280	Director, Senior Executive Officer	Advantest Corporation (The Company)	8	-	11	38	67
		Director, President and CEO	Advantest America, Inc.	56	100	-	-	-

(Notes) 1. Performance-based bonuses are paid to directors (excluding outside directors and directors who are Audit and Supervisory Committee members) as performance-based compensation.

2. For stock options granted by FY2020, the amount of stock options are recorded as expenses for FY2021 in accordance with generally accepted accounting principles in Japan. No stock options were granted in FY2021. Restricted stock compensation and performance-based stock remuneration are recorded as expenses in accordance with generally accepted accounting principles in Japan for FY2021.

3) Board Policies and Procedures in Determining the Compensation of Directors

1. Basic Policy

Based on the Company's corporate mission and vision, the Company 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, the Company 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
The Company 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-based stock remuneration, 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-based bonuses (monetary remuneration), and (3) stock compensation shall all be set at appropriate levels. The ratio of fixed compensation, performance-based 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
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-based Bonuses
Performance-based bonuses (monetary remuneration) are short-term incentives for the results of a single year, and are paid once a year after the performance of Advantest 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. The company 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) Stock-based Compensation
Regarding stock-based compensation, the Company will grant restricted stock (RS) and performance-based stock remuneration (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-based bonuses are determined as follows:

a. Up to 30% of the total amount calculated and determined according to the policies above of performance-based 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-based 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. Compensation Reduction and Clawback

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.

4) Bodies and Procedures Involved in the Determination of “Board Policies and Procedures in Determining the Compensation of Directors”

The Company has established a Nominated Remuneration Committee to increase the objectivity and transparency of the compensation for directors (excluding directors who are Audit and Supervisory Committee members) and executive officers. The Nomination and Compensation Committee is chaired by an outside director, and a majority of its members are outside directors. Additionally, “Policies and

Procedures for Determining Compensation for Directors and Executive Officers" has been approved by the Board of Directors based on the deliberation and report by the Nomination and Compensation Committee.

The compensation amount and the performance indicators have been approved by the Board of Directors based on the deliberation and report by the Nomination and Compensation Committee within the total amount of director compensation determined by resolution of the general meeting of shareholders ((Notes) 1) and "Directors and Executive Officers Compensation Policy and Procedure".

The Audit and Supervisory Committee deliberates and determines the compensation for directors who are Audit and Supervisory Committee members within the total amount of directors who are Audit and Supervisory Committee members compensation that determined by resolution of the general meeting of shareholders ((Notes) 2).

(Notes) 1. It has been resolved at the 79th ordinary general meeting of shareholders held on June 23, 2021 that the amount of fixed-compensation and performance-based bonuses shall be no more than 900 million yen per year for directors (excluding outside directors and directors who are Audit and Supervisory Committee members) and the amount of fixed-compensation shall be no more than 60 million yen per year for outside directors (excluding directors who are Audit and Supervisory Committee members).
The stock options shall be no more than 200 million yen and 500 thousands shares per year, resolved at the 76th ordinary general meeting of shareholders held on June 27, 2018.
The performance-based stock remuneration shall be no more than 200 million yen and 90 thousands shares per three consecutive fiscal years, resolved at the 76th ordinary general meeting of shareholders held on June 27, 2018.
However, it has been resolved at the 79th ordinary general meeting of shareholders held on June 23, 2021 that the restricted stock compensation plan shall be no more than 200 million yen and 50 thousands shares per year and the performance share unit compensation shall be no more than 600 million yen and 150 thousands shares per three consecutive fiscal years, and stock acquisition rights will not be newly allocated and additional trusts will not be set for the existing stock options and performance-based stock remuneration plan.
2. The amount of compensation shall be no more than 100 million yen per year, resolved at the 73rd ordinary general meeting of shareholders held on June 24, 2015.

5) Performance-based Bonuses Formula for FY2021 (paid in June 2022)

Regarding the Performance-based bonuses formula for FY2021 (paid in June 2022) has been resolved by the Board of Directors held on June 23, 2021, after consulting with the Nomination and Compensation Committee (held on June 17, 2021. Outside directors make up the majority, and executive officers do not participate in resolutions relating to opinions.).

President and CEO：
executive officer compensation×100%×payment rate
Senior Executive Officer：
executive officer compensation× 70%×payment rate
+ executive officer compensation×individual evaluations portion (0～60%)×payment rate
Executive Officer ：
executive officer compensation× 56%×payment rate
+ executive officer compensation×individual evaluations portion (0～48%)×payment rate

Performance Target (consolidated net income) and Payment Rate for FY2021

Consolidated net income	Payment rate
32 billion yen or less	0%
Between 32 to 64 billion yen	Prorate from 0 to 100%
Between 64 to 68 billion yen	100%
Between 68 to 102 billion yen	Prorate from 100 to 200%
102 billion yen or more	200%

Based on the results for FY2021 (consolidated net income: 87.3 billion yen), the payment rate was 156.76%.

6) Performance-based Bonuses Formula for FY2022 (to be paid in June 2023)

Regarding the Performance-based bonuses formula for FY2022 (to be paid in June 2023) has been resolved by the Board of Directors held on June 17, 2022, after consulting with the Nomination and Compensation Committee (held on June 10, 2022. Outside directors make up the majority, and executive officers do not participate in resolutions relating to opinions.).

President and CEO：
executive officer compensation×100%×payment rate
Senior Executive Officer：
executive officer compensation× 70%×payment rate
+ executive officer compensation×individual evaluations portion (0～60%)×payment rate
Executive Officer ：
executive officer compensation× 56%×payment rate
+ executive officer compensation×individual evaluations portion (0～48%)×payment rate

Performance Target (consolidated net income) and Payment Rate for FY2022

Consolidated net income	Payment rate
61.45 billion yen or less	0%
Between 61.45 to 122.9 billion yen	Prorate from 0 to 100%
122.9 billion yen	100%
Between 122.9 to 184.35 billion yen	Prorate from 100 to 200%
184.35 billion yen or more	200%

(5) Status of Shareholdings

1) Classification and Definition of Shares

The Company classifies shares as “Shares with purposes of pure investment” and “Shares with other purposes than pure investment”. “Shares with purposes of pure investment” are shares to gain profit from capital gain or dividend income, and “Shares with other purposes than pure investment” are shares other than “Shares with purposes of pure investment”.

2) Shares with Other Purposes than Pure Investment

a. The Policy of Shareholdings, the Method of Assessing Reasonableness, and Assessing Reasonableness of Individual Shares by the Board of Directors

The Company may hold shares of other companies for important strategic purposes of the Advantest group (“strategic shares”), including sustainable and long-term relationships with business partners, business partnership reinforcement, or research and development efficiency.

The Company assesses whether the purpose for holding all the listed shares is appropriate. The result of this assessment is directly reported to the Board of Directors.

b. Number of Companies whose Shares are Held by the Company and Total Carrying Amount

(As of March 31, 2022)

	Number of companies	Total carrying amount (Millions of Yen)
Unlisted shares	6	307
Shares other than unlisted shares	-	-

(Increased Shares for the Fiscal Year Ended March 31, 2022)

	Number of companies	Total purchase price (Millions of Yen)	Reason for increase
Unlisted shares	1	881	Business promotion support
Shares other than unlisted shares	-	-	-

(Reference)

Number of Companies whose Shares are Held by the Company's Subsidiaries for Purposes Other than Pure Investment as of March 31, 2022

	Number of companies	Total carrying amount (Millions of Yen)
Unlisted shares	2	108
Shares other than unlisted shares	2	11,547

(Note) The amount of shares with other purposes than pure investment held by the Company's subsidiaries is stated in market value in accordance with IFRS.

3) Shares with Purposes of Pure Investment

The Company doesn't have any "Shares with purposes of pure investment".

Item5. Financial Information

(1) Basis of Preparation of the Consolidated Financial Statements and the Non-Consolidated Financial Statements

1) The consolidated financial statements of Advantest Corporation (the "Company") and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS"), pursuant to the provision of Article 93 of the "Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance of Japan No. 28 of 1976, hereinafter "Ordinance on consolidated Financial Statements.")

2) The non-consolidated financial statements of the Company are prepared in accordance with the "Ordinance on the Terminology, Forms and Preparation Methods of Financial Statements" (Ordinance of the Ministry of Finance of Japan No. 59 of 1963, hereinafter "Ordinance on Financial Statements.") Also, the Company is qualified as a company submitting financial statements prepared in accordance with special provision and prepares financial statements in accordance with the provision of Article 127 of the Ordinance on Financial Statements.

3) Consolidated and non-consolidated financial statements are rounded to the nearest million yen.

(2) Audit Certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year (from April 1, 2021 to March 31, 2022) and the non-consolidated financial statements for the fiscal year (from April 1, 2021 to March 31, 2022) were audited by Ernst & Young ShinNihon LLC.

(3) Particular Efforts to Secure the Appropriateness of the Consolidated Financial Statements.

The Company carries out special measures for ensuring the appropriateness of consolidated financial statements. Specifically, for the purpose of ensuring that the Company has an appropriate grasp of the contents and changes of Accounting Standards and related regulations, the Company has been a member of the Financial Accounting Standards Foundation and participates in seminars hosted by the foundation, auditing firms and other organizations.

(4) Structures to Properly Prepare the Consolidated Financial Statements in Accordance with IFRS

In order to prepare appropriate consolidated financial statements in accordance with IFRS, the Company obtains press releases and standards issued by the International Accounting Standards Board from time to time to keep abreast of the latest standards and analyze their impact on the Company's consolidated financial statements. Furthermore, the Company developed group accounting policies and accounting guidelines in compliance with IFRS and conducts its accounting in accordance with those policies and guidelines. Also, the Company are striving to accumulate expertise within the company by establishing mandatory training programs including participating in seminars hosted by the Financial Accounting Standards Foundation and auditing firms.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

Millions of Yen

	Note	As of March 31, 2021	As of March 31, 2022
Assets			
Current assets			
Cash and cash equivalents	7, 30	149,164	116,582
Trade and other receivables	8, 30	57,028	82,155
Inventories	9	64,340	95,013
Other current assets		8,563	11,007
Subtotal		279,095	304,757
Assets held for sale	11	-	188
Total current assets		279,095	304,945
Non-current assets			
Property, plant and equipment, net	12	41,613	51,392
Right-of-use-assets	14	11,668	12,645
Goodwill and intangible assets, net	13	54,543	85,307
Other financial assets	10, 30	10,211	14,565
Deferred tax assets	16	25,242	25,494
Other non-current assets		269	348
Total non-current assets		143,546	189,751
Total assets	6	422,641	494,696
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	17, 30	58,558	70,352
Short-term borrowings	18	-	18,359
Income taxes payable		8,619	26,814
Provisions	19	4,058	6,536
Lease liabilities	30	2,486	2,918
Other financial liabilities	30	3,509	3,276
Other current liabilities	23	12,581	22,627
Total current liabilities		89,811	150,882
Non-current liabilities			
Long-term borrowings	18	-	12,239
Lease liabilities	30	9,364	9,947
Retirement benefit liabilities	20	36,891	22,341
Deferred tax liabilities	16	4,473	3,445
Other non-current liabilities		1,733	1,221
Total non-current liabilities		52,461	49,193
Total liabilities		142,272	200,075
Equity			
Share capital	21	32,363	32,363
Share premium	21	44,573	44,995
Treasury shares	21	(15,001)	(81,547)
Retained earnings	21	214,858	279,828
Other components of equity	21	3,576	18,982
Total equity attributable to owners of the parent		280,369	294,621
Total equity		280,369	294,621
Total liabilities and equity		422,641	494,696

2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

Millions of Yen

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	6, 23	312,789	416,901
Cost of sales	12, 13, 20	(144,498)	(180,994)
Gross profit		168,291	235,907
Selling, general and administrative expenses	12, 13, 19, 20, 24, 25	(105,870)	(121,132)
Other income	27	8,499	606
Other expenses		(194)	(647)
Operating income	6	70,726	114,734
Financial income	26	767	1,912
Financial expenses	26	(1,875)	(303)
Income before income taxes		69,618	116,343
Income taxes	16	169	(29,042)
Net income		69,787	87,301
Net income attributable to:			
Owners of the parent		69,787	87,301
Earnings per share:	29		Yen
Basic		353.87	449.56
Diluted		351.82	447.26

Consolidated Statement of Comprehensive Income

Millions of Yen

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
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	20, 21, 28	2,309	4,509
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	21, 28	(666)	3,296
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	21, 28	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

3) Consolidated Statement of Changes in Equity

Millions of Yen

	Note	Equity attributable to owners of the parent						Total Equity
		Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	
Balance as of April 1, 2020		32,363	43,550	(4,179)	159,803	(85)	231,452	231,452
Net income					69,787		69,787	69,787
Other comprehensive income (loss), net of tax						5,970	5,970	5,970
Total comprehensive income for the year		—	—	—	69,787	5,970	75,757	75,757
Purchase of treasury shares	21		(47)	(13,954)			(14,001)	(14,001)
Disposal of treasury shares	21		(302)	3,132	(1,439)		1,391	1,391
Dividends	22				(15,602)		(15,602)	(15,602)
Share-based payments	25		1,170				1,170	1,170
Other			202				202	202
Transfer from other components of equity to retained earnings	21				2,309	(2,309)	—	—
Total transactions with the owners		—	1,023	(10,822)	(14,732)	(2,309)	(26,840)	(26,840)
Balance as of March 31, 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	21		(85)	(70,013)			(70,098)	(70,098)
Disposal of treasury shares	21		(1,057)	3,401	(1,379)		965	965
Cancellation of treasury shares	21			66	(66)		—	—
Dividends	22				(25,470)		(25,470)	(25,470)
Share-based payments	25		1,574				1,574	1,574
Other			(10)		5		(5)	(5)
Transfer from other components of equity to retained earnings	21				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

4) Consolidated Statement of Cash Flows

Millions of Yen

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities:			
Income before income taxes		69,618	116,343
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization		11,756	14,968
Share-based payment expense		1,624	1,782
Changes in assets and liabilities:			
Trade and other receivables		(9,365)	(19,368)
Inventories		(4,457)	(28,004)
Trade and other payables		11,048	9,823
Warranty provisions		707	2,437
Advance receipts		3,351	8,937
Retirement benefit liabilities		(3,176)	(10,808)
Other		(4,086)	(2,658)
Subtotal		77,020	93,452
Interest and dividends received		152	143
Interest paid		(183)	(220)
Income taxes paid		(9,159)	(14,486)
Net cash provided by (used in) operating activities		67,830	78,889
Cash flows from investing activities:			
Proceeds from sale of equity instruments		—	920
Purchases of equity instruments		(6,817)	(881)
Proceeds from sale of debt instruments		—	404
Proceeds from sale of property, plant and equipment		109	45
Purchases of property, plant and equipment		(12,415)	(17,158)
Purchases of intangible assets		(862)	(1,061)
Proceed from transfer of business		3,295	—
Acquisition of subsidiary	32	(156)	(28,976)
Other		15	(200)
Net cash provided by (used in) investing activities		(16,831)	(46,907)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	18	—	16,967
Proceeds from long-term borrowings	18	—	11,501
Proceeds from disposal of treasury shares		1,415	955
Purchases of treasury shares	21	(14,028)	(70,148)
Dividends paid	22	(15,594)	(25,456)
Payments for lease liabilities	14	(2,208)	(2,555)
Other		—	—
Net cash provided by (used in) financing activities		(30,415)	(68,736)
Net effect of exchange rate changes on cash and cash equivalents		877	4,172
Net change in cash and cash equivalents		21,461	(32,582)
Cash and cash equivalents at the beginning of year		127,703	149,164
Cash and cash equivalents at the end of year	7	149,164	116,582

Notes to the Consolidated Financial Statements

1. Reporting Entity

Advantest Corporation is a public company located in Japan.

The Company's consolidated financial statements consist of the Company and its subsidiaries (collectively, "Advantest").

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

2. Basis of Preparation

(1) Compliance with IFRS

Advantest prepares its consolidated financial statements in accordance with IFRS issued by the International Accounting Standard Board. As Advantest meets the requirements of a "Specified Companies applying Designated IFRS" pursuant to Article 1-2 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements", Advantest adopts Article 93 of the same ordinance.

The consolidated financial statements were approved on June 22, 2022 by Yoshiaki Yoshida, Representative Director, President and CEO and Atsushi Fujita, Chief Financial Officer of the Company.

(2) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at their fair values, as included in Significant Accounting Policies (see note 3 for additional details).

(3) Functional Currency and Presentation Currency

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

(4) Changes in Presentation

The "Changes in advance receipts" that was included in "Other" of "Cash flows from operating activities" in the consolidated statement of cash flows for the fiscal year ended March 31, 2021 has increased in materiality and is classified separately in the consolidated statement of cash flows for the fiscal year ended March 31, 2022.

As a result, the ¥(735) million of "Other" in "Cash flows from operating activities" in the consolidated statement of cash flows for the fiscal year ended March 31, 2021 is reclassified to "Changes in advance receipts" at ¥3,351 million and "Other" at ¥(4,086) million.

3. Significant Accounting Policies

(1) Basis of Consolidation

Advantest's consolidated financial statements include financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control is obtained when the Company has risks or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the variable returns.

The Company consolidates all subsidiaries from the date on which the Company acquires control until the date on which the Company loses control.

Inter-company balances and transactions are eliminated in consolidation.

Subsidiaries' financial statements are adjusted, if necessary, when their accounting policies differ from those of the Company. For subsidiaries with different reporting dates from that of the Company, the financial statements based on provisional settlement of accounts made as of the reporting date are used in the preparation of the consolidated financial statements. The reporting date of the subsidiaries is not more than 3 months earlier than that of the Company.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Goodwill is measured as the excess of the total amount of the consideration transferred, the amount of any non-controlling interests in the acquiree and, if a business combination is achieved in stages, the amount of the fair value at the date of acquisition of acquirer's previously held equity interest in the acquiree over the net amounts recognized of the identifiable acquired assets and assumed liabilities (which is usually measured at fair value). If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. During the measurement period, which does not exceed one year from the acquisition date, the Company retrospectively adjusts the provisional amounts recognized at the acquisition date. Acquisition-related costs are recognized as expenses in the period in which they are incurred.

(3) Foreign Currency Translation

1) Translation of Foreign Currency Transactions

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency of each entity using the exchange rate at the end of the reporting period. Foreign currency transactions are converted into the functional currency using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized as financial income (expenses).

2) Translation of Foreign Operations

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.

(4) Financial Instruments

1) Non-derivative Financial Assets

Advantest classifies non-derivative financial assets into the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

Advantest initially recognizes financial assets measured at amortized cost on the date that they are originated. All other financial assets are recognized initially on the trade date, the date on which Advantest becomes party to the contractual provisions.

Advantest derecognizes a financial asset when contractual rights to the cash flows from the asset expire. In transferring contractual rights to the cash flows from a financial asset, Advantest will derecognize the financial asset if Advantest neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

Financial assets and liabilities are offset and presented net in the consolidated statement of financial position only when Advantest has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

Advantest 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 Advantest 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 assets 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.

2) Non-derivative Financial Liabilities

Advantest classifies non-derivative financial liabilities into the following categories: financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss.

Advantest recognizes debt securities on the day when issued. Financial liabilities other than debt securities are initially recognized on the trade date, the date on which Advantest becomes party to contractual provisions.

Advantest derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

These financial liabilities measured at amortized cost are measured initially at fair value, less any directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method. The amortization charge for each period is recognized as financial expenses in profit or loss.

These financial liabilities measured at fair value through profit or loss are measured initially at fair value. After initial recognition, these are subsequently measured at fair value and the changes in fair value are recognized in profit or loss.

3) Equity

Share capital

Share capital is included in equity. The direct issuance costs of share capital are deducted, net of tax, from share premium.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized at purchase, sale and retirement of treasury shares.

4) Derivative Financial Instruments

Advantest uses derivative instruments primarily to manage exposures to foreign currency. The primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency. The instruments are not designated for trading or speculative purposes. Derivative financial instruments contain an element of risk in the event the counterparties are unable to meet the terms of the agreements. However, Advantest minimizes risk exposure by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines. Management of the Company does not expect any counterparty to default on its obligations and, therefore, does not expect to incur any losses due to counterparty default on its obligations. Advantest generally does not require or provide collateral for these derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and remeasured after initial recognition to their fair value. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

The accounting for changes in the fair value (that are, gains or losses) of a derivative instrument depends on the objective for holding such instrument and whether it meets the criteria for designation as a cash flow hedge or a fair value hedge.

If certain conditions are met, Advantest may elect to designate a derivative instrument as a hedge of exposures to changes in fair values, cash flows, or a net investment in a foreign operation.

(5) Impairment

1) Non-derivative Financial Assets

Allowance for doubtful accounts against expected credit losses is recognized for financial assets that measured at amortized cost.

Advantest assesses at the end of each reporting period whether the credit risk that relates to financial assets has increased significantly or not since initial recognition. If the credit risk has not increased significantly, Advantest recognizes an amount equal to 12-month expected credit losses as allowance for doubtful accounts. If the credit risk has increased significantly, Advantest recognizes an amount equal to lifetime expected credit losses as allowance for doubtful accounts. Advantest determines whether the credit risk has increased significantly or not based on the change of default risk.

Advantest always recognizes an amount equal to lifetime expected credit losses for trade receivables as allowance for doubtful accounts. If there has been a significant decrease of impairment loss on financial assets after initial recognition, Advantest recognizes in profit or loss, as an impairment gain, the amount of reversal that is required to adjust the allowance for doubtful accounts.

2) Non-financial Assets

If there is any indication of impairment for non-financial assets other than inventories and deferred tax assets, the asset's recoverable amount is estimated, and the asset is tested for impairment. 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.

The recoverable amount of an asset, CGU or CGU group is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows associated with the asset, 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 the asset, CGU or CGU group. For impairment testing purposes, assets are grouped together into the smallest assets, CGU or CGU group that generates cash inflows independently of cash inflows of other assets, CGU or CGU group. Goodwill is grouped together so that the impairment is tested for the smallest group of units used for internal reporting purposes. Goodwill acquired in a business combination is allocated to CGU or CGU group that is expected to benefit from the synergies of the business combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to that CGU or CGU group and then to reduce the carrying amounts of other assets in CGU or CGU group on a pro-rata basis.

Impairment losses on goodwill are not reversed. For all other assets, impairment losses are only reversed to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(6) 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 three 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.

(7) 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.

(8) Property, Plant and Equipment (except Right-of-Use Assets)

Property, plant and equipment are measured by using the cost model and are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs.

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. The estimated useful lives of major asset items are as follows:

・Buildings：15 to 50 years
・Machinery and equipment：4 to 10 years
・Tool, furniture and fixture：2 to 10 years

The estimated useful lives, depreciation method and residual value are reviewed at each fiscal year end and if there are any changes made to the estimated useful lives, depreciation method and residual value, such changes are accounted for on a prospective basis as changes in estimate.

(9) Goodwill and Intangible Assets

1) Goodwill

Details on the measurement of goodwill at initial recognition are included in Business Combinations (see note (2) for additional details).

Goodwill is not amortized. It is allocated to CGU or group of CGUs that are identified according to types of business and regions and tested for impairment each fiscal year or when there is any indication of impairment. Impairment losses on goodwill are recognized in profit or loss, and no subsequent reversal is made.

After initial recognition, goodwill is presented at cost less accumulated impairment losses.

2) Intangible Assets (except Right-of-Use Assets)

Intangible assets acquired separately are measured at cost at the initial recognition, and the cost of intangible assets acquired through business combinations are recognized at fair value at the acquisition date.

Expenses on internally generated intangible assets are recognized as expense in the period when incurred, except for those that satisfy the criteria for recognition as assets. Internally generated intangible assets that satisfy the criteria for recognition as assets are stated at cost in the total amount of spending that is incurred after the assets first met recognition standards.

Intangible assets are subsequently measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets for which useful lives can be determined are amortized on a straight-line method over their estimated useful lives from the date the assets are available for use. These assets are also tested for impairment whenever there is any indication of impairment.

Estimated useful lives, residual values and amortization methods are reviewed at each fiscal year end and the effect of any changes in estimate are accounted for during the period in which the change occurred and on a prospective basis. The effect of any changes in estimate is recognized in the period in which the change occurs.

The estimated useful lives of major assets are as follows:

・Software：3 to 5 years
・Customer-related assets and technology-related assets：8 to 11 years

(10) Leases

1) Leases-Lessor

Advantest recognizes the lease transactions that do not transfer substantially all risks and rewards of ownership as property, plant and equipment in the consolidated statement of financial position and recognizes revenue on the straight line basis over the leasing period in the consolidated statement of profit or loss.

2) Leases-Lessee

Advantest recognizes right-of-use asset and lease liability at the inception of a lease contract. At the commencement date, a right-of-use asset is measured based on the amount of the initial measurement of the lease liability and depreciated on a straight-line basis over the lease term. The lease term is determined as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if it is reasonably certain to be exercised and periods covered by an option to terminate the lease if it is reasonable certain not to be exercised.

A lease liability is recognized and measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate. After the commencement date, the lease liability is measured by increasing or reducing the carrying amount to reflect interest on the lease liability and the lease payments made and re-measuring the carrying amount as necessary to reflect lease modifications.

Advantest has elected not to recognize short term leases and leases of low-value assets as right-of-use assets and lease liabilities, but expense over the lease term on a straight-line basis.

(11) 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.

The Company and certain of its subsidiaries have retirement and severance defined contribution plans. Defined contribution plans are post-employment benefit plans in which the employer makes a certain amount of contributions to fund post-employment benefits and does not bear more legal and constructive obligations than the amount contributed. The contribution in defined contribution plans is recognized in profit or loss in the period during which services were provided by employees.

(12) Provisions

Provisions are recognized when Advantest 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.

1) Warranty Provisions

Advantest's products are generally subject to warranty, and Advantest provides contractual product warranty services, when the performance of products sold does not meet expected product specifications. Estimated repair expenses over the warranty period are accrued based on the historical ratio of actual repair expenses to corresponding sales, when product revenue is recognized.

2) Asset Retirement Obligation

Estimated amounts for the costs of removing hazardous substances related to property, plant and equipment and restoring rented offices to the original condition are recorded in the provision for asset retirement obligation costs.

(13) Share-Based Compensation

Advantest applies the fair-valued-based method of accounting for share-based compensation and recognizes share-based compensation expenses in the consolidated statement of profit or loss.

The cost of service received in share options is measured based on the grant-date fair value. The cost is recognized on the straight line basis over the period during which an employee is required to provide service in exchange for the award. The Black Scholes pricing model is used to estimate the value of share options. Expected dividend yield is determined by the Company's dividend ratio of the past and other associated factors. Risk free interest rate is determined by Japanese government bond yield for the period corresponding to expected life. Expected volatility is determined by historical volatility and trend of the Company's share prices, and other associated factors. Expected life is determined by the Company's option exercise history, post vesting employment termination behavior for similar grants, and other pertinent factors.

Advantest has performance-based stock remuneration plan and restricted stock compensation plan for directors (excluding directors who are audit and supervisory committee members and outside directors), executive officers and executive employees as an incentive. The cost of service received in performance-based stock remuneration plan is measured based on the grant-date fair value of the Company's shares or any liabilities generated. The cost is recognized over the applicable period. The cost of service received in restricted stock compensation plan is measured based on the grant-date fair value of the Company's shares. The cost is recognized with a corresponding increase in equity over the applicable period.

(14) Revenue

Advantest 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

Advantest 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, Advantest has performance obligation towards customers on the service contracts. Revenue from such service contracts is recognized over the contract term on the straight-line basis.

(15) Financial Income and Expenses

Financial income mainly consists of dividend income, interest income, foreign exchange gains and changes in the fair value of financial instruments measured at fair value through profit or loss. Dividend income is recognized on the date when the right of Advantest to receive the dividend is established. Interest income is recognized using the effective interest method as incurred.

Financial expenses mainly consist of interest expenses, foreign exchange losses and changes in the fair value of financial instruments measured at fair value through profit or loss. Interest expenses are recognized using the effective interest method as incurred.

(16) Income Taxes

Current and deferred taxes are stated as income taxes in the consolidated statement of profit or loss except when they relate to business combinations or on items recognized in other comprehensive income or directly in equity.

Current and deferred taxes related to items recognized in other comprehensive income are recognized as other comprehensive income.

1) Current Taxes

Current income taxes are measured at the amount that is expected to be paid to or refunded from the tax authorities. For the calculation of the tax amount, Advantest uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

2) Deferred Taxes

Deferred income taxes are calculated based on the temporary differences between the amounts used for tax purpose and the carrying amount for assets and liabilities at the fiscal year end. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are recognized for taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, based on the tax laws that have been enacted or substantively enacted by the fiscal year end.

Deferred tax assets and deferred tax liabilities are not recognized for the following temporary differences:
• taxable temporary differences on initially recognized goodwill
• temporary differences arising from the initial recognition of assets or liabilities in transactions that are not business combinations and at the time of transaction affect neither accounting profit nor taxable profit or tax loss
• taxable temporary differences on investments in subsidiaries to the extent that the timing of the reversal of the temporary difference is controlled and that it is probable the temporary difference will not reverse in the foreseeable future
• deductible temporary differences on investments in subsidiaries to the extent that it is not probable the temporary differences will reverse in the foreseeable future

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority on the same taxable entity (including consolidated tax payments).

(17) Earnings per Share
Basic earnings per share is calculated by dividing net income or loss attributable to owners of the parent by the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the maximum possible dilution from conversion, exercise, or contingent issuance of securities. All potentially dilutive securities are excluded from the calculation in a situation where there is a net loss attributable to owners of the parent.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires Advantest to make judgments, accounting estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable according to the situation. The global epidemic of the new coronavirus (COVID-19) is not expected to have a material impact on our estimates and assumptions. Given their nature, however, actual results may differ from those estimates and assumptions.

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

The estimates and assumptions that could have a material effect on the amounts recognized in its consolidated financial statements are as follows:

(1) Valuation of Inventories

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2022

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Inventories	64,340	95,013

2) 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. Advantest 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

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2022

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Property, plant and equipment, net	41,613	51,392
Right-of-use assets	11,668	12,645
Goodwill and intangible assets, net	54,543	85,307

2) Other Information that Deepens to the Understanding of Users of the Consolidated Financial Statements Regarding the Content of Accounting Estimates

Advantest 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, 2021 are Advantest Test Solutions, Inc. and Essai, Inc., and the amount of goodwill allocated to these CGUs are ¥6,738 million and ¥11,311 million, respectively. Essai, Inc. also has significant intangible assets of ¥17,672 million as of March 31, 2021.

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.

The method of calculating the recoverable amount of goodwill is included in Goodwill and Intangible Assets (see note 13 for additional details).

(3) Post-Employment Benefits

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2022

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Retirement benefit liabilities	36,891	22,341

2) 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.

These actuarial assumptions and related sensitivity analysis are included in Post-Employment Benefits (see note 20 for additional details).

(4) Valuation of Deferred Tax Assets

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2022

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets	25,242	25,494

2) Other Information that Deepens to the Understanding of Users of the Consolidated Financial Statements Regarding the Content of Accounting Estimates

Advantest judges the recoverability of deferred tax assets depending on taxable income based on future profitability and tax planning against deductible temporary differences. Advantest 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, Advantest 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.

The contents and amounts related to income taxes are included in the Income Taxes (see note 16 for additional details).

5. New Accounting Standards and Interpretations Issued but not yet Applied

There is no material impact from new or revised accounting standards and interpretations that were issued by the date of approval of the consolidated financial statements.

6. Segment Information

(1) Overview of Reporting Segments

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

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

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

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

(2) Information of Reporting Segments

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

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

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

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

Inter-segment sales are based on market prices.

Fiscal year ended March 31, 2021 Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	206,031	40,005	66,753	—	312,789
Inter-segment sales	1,172	—	—	(1,172)	—
Total	207,203	40,005	66,753	(1,172)	312,789
Segment income (loss) (operating income (loss) before share-based compensation expense)	61,617	4,955	10,419	(4,641)	72,350
Adjustment: Share-based compensation expense	—	—	—	—	(1,624)
Operating income	—	—	—	—	70,726
Financial income	—	—	—	—	767
Financial expenses	—	—	—	—	(1,875)
Income before income taxes	—	—	—	—	69,618
(Other profit and loss items)					
Depreciation and amortization	5,771	1,086	4,211	688	11,756

Fiscal year ended March 31, 2022 Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	288,793	42,305	85,803	—	416,901
Inter-segment sales	66	—	—	(66)	—
Total	288,859	42,305	85,803	(66)	416,901
Segment income (loss) (operating income (loss) before share-based compensation expense)	105,655	6,101	17,813	(13,053)	116,516
Adjustment: Share-based compensation expense	—	—	—	—	(1,782)
Operating income	—	—	—	—	114,734
Financial income	—	—	—	—	1,912
Financial expenses	—	—	—	—	(303)
Income before income taxes	—	—	—	—	116,343
(Other profit and loss items)					
Depreciation and amortization	7,958	999	5,296	715	14,968

(Notes) 1. Adjustments to segment income (loss) in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments. Moreover, due to the transfer to one defined benefit corporate pension plan at Advantest Europe GmbH, the Company's subsidiary in Germany,

¥5,569 million income is included for the fiscal year ended March 31, 2021.
2. Segment income for the mechatronics system business for the fiscal year ended March 31, 2021 includes ¥2,451 million gain on the transfer of probe card business on July 30, 2020.

(3) Net Sales to Unaffiliated Customers by Segments of Products and Services

The segments of similar products and services are the same as the segments in the report.

(4) Net Sales to Unaffiliated Customers by Region

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Japan	14,021	16,381
Americas	30,164	20,250
Europe	8,002	11,580
Asia	260,602	368,690
Total	312,789	416,901

Net sales to unaffiliated customers are based on customer's location. Net sales indicated as Asia were mainly generated in Taiwan, China and Korea in the amount of ¥75,119 million, ¥80,220 million and ¥76,588 million for the fiscal year ended March 31, 2021 and ¥131,822 million, ¥103,275 million and ¥85,809 million for the fiscal year ended March 31, 2022, respectively. Substantially all net sales indicated as Americas were generated in the United States of America.

(5) Non-Current Assets（Property, Plant and Equipment, Right-of-Use Assets, Goodwill and Intangible assets, Other Non-Current Assets）by Region

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Japan	39,380	39,160
Americas	49,793	88,085
Europe	6,563	7,555
Asia	12,357	14,892
Total	108,093	149,692

Non-current assets are those assets located in each geographic area.

Substantially all non-current assets indicated as Americas were located in the United States of America. Substantially all non-current assets indicated as Europe were located in Germany. Non-current assets in Asia were primarily located in Korea, Taiwan, China and Singapore.

(6) Information of Main Customers

There was no customer group that accounted for 10% or more of the net sales for the fiscal years ended March 31, 2021 and 2022.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents was as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Cash and short-term deposits with maturities of three months or less	149,164	116,582

Cash and cash equivalents are classified as financial assets measured at amortized cost.

The balances of cash and cash equivalents on the consolidated statement of financial position agreed with the respective balances in consolidated statement of cash flows.

8. Trade and Other Receivables

The breakdown of trade and other receivables was as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Note Receivables	2,897	5,384
Trade Receivables	51,098	72,379
Other Receivables	3,044	4,392
Less allowance for doubtful accounts	(11)	—
Total	57,028	82,155

Trade and other receivables are presented net of the allowance for doubtful accounts in the consolidated statement of financial position.

Trade and other receivables are classified as financial assets measured at amortized cost.

9. Inventories

The breakdown of inventories was as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Finished goods	12,397	20,829
Work in process	22,977	27,259
Raw materials and supplies	28,966	46,925
Total	64,340	95,013

Inventory valuation losses recognized as an expense due to the decline in profitability for the fiscal years ended March 31, 2021 and 2022 were ¥3,307 million and ¥2,728 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets was as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Financial assets that are measured at fair value through profit or loss		
Debt instruments	371	—
Financial assets that are measured at fair value through other comprehensive income		
Equity instruments	8,379	12,629
Financial assets measured at amortized cost	1,461	1,936
Total	10,211	14,565
Non-current assets	10,211	14,565
Total	10,211	14,565

11. Assets Held for Sale

The breakdown of assets held for sale was as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Assets held for sale	—	188

For the fiscal year ended March 31, 2021

Advantest discontinued the recognition of some land and buildings which were classified as assets held for sale which classified at the beginning of the fiscal year ended March 31, 2021, and reclassified these as property, plant and equipment during the fiscal year ended March 31, 2021.

For the fiscal year ended March 31, 2022

Advantest decided to sell a business location in the fiscal year ended March 31, 2022 and classified some land and buildings as assets held for sale. These assets are scheduled to be sold within one year from March 31, 2022.

12. Property, Plant and Equipment, Net

(1) Increase or Decrease Table

Changes in carrying amount of property, plant and equipment were as follows:

Fiscal year ended March 31, 2021 Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
Balance at beginning of year	9,613	8,848	14,019	1,697	895	35,072
Acquisition	—	484	10,521	936	888	12,829
Sales and disposals	—	(3)	(637)	(8)	—	(648)
Reclassification from assets held for sale	199	—	—	—	—	199
Depreciation	—	(862)	(5,489)	(745)	—	(7,096)
Exchange differences	182	395	551	85	44	1,257
Balance at end of year	9,994	8,862	18,965	1,965	1,827	41,613

Fiscal year ended March 31, 2022 Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
Balance at beginning of year	9,994	8,862	18,965	1,965	1,827	41,613
Acquisition	1,276	1,362	12,820	834	670	16,962
Acquisition through business combinations	—	220	1,036	35	34	1,325
Sales and disposals	—	(24)	(883)	(9)	—	(916)
Reclassification to assets held for sale	(199)	—	—	—	—	(188)
Depreciation	—	(905)	(7,595)	(843)	—	(9,343)
Impairment losses	—	(398)	—	—	—	(409)
Exchange differences	179	350	1,574	113	132	2,348
Balance at end of year	11,250	9,467	25,917	2,095	2,663	51,392

Gross carrying amount, accumulated depreciation and impairment losses and carrying amount of property, plant and equipment were as follows:

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
As of March 31, 2021						
Gross carrying amount	11,114	35,434	54,026	9,511	1,827	111,912
Accumulated depreciation and impairment losses	1,120	26,572	35,061	7,546	—	70,299
Carrying amount	9,994	8,862	18,965	1,965	1,827	41,613

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
As of March 31, 2022						
Gross carrying amount	12,380	35,655	69,171	9,454	2,663	129,323
Accumulated depreciation and impairment losses	1,130	26,188	43,254	7,359	—	77,931
Carrying amount	11,250	9,467	25,917	2,095	2,663	51,392

Depreciation expense is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

(2) Impairment Losses

No significant impairment losses were recorded on property, plant and equipment for the year ended March 31, 2021.

Impairment losses of ¥398 million were recorded in other expenses in the consolidated statement of profit and loss for the year ended March 31, 2022. This impairment losses are related to company dormitory building closed in the fiscal year ended March 31, 2022 and recognized as corporate(common) segment.

(3) Commitments Related to Acquisition of Fixed Assets

Commitments related to acquisition of fixed assets were as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Acquisition of Fixed Assets	62	1,107

13. Goodwill and Intangible Assets

(1) Increase or Decrease Table

Changes in carrying amount of goodwill and intangible assets were as follows:

Fiscal year ended March 31, 2021 Millions of Yen

	Goodwill	Software	Intangible assets recognized by business combination	Others	Total
Balance at beginning of year	46,919	1,361	2,571	174	51,025
Acquisition	—	862	—	—	862
Acquisition through business combinations	(14,741)	—	19,008	—	4,267
Sales and disposals	—	(1)	—	(45)	(46)
Amortization	—	(564)	(1,769)	(23)	(2,356)
Exchange differences	600	31	156	4	791
Balance at end of year	32,778	1,689	19,966	110	54,543

Fiscal year ended March 31, 2022 Millions of Yen

	Goodwill	Software	Intangible assets recognized by business combination	Others	Total
Balance at beginning of year	32,778	1,689	19,966	110	54,543
Acquisition	—	1,061	—	—	1,061
Acquisition through business combinations	25,282	32	175	159	25,648
Sales and disposals	—	(1)	—	(1)	(2)
Amortization	—	(738)	(2,309)	(19)	(3,066)
Exchange differences	5,127	81	1,899	16	7,123
Balance at end of year	63,187	2,124	19,731	265	85,307

(Note) "Intangible assets recognized by business combination" were customer-related assets and technology-related assets.

Gross carrying amount, accumulated amortization and impairment losses and carrying amount of goodwill and intangible assets were as follows:

Millions of Yen

	Goodwill	Software	Intangible assets recognized by business combination	Others	Total
As of March 31, 2021					
Gross carrying amount	32,778	4,164	24,923	242	62,107
Accumulated amortization and impairment losses	—	2,475	4,957	132	7,564
Carrying amount	32,778	1,689	19,966	110	54,543
As of March 31, 2022					
Gross carrying amount	63,187	7,347	27,552	922	99,008
Accumulated amortization and impairment losses	—	5,223	7,821	657	13,701
Carrying amount	63,187	2,124	19,731	265	85,307

Amortization expense is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

The intangible assets at the end of the fiscal year ended March 31, 2021 and 2022 were mainly intangible assets of ¥17,672 million and ¥17,549 million, respectively that recognized by the business combination of Essai, Inc., and the remaining amortization period at the end of the fiscal year ended March 31, 2022 was 9 years.

(2) Impairment Test for Goodwill

Carrying amount of goodwill allocated to CGU or CGU group was as follows:

Millions of Yen

CGU or CGU group	As of March 31, 2021	As of March 31, 2022
Semiconductor and component test system business		
-Japan	8,737	9,659
Services, support and others		
-Japan	5,992	6,624
-Advantest Test Solutions, Inc.	6,738	7,449
-Essai, Inc.*	11,311	12,504
-R&D Altanova, Inc. *	—	26,951

The recoverable amount of CGU or CGU group is calculated by its value in use based on the business plan for 3 years approved by management and the growth rate. The business plan reflects the past experience using external and internal data, for the cash flows exceeding the period, its value in use is calculated by the growth rate that does not exceed the expected long-term growth rate of the market CGU or CGU group belongs to.

A pre-tax discount rate used for measuring its value in use for fiscal years ended March 31, 2021 and 2022 were 18.7% - 21.5% and 11.7% - 17.1%, respectively. Since the recoverable amount of CGU or CGU group except for R&D Altanova, Inc. is well above the carrying amount, the probability that the recoverable amount is less than the carrying amount is expected low even when the primary assumption of the goodwill changes to reasonable extent.

The recoverable amount of CGU for R&D Altanova, Inc. approximates the carrying amount as it is immediate after the acquisition.

* Please see note 32 for Essai, Inc. and R&D Altanova, Inc.

(3) Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for fiscal years ended March 31, 2021 and 2022 were ¥42,678 million and ¥48,367 million, respectively.

14. Leases

(1) Leases- Lessor

Advantest provides leases that enable its customers to use its semiconductor test systems. All leases are classified as operating leases. Lease terms range from 1 year to 5 years, and certain of the lease agreements are cancelable. Maturity analysis for operating lease fee were as follows:

Fiscal year ended March 31, 2021 Millions of Yen

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Leasing fee	219	55	36	—	—	—	310

Fiscal year ended March 31, 2022 Millions of Yen

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Leasing fee	433	81	31	—	—	—	545

(2) Leases- Lessee

Advantest leases certain office space and office equipment under the lease contracts.

Profit and loss related to right-of-use assets was as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Depreciation expense of right-of-use assets		
Buildings	1,935	2,190
Others	368	368
Total	2,303	2,558
Interest expense related to lease liabilities	141	86
Expenses related to short-term leases	1	1
Expenses related to leases of low-value assets	47	21

Carrying amount related to right-of-use assets was as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Right-of-use assets		
Buildings	10,873	11,849
Others	795	796
Total	11,668	12,645

The increase in right-of-use assets were ¥2,458 million and ¥2,786 million for the fiscal years ended March 31, 2021 and 2022, respectively.

In cases where the lessee is able to exercise an extension option without the lessor's consent, it is considered that the lessee has an extension option. In case where the lessee is able to terminate its lease contract in the middle of the contract, it is considered that the lessee has a termination option. Each of the affiliates exercises these options, as necessary.

Total cash outflows for leases were ¥2,256 million and ¥2,577 million for the fiscal years ended March 31, 2021 and 2022, respectively.

Of the changes in liabilities arising from financing activities, lease liabilities were as follows:

Fiscal year ended March 31, 2021 Millions of Yen

	As of April 1, 2020	Changes arising from cash flows	Non-cash changes		As of March 31, 2021
			Increase of right-of-use assets	Others	
Lease liabilities	11,288	(2,208)	2,458	312	11,850

Fiscal year ended March 31, 2022 Millions of Yen

	As of April 1, 2021	Changes arising from cash flows	Non-cash changes		As of March 31, 2022
			Increase of right-of-use assets	Others	
Lease liabilities	11,850	(2,555)	2,786	784	12,865

Maturity analyses for lease liabilities as of March 31, 2022 is disclosed in note 30.

15. Subsidiaries

Please see "4 Status of Affiliated Companies" in "1 Company Overview" for details.

16. Income Taxes

(1) Deferred Tax Assets and Liabilities

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

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Inventories	2,824	3,328
Warranty provisions	1,199	1,197
Retirement benefit liabilities	7,504	5,749
Accrued expenses	4,067	4,528
Research and development expenses capitalized for tax purposes	2,314	2,528
Operating loss carryforwards	327	453
Property, plant and equipment and Intangible assets	8,424	9,781
Tax credits	9	260
Lease liabilities	3,023	3,231
Others	1,765	2,060
Total deferred tax assets	31,456	33,115
Deferred tax liabilities		
Net change in fair values of financial assets	(108)	–
Undistributed earnings of foreign subsidiaries	(1,935)	(2,863)
Right-of-use assets	(2,980)	(3,181)
Property, plant and equipment and Intangible assets	(5,476)	(4,932)
Others	(188)	(90)
Total deferred tax liabilities	(10,687)	(11,066)
Net deferred tax assets	20,769	22,049

Net deferred tax assets were included in the following line items in the consolidated statement of financial position.

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets	25,242	25,494
Deferred tax liabilities	4,473	3,445

Changes in net deferred tax assets were as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net deferred tax assets		
Balance at beginning of year	13,788	20,769
Recognized in profit or loss	9,629	2,249
Recognized in other comprehensive income	1,152	(956)
Acquisition through business combinations	(4,201)	(104)
Others	401	91
Balance at end of year	20,769	22,049

Advantest recognizes deferred tax assets after taking into consideration taxable temporary differences, the forecasted future taxable profits and tax planning.

Deductible temporary differences, operating loss carryforwards and tax credits that are not recognized as deferred tax assets in the consolidated statement of financial position were as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Deductible temporary differences	74,433	61,158
Operating loss carryforwards	115	194
Tax credits	549	499

The expiration dates of operating loss carryforwards and tax credits that were not recognized as deferred tax assets in the consolidated statement of financial position were as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Operating loss carryforwards		
Not later than 1 year	–	–
Later than 1 year and not later than 5 years	–	–
Later than 5 years	115	194
Total	115	194
Tax credits		
Not later than 1 year	—	—
Later than 1 year and not later than 5 years	8	3
Later than 5 years	541	496
Total	549	499

The taxable temporary difference related to investments in subsidiaries for which deferred tax liabilities were not recognized for the fiscal year ended March 31, 2021 was not material. The taxable temporary difference related to investments in subsidiaries for which deferred tax liabilities were not recognized for the fiscal year ended March 31, 2022 was ¥ 21,235 million.

Deferred tax liabilities are not recognized for this difference for which Advantest can control timing of the reversal and that will unlikely reverse in the foreseeable future.

(2) Income Tax Expense

The breakdown of income tax expense was as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Income tax expense		
Current income tax expense	9,460	31,291
Deferred income tax expense		
Origination and reversal of temporary differences	6,572	(3,288)
Changes in unrecognized deferred tax assets	(16,236)	1,057
Adjustments to deferred tax assets and liabilities due to changes in tax rate	35	(18)
Total	(169)	29,042

Current income tax expense includes tax benefit from operating loss carryforwards that were not recognized as deferred tax assets. The amounts of current income tax expense which were decreased by this for the year ended March 31, 2021 was ¥7,025 million. There are no amounts of current income tax expense which were decreased by this for the year ended March 31, 2022.

(3) Reconciliation between Applicable Tax Rate and Effective Tax Rate

Reconciliation between the applicable tax rate and the effective tax rate was as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Applicable tax rate	30.5%	30.5%
Differences in statutory tax rate of foreign subsidiaries	(2.4)	(1.6)
Tax credits	(5.0)	(5.9)
Non-deductible expenses	0.8	0.7
Undistributed earnings of foreign subsidiaries	0.7	0.7
Changes in unrecognized deferred tax assets	(23.3)	0.9
Effect of tax rate changes	0.1	0.0
Others	(1.6)	(0.3)
Effective tax rate	(0.2)%	25.0%

The Company and its domestic subsidiaries are primarily affected by the corporation tax, resident tax and business tax. The statutory income tax rate calculated based on these rates for the fiscal years ended March 31, 2021 and 2022 were 30.5% and 30.5%, respectively.

Its foreign subsidiaries are affected by the corporation tax and other taxes at the domicile of each subsidiary.

17. Trade and Other Payables

The breakdown of trade and other payables was as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Accounts payable	35,902	45,546
Accrued expenses	18,254	20,786
Other payables	4,402	4,020
Total	58,558	70,352

18. Borrowings

(1) Breakdown of Borrowings

The breakdown of borrowings was as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022	Average interest rate (%)	Repayment Due (Year)
Short-term borrowings	—	18,359	1.21%	2023
Long-term borrowings (excluding current portion)	—	12,239	1.30%	2024
Total	—	30,598		
Current liabilities	—	18,359		
Non-current liabilities	—	12,239		
Total	—	30,598		

(Notes) 1. Borrowings are classified as financial liabilities measured at amortized cost.
2. The average interest rates show the weighted average interest rates based on the balance of the borrowings as of the end of the current fiscal year.
3. With regard to the borrowings of the above, there are no assets pledged as collateral.

(2) Reconciliation of Changes in Liabilities Relating to Cash Flows Arising from Financing Activities

Fiscal year ended March 31, 2022 Millions of Yen

	Short-term borrowings	Long-term borrowings	Total
Balance at beginning of year	–	–	–
Changes from financing cash flows	16,967	11,501	28,468
Changes from non-cash activities			
Exchanges differences	1,392	738	2,130
Balance at end of year	18,359	12,239	30,598

19. Provisions

The change in warranty provisions for the year ended March 31, 2022 was summarized as follows:

Millions of Yen

	Warranty Provisions
Balance at beginning of year	4,058
Increase during the year	10,009
Decrease due to intended use	(7,557)
Reversal during the year	—
Exchange differences	26
Balance at end of year	6,536
Current liabilities	6,536

Advantest's products are generally subject to warranty, and Advantest provides contractual product warranty services, when the performance of products sold does not meet expected product specifications. Estimated repair expenses over the warranty period are accrued based on the historical ratio of actual repair expenses to corresponding sales, when product revenue is recognized. Most of these expenses are expected to be incurred in the next fiscal year.

20. Post-Employment Benefits

Advantest has post-employment plans as follows:

(Defined benefit corporate pension plan and retirement and severance plans for Japan)

The Company and its domestic subsidiaries have a defined benefit corporate pension plan and unfunded retirement and severance plans (point-based benefits system) covering substantially all employees. The Company and its domestic subsidiaries shifted a part of defined benefit corporate pension plan to defined contribution plan on October 1, 2018.

The assets due to the shift to defined contribution plan will be transitioned for four years. Outstanding amount to be transitioned are included in trade and other payables in the consolidated statement of financial position for fiscal year ended March 31, 2021.

The benefits for both defined benefit corporate pension plan and retirement and severance plans (point-based benefits system) are calculated based on accumulated points allocated to employees each year according to their job classification and their performance.

In defined benefit corporate pension plan, in accordance with the Defined-Benefit Corporate Pension Act of Japan, the Company and its domestic subsidiaries have an obligation to make contributions to Advantest Pension Fund (the Fund) which manages the corporate pension plans. The directors of the Fund are responsible for faithfully executing operations in compliance with laws and regulations, and any orders issued by the Minister of Health, Labor and Welfare, and the Director-General of Regional Bureaus of Health and Welfare based on laws and regulations, as well as the rules of the Fund and the resolution of the Board of Representatives. And the directors are jointly and severally liable for responsible if they fail to manage and operate the Fund. The actual management of the contributions is conducted by trustees in accordance with rules approved by the Board of Representatives.

The Company and its domestic subsidiaries are required to make contributions to the Fund and obligated to make contributions in the amount stipulated by the Fund. Contributions are also regularly reviewed and adjusted as necessary to the extent permitted by laws and regulations. The Company and its domestic subsidiaries introduced a risk reserve contribution at ¥6,018 million, which has been contributed for five years within future expected risks from fiscal year ended March 31, 2022.

Plan assets are managed on the basis of soundness. However, financial instruments have inherent investment risks. Discount rates and other aspects of defined benefit plan obligations are based on pension actuarial assumptions. There is a risk when these pension actuarial assumptions are changed.

The retirement and severance plans (point-based system) are principally unfunded.

(Defined benefit pension plans for foreign subsidiaries)

Certain foreign subsidiaries also have defined benefit pension plans covering substantially all of their employees. Benefits payable under the plans are based on employee compensation levels and years of service.

Advantest Europe GmbH, the Company's subsidiary in Germany, has had various post-employment plans, mainly defined benefit corporate pension plans. As of January 1, 2021, these plans were transferred to one defined benefit corporate pension plan. The transfer resulted in Gain on the transfer of post-employment benefits plan, which is included in other income in the consolidated statement of profit or loss in the fiscal year ended March 31, 2021.

(Defined contribution plan)

In defined contribution plan, the Company and its domestic subsidiaries pay fixed contributions over entitlement period, and employees manage the contributed funds by themselves. Benefit is paid by a trustee organization, and the Company and its domestic subsidiaries' obligation is limited to the contribution.

(1) Defined Benefit Obligations and Plan Assets

The changes in present value of defined benefit obligations and fair value of plan assets of the Company and certain of its consolidated subsidiaries were as follows:

Japanese Plans

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Defined benefit obligations:		
Balance at the beginning of year	49,506	49,362
Service cost	1,282	1,244
Interest cost	287	315
Remeasurements:		
Actuarial (gain) or loss – Changes in demographic assumptions	17	44
Actuarial (gain) or loss – Changes in financial assumptions	(414)	(851)
Benefits paid	(1,316)	(1,586)
Balance at the end of year	49,362	48,528
Plan assets:		
Balance at the beginning of year	29,220	33,664
Interest income	170	215
Remeasurements:		
Actual return on plan assets, excluding interest income	4,729	1,085
Employer contributions	559	2,720
Benefits paid	(1,014)	(1,034)
Balance at the end of year	33,664	36,650
Net liability amount recognized in the consolidated statement of financial position	15,698	11,878

Non-Japanese Plans

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Defined benefit obligations:		
Balance at the beginning of year	28,371	30,965
Service cost	737	1,265
Interest cost	403	326
Remeasurements:		
Actuarial (gain) or loss – Changes in demographic assumptions	775	(295)
Actuarial (gain) or loss – Changes in financial assumptions	3,660	(4,157)
Benefits paid	(309)	(1,187)
Exchange differences	2,643	1,534
Decrease due to the pension plan change	(5,569)	—
Other	254	544
Balance at the end of year	30,965	28,995
Plan assets:		
Balance at the beginning of year	8,035	9,772
Interest income	130	44
Remeasurements:		
Actual return on plan assets, excluding interest income	604	(698)
Employer contributions	297	8,176
Plan participants' contributions	—	593
Benefits paid	(51)	(274)
Exchange differences	757	919
Balance at the end of year	9,772	18,532
Net liability amount recognized in the consolidated statement of financial position	21,193	10,463

(2) Plan Assets

The fair value of pension plan assets by asset category was as follows:

Japanese Plans

Millions of Yen

	As of March 31, 2021			As of March 31, 2022		
	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total
Cash and cash equivalents	514	—	514	1,302	—	1,302
Equity securities:						
Pooled funds	—	12,041	12,041	—	10,762	10,762
Debt securities:						
Pooled funds	—	5,880	5,880	—	5,755	5,755
Hedge funds	—	11,062	11,062	—	11,239	11,239
Life insurance company general accounts and separate accounts	—	4,167	4,167	—	7,592	7,592
Total	514	33,150	33,664	1,302	35,348	36,650

Non-Japanese Plans

Millions of Yen

	As of March 31, 2021			As of March 31, 2022		
	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total
Cash and cash equivalents	2,518	—	2,518	1,936	—	1,936
Equity securities:						
Pooled funds	—	4,118	4,118	3,407	485	3,892
Debt securities:						
Pooled funds	—	2,681	2,681	10,169	69	10,238
Commodities	—	455	455	371	2,095	2,466
Total	2,518	7,254	9,772	15,883	2,649	18,532

Investment policies of Advantest are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants by attaining necessary long-term total returns on plan assets. Taking into consideration the expected returns, associated risks and correlations of returns between asset categories in plan assets, Advantest determines an optimal combination of equity, debt securities and other investments as Policy Asset Allocation (“PAA”). Plan assets are invested in accordance with PAA with mid-term to long-term viewpoint, which is revised periodically to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

Advantest expects to contribute ¥3,676 million including risk reserve contribution to defined benefit plans during the following fiscal year.

(3) Actuarial Assumptions

The significant actuarial assumptions used to determine the present value of defined benefit obligations were as follows:

Japanese Plans

	As of March 31, 2021	As of March 31, 2022
Discount rate (%)	0.6	0.8
Rate of compensation increase (%)	2.3	2.3

Non-Japanese Plans

	As of March 31, 2021	As of March 31, 2022
Discount rate (%)	1.1	2.0
Rate of compensation increase (%)	2.6	2.7

The effects on defined benefit obligations of 0.5% increase or decrease in the discount rate were as follows.

The sensitivity analysis is based on an assumption that all other variables other than the one analyzed are held constant. In reality, changes in other assumptions may impact the analysis.

Japanese Plans

Millions of Yen

	Changes in actuarial assumptions	As of March 31, 2021	As of March 31, 2022
Discount rate	0.5% increase	(2,985)	(2,836)
	0.5% decrease	3,283	3,112

Non-Japanese Plans

Millions of Yen

	Changes in actuarial assumptions	As of March 31, 2021	As of March 31, 2022
Discount rate	0.5% increase	(2,349)	(1,785)
	0.5% decrease	2,727	2,047

The weighted average duration of defined benefit obligations was as follows:

Japanese Plans

	As of March 31, 2021	As of March 31, 2022
Weighted average duration (Years)	12	12

Non-Japanese Plans

	As of March 31, 2021	As of March 31, 2022
Weighted average duration (Years)	19	19

(4) Employee Benefit Expenses

The total amount of employee benefit expenses in the consolidated statement of profit or loss for the fiscal years ended March 31, 2021 and 2022 were ¥78,778 million and ¥87,159 million, respectively.

21. Equity and Other Equity Items

(1) Share Capital

1) Authorized Shares

The number of authorized shares as of March 31, 2021 and 2022 were 440,000,000 common shares.

2) Fully Paid Issued Shares

The movement of the number of issued shares was as follows:

	Number of issued common shares
As of April 1, 2020	199,566,770
Increase (decrease)	—
As of March 31, 2021	199,566,770
Increase (decrease)	(24,505)
As of March 31, 2022	199,542,265

(Note) The decrease is due to the cancellation of treasury shares.

The shares issued by the Company are non-par value common shares that have no restriction of rights.

(2) Treasury Shares

The movement of treasury shares was as follows:

	Number of shares
As of March 31, 2021	3,132,075
As of March 31, 2022	9,634,859

(Notes) 1. The Company's share (694,832 shares as of March 31, 2021, 425,495 shares as of March 31, 2022), which is being kept as performance-based stock remuneration in trust account, is included in the number of treasury shares at the end of each fiscal period.

2. The share repurchase from the resolution of the Board of Directors' meeting held on July 28, 2021, resulted in an increase of treasury shares by 7,167,500 for the fiscal year ended March 31, 2022.

(3) Surplus

1) Share Premium

Under the Companies Act of Japan, at least 50% of the proceeds of certain issues of common shares shall be credited to share capital. The remainder of the proceeds shall be credited to additional paid-in capital within share premium.

2) Retained Earnings

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as additional paid-in capital or as a legal reserve until the aggregate amount of the additional paid-in capital and the legal reserve within retained earnings equals 25% of share capital.

(4) Other Components of Equity

Millions of Yen

	Remeasurements of defined benefit pension plan (Note 1)	Exchange differences on translation of foreign operations (Note 2)	Net change in fair value measurements of equity instruments at fair value through other comprehensive income (Note 3)	Total
As of April 1, 2020	—	(247)	162	(85)
Increase (decrease)	2,309	4,327	(666)	5,970
Transfer to retained earnings	(2,309)	—	—	(2,309)
As of March 31, 2021	—	4,080	(504)	3,576
Increase (decrease)	4,509	12,180	3,296	19,985
Transfer to retained earnings	(4,509)	—	(70)	(4,579)
As of March 31, 2022	—	16,260	2,722	18,982

(Notes) 1. Remeasurements of defined benefit pension plan include differences in return on plan assets and interest income on plan assets and differences between actuarial assumptions and actual results.

2. Exchange differences on translation of foreign operations are exchange differences resulting from the translation of financial statements of foreign operations.

3. Net change in fair value measurements of equity instruments at fair value through other comprehensive income is cumulative in nature.

22. Dividends

(1) Dividends Paid

Fiscal year ended March 31, 2021

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2020	Common shares	8,157	41	March 31, 2020	June 2, 2020
Board of Directors' meeting held on October 29, 2020	Common shares	7,493	38	September 30, 2020	December 1, 2020

(Notes) 1. Dividend of ¥22 million to the Company Shares for the BIP Trust and the ESOP Trust is included in the amount of dividend which was resolved at the Board of Directors' meeting held on May 21, 2020.

2. Dividend of ¥26 million to the Company Shares for the BIP Trust and the ESOP Trust is included in the amount of dividend which was resolved at the Board of Directors' meeting held on October 29, 2020.

Fiscal year ended March 31, 2022

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

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

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

(2) Dividends Whose Record Date is in the Fiscal Year under Review but Whose Effective Date is in the Following Fiscal Year

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 20, 2022	Common shares	13,323	70	March 31, 2022	June 3, 2022

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

23. Revenue

(1) Disaggregation of Revenue

As disclosed in note 6, Advantest 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:

Fiscal year ended March 31, 2021 Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	7,683	3,278	4,232	(1,172)	14,021
Americas	5,935	2,189	22,040	—	30,164
Europe	5,243	555	2,204	—	8,002
Asia	188,342	33,983	38,277	—	260,602
Total	207,203	40,005	66,753	(1,172)	312,789

Fiscal year ended March 31, 2022 Millions of Yen

	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:

Fiscal year ended March 31, 2021 Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	141,451	65,752	207,203

Fiscal year ended March 31, 2022 Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	225,599	63,260	288,859

Revenue is accounted for in accordance with the accounting policy described in note 3. The transaction price is measured based on the amount promised in the contracts with customers. Contracts include no significant financing components because payment terms are generally within 3 months. There are no contracts with long payment terms from the satisfaction of performance obligation to payment of transaction price. Additionally, there is 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:

Millions of Yen

	As of April 1, 2020	As of March 31, 2021	As of March 31, 2022
Receivables from contracts with customers			
- Notes and trade accounts receivables	44,465	53,995	77,763
Contract liabilities			
- Advance receipt	7,689	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 increase in contract liabilities is mainly a result of revenue growth during the fiscal year ended March 31, 2022.

Advantest recognized ¥6,620 million and ¥9,608 million from the balance of contract liabilities as of April 1, 2020 and 2021 as revenue in the fiscal years ended March 31, 2021 and 2022, respectively. Both amounts carried forward to the following fiscal years onward are insignificant.

There was no revenue recognized in the fiscal years ended March 31, 2021 and 2022 from performance obligations satisfied or partially satisfied in past periods, respectively.

(3) Transaction Price Allocated to the Remaining Performance Obligations

Advantest 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.

24. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses was as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Employee benefit expenses	65,389	71,842
Depreciation and amortization	9,774	11,255
Others	30,707	38,035
Total	105,870	121,132

25. Share-Based Compensation

(1) Stock Options

Advantest has share-based compensation plans using stock options as incentive plans for directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers and executive employees. Stock options have been issued to directors, executive officers and certain employees of the Company and its subsidiaries under stock option plans approved at the Board of Directors' Meeting. Options were generally granted with an exercise prices of per share that were equal to the higher of (1) 1.05 times the average price of the Company's common shares of the preceding month on the date of grant and (2) the closing price of the Company's common shares traded on the Tokyo Stock Exchange on the date of grant.

The options have an exercise period of 4 years for No.13, 3 years for No.14, 15, 16 and 17, respectively.

The exercisable stock option plans were as follows:

No.	Number of shares to be issued/ delivered	Grant date	Exercise Period	Settlement Method	Vesting Conditions
13	1,924,000	August 16, 2016	From April 1, 2017 to March 31, 2021	Equity-settled	The persons who are director (excluding directors who are audit and supervisory committee members and outside directors), executive officer, employee, adviser, part-time worker or any other similar position of the Company or its subsidiaries after grant date (August 16, 2016) to vesting date (March 31, 2017) are entitled.
14	898,000	December 15, 2017	From April 1, 2019 to March 31, 2022	Equity-settled	The persons who are director (excluding directors who are audit and supervisory committee members and outside directors), executive officer, employee, adviser, part-time worker or any other similar position of the Company or its subsidiaries after grant date (December 15, 2017) to vesting date (March 31, 2019) are entitled.
15	418,000	August 10, 2018	From August 11, 2020 to August 10, 2023	Equity-settled	The persons who are director (excluding directors who are audit and supervisory committee members and outside directors), executive officer, employee, adviser, part-time worker or any other similar position of the Company or its subsidiaries after grant date (August 10, 2018) to vesting date (August 10, 2020) are entitled.

16	416,000	July 12, 2019	From July 13, 2021 to July 12, 2024	Equity-settled	The persons who are director (excluding directors who are audit and supervisory committee members and outside directors), executive officer, employee, adviser, part-time worker or any other similar position of the Company or its subsidiaries after grant date (July 12, 2019) to vesting date (July 12, 2021) are entitled.
17	192,000	July 13, 2020	From July 14, 2022 to July 13, 2025	Equity-settled	The persons who are director (excluding directors who are audit and supervisory committee members and outside directors), executive officer, employee, adviser, part-time worker or any other similar position of the Company or its subsidiaries after grant date (July 13, 2020) to vesting date (July 13, 2022) are entitled.

The exercise price of the stock options is subject to adjustment, if there is a share split or consolidation of shares, or if new shares are issued or treasury shares are sold at a price that is less than the market price.

Stock option activity was as follows:

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	1,547,000	2,482	1,038,000	3,585
Granted	192,000	6,990	—	—
Exercised	(673,000)	2,065	(357,000)	2,676
Expired	(28,000)	2,541	—	—
Forfeited	—	—	—	—
Outstanding at end of year	1,038,000	3,585	681,000	4,062
Exercisable at end of year	430,000	2,544	489,000	2,912

Weighted-average share prices as of exercise date were ¥6,914 and ¥10,016 for stock option plans exercised during fiscal years ended March 31, 2021 and 2022, respectively.

The outstanding stock options of the two most recent fiscal years were as follows:

As of March 31, 2021

Exercise Price	Outstanding		Exercisable	
	Number of shares	Weighted average remaining contractual life (Years)	Number of shares	Weighted average remaining contractual life (Years)
2,540	243,000	2.4	243,000	2.4
2,549	187,000	1.0	187,000	1.0
3,090	416,000	3.3	—	—
6,990	192,000	4.3	—	—

As of March 31, 2022

Exercise Price	Outstanding		Exercisable	
	Number of shares	Weighted average remaining contractual life (Years)	Number of shares	Weighted average remaining contractual life (Years)
2,540	158,000	1.4	158,000	1.4
3,090	331,000	2.3	331,000	2.3
6,990	192,000	3.3	—	—

The fair value of the stock option plan was estimated using the Black Scholes pricing model with the following assumptions:

No.	17
Expected life (year)	3.37
Risk-free rate (%)	(0.15)
Expected volatility (%)	44.68
Expected dividend yield (%)	0.98

Share-based compensation expenses were ¥347 million and ¥241 million for fiscal years ended March 31, 2021 and 2022, respectively.

(2) Performance-Based Stock Remuneration Plan

1) Outline of the Performance-Based Stock Remuneration Plan

Advantest has performance-based stock remuneration plan with the trust (“Plan”) for directors (excluding directors who are audit and supervisory committee members and outside directors), executive officers and executive employees as an incentive.

In the Plan, Advantest contributes funding to the share delivery trust (“Trust”) whose trust period is approximately 3 years set by itself. The Trust uses the fund to purchase the Company’s shares, and it will give the shares to the members of the Plan depending on the achievement of the designated performance indicators for designated periods after the end of three-consecutive fiscal years started from April 1, 2018, 2019 and 2020, respectively.

Eligibility for the Plan is directors (excluding directors who are audit and supervisory committee members and outside directors), executive officers or employees over the designated periods.

The number of granted points which are base of the number of shares is calculated by average of performance achievement of designated performance indicators, the consolidated financial results of net sales, net income, operating ratio and ROE for designated periods.

The Plan is booked as equity-settled type share-based compensation. The Plan does not have exercise price because deliver the shares as remuneration.

Advantest has Performance Share Unit Plan ("PSU") for directors (excluding directors who are audit and supervisory committee members and outside directors) and executive officers as an incentive from fiscal year ended March 31, 2022.

The PSU is a performance-based stock compensation plan, under which numerical targets for the Company's performance during the performance evaluation period consisting of the fiscal years that correspond to the period of the Company's Mid-Term Management Plan ("Performance Evaluation Period") are preliminarily set by the Board of Directors, and cash compensation claims for the delivery of shares of common stock of the Company are delivered according to the rate of achievement of such numerical targets as compensation for the Performance Evaluation Period. Accordingly, the payment of cash compensation claims for the delivery of shares of common stock the Company to the eligible directors and executive officers shall, in principle, take place after the Performance Evaluation Period ends.

The initial Performance Evaluation Period will be three-consecutive fiscal years started from April 1, 2021, which corresponds to the period of the Company's Mid-Term Management Plan. After the initial Performance Evaluation Period ends, the Board of Directors may approve the continuation of the PSU to the extent approved at the general meeting of shareholders.

The 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 earnings per share (EPS) during the mid-term management plan, relative total shareholders return (r-TSR) and ESG evaluation. EPS is the main indicator, and r-TSR and ESG evaluation are the sub-indicators. The degree of fluctuation is determined by the total value of both indicators.

In principle, the Company shall issue or dispose of the number of shares of common stock of the Company calculated by multiply basic points by the degree of the fluctuation to the eligible directors and executive officers after the end of the Performance Evaluation Period if the eligible directors and executive officers fulfill the following requirements.

a. Eligible directors and executive officers have continuously remained in the position of either director or executive officer of the Company throughout the Performance Evaluation Period
b. Eligible directors and executive officers have not engaged in any misconduct as defined by the Board of Directors
c. Other requirements deemed necessary by the Board of Directors to achieve the purpose of the PSU

If, during the Performance Evaluation Period, a director or an executive officer is newly appointed or an eligible director or an eligible executive officer resigns from his/her position as either director or executive officer of the Company for a justifiable reason, the Board of Directors shall issue or dispose of shares of common stock of the Company in the number that have been reasonably adjusted in accordance with the term of office of such director and executive officer.

The PSU is booked as equity-settled type share-based compensation. The PSU does not have exercise price because deliver the shares as remuneration.

2) Number of Estimated Granted Points and Fair Value

The fair value of the Plan granted in the fiscal year ended March 31, 2021 was ¥5,261. The fair value was calculated based on the market price of the Company's share at the grant date and expected dividends.

As described in 1), the number of granted points is calculated based on the payment rate between 0% and 150% depending on the achievement of the designated performance indicators for three-consecutive fiscal years, and they will be distributed in a lump. 100% is defined as basic points.

The fair value of the PSU granted in the fiscal year ended March 31, 2022 was ¥9,460. The fair value was calculated based on the market price of the Company's share at the grant date, expected dividends and the impact by r-TSR.

As described in 1), the number of granted points is calculated based on the degree of fluctuation rate between 60% and 140% depending on the achievement of the mid-term management targets.

3) Share-Based Compensation Expense

Share-based compensation expenses from the Plan were ¥823 million and ¥1,217 million for the fiscal years ended March 31, 2021 and 2022, respectively.

4) Basic Points Activity

Basic points activity was as follows:

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Number of basic points	Weighted average exercise price (Yen)	Number of basic points	Weighted average exercise price (Yen)
Outstanding at beginning of year	409,369	3,344	512,580	3,811
Granted	122,685	5,261	103,320	9,460
Exercised	(6,898)	2,544	(191,706)	2,543
Expired	—	—	—	—
Forfeited	(12,576)	3,460	(4,313)	4,352
Outstanding at end of year	512,580	3,811	419,881	5,774
Exercisable at end of year	—	—	—	—

(3) Restricted Stock Compensation Plan

1) Outline of the Restricted Stock Compensation Plan

Advantest has restricted stock compensation plan (“RS”) for directors (excluding directors who are audit and supervisory committee members and outside directors), executive officers and executive employees as an incentive.

Based on the resolution of the Board of Directors of the Company, eligible directors, executive officers and executive employees shall pay all of the cash compensation claims provided as in-kind contribution property and receive the issuance or disposal of the common shares of the Company. Regarding the issuance or disposal of the Company's common shares and the payment of cash compensation receivables as its in-kind contribution property, a restricted stock allotment agreement (“Agreement”) is subject to be concluded between the Company and eligible directors, executive offices and executive employees.

For those who are directors and executive officers of the Company at the time of receiving the above-mentioned allotment of restricted stock shall not transfer, set of collateral rights or otherwise dispose of the Company's common shares allotted under the Agreement (“Allotted Shares”) from the date of the allotment under the Agreement to the time immediately after he/she resigns from either position as a director or an executive officer of the Company, and for those who are employees, during the period of five years from the day of receiving the Allotted Shares (“Transfer Restriction Period”) (this restriction is the “Transfer Restriction”).

In the event that a person who is a director or executive officer of the Company at the time of receiving the above-mentioned allotment of restricted stock resigns or retires as either director or executive officer of the Company before the expiration of the period determined in advance by the Board of Directors (“Term of Service”), and a person who is an executive employee resigns or retires from any of the positions of Director, Corporate Auditor, Executive Officer, employee, temporary employee, or any other position during the Term of Service, the Company shall automatically acquire the Allotted Shares without consideration, unless such resignation is due to expiration of term of office, death or for other justifiable reasons.

Notwithstanding the provisions of Transfer Restriction Period above, the Company shall lift the Transfer Restriction for all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the condition that the person who is a director and an executive officer of the Company at the time of receiving the above-mentioned allotment of restricted stock continuously remains in the position as either director or executive officer of the Company throughout the Term of Service, and that the person who is an executive member continuously remains in the position as either directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers, employees, advisers, part-time workers or any other similar position of the Company or its subsidiaries throughout the Transfer Restriction Period. However, if an eligible director, executive officer or executive employee resigns or retires from the position as either director or executive officer of the Company prior to the expiration of the Term of Service due to expiration of term, death or for other justifiable reasons, the Company shall make reasonable adjustments, as necessary, to the number of Allotted Shares for which the Transfer Restriction will be lifted and the timing at which the Transfer Restriction will be lifted by a resolution of the Board of Directors. The Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted in accordance with the above-stated provisions.

If eligible directors, executive officers and executive employees are non-resident at the time of receiving the allotment of the above-mentioned restricted stock, the restricted stock unit plan (a plan in which shares of the Company are delivered after a certain period of time) ("RSU") may be applied instead of the above-stated RS for the purpose of avoiding the need to comply with laws and regulations and disadvantages in terms of taxation in the country of residence of such eligible directors, executive officers and employees. Even in such case, the terms shall be the same as those of the above-stated RS, except for the timing of the issuance or disposal of shares of common share of the Company, and will be managed within the framework of the amount of compensation and the total number of common shares set forth in the RS.

The RS and RSU are booked as equity-settled type share-based compensation. The RS and RSU do not have exercise price because deliver the shares as remuneration.

2) Number of Estimated Granted Points and Fair Value

The fair values and allotted shares or points for RS and RSU granted in the fiscal year ended March 31, 2022 were as follows;

	RS		RSU	
	Directors, Executive Officers	Executive Employees	Directors, Executive Officers	Executive Employees
Date of the allotment	July 22, 2021	September 30, 2021	July 5, 2021	January 28, 2022
Allotted shares/points	17,952	21,925	22,284	30,930
Fair value	9,170	10,030	9,660	8,720

The fair value of RS was calculated based on the market price of the Company's share at the grant date, and the fair value of RSU was calculated based on the market price of the Company's share at the grant date and expected dividends.

3) Share-Based Compensation Expense

Share-based compensation expense from RS and RSU was ¥324 million for the fiscal year ended March 31, 2022.

4) Basic Points Activity

Basic points activity was as follows:

	Fiscal year ended March 31, 2022	
	Number of basic points	Weighted average exercise price (Yen)
Outstanding at beginning of year	—	—
Granted	93,091	9,340
Exercised	(16)	10,030
Expired	—	—
Forfeited	(184)	10,030
Outstanding at end of year	92,891	9,339
Exercisable at end of year	—	—

26. Financial Income and Expenses

(1) Financial Income

The breakdown of financial income was as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Interest income		
Financial assets measured at amortized cost	124	138
Dividend income		
Financial assets measured at fair value through other comprehensive income	15	1
Financial assets measured at fair value through profit or loss	4	—
Foreign exchange gain	—	1,710
Gain on investments in securities		
Financial assets measured at fair value through profit or loss	624	37
Others	—	26
Total	767	1,912

(2) Financial Expenses

The breakdown of financial expenses was as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Interest expense		
Financial liabilities measured at amortized cost	182	279
Foreign exchange loss	633	—
Changes in fair value of the contingent consideration	1,059	24
Others	1	—
Total	1,875	303

27. Other Income

The breakdown of other income was as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Gain on the transfer of post-employment benefits plan (Note 1)	5,569	—
Gain on the transfer of probe card business (Note 2)	2,451	—
Others	479	606
Total	8,499	606

(Notes) 1. Details about gain on the transfer of post-employment benefits plan is described in note 20.
2. Gain on the transfer of probe card business on July 30, 2020 is in relation to mechatronics system segment.

28. Other Comprehensive Income

Each component of other comprehensive income, reclassification adjustments to net income and tax effects were as follows:

Millions of Yen

	Fiscal year ended March 31, 2021			Fiscal year ended March 31, 2022		
	Pretax amount	Tax (expense) or benefit	Net of tax amount	Pretax amount	Tax (expense) or benefit	Net of tax amount
Remeasurements of defined benefit pension plan						
Gains (losses) during the year	1,151	1,158	2,309	5,574	(1,065)	4,509
Net change during the year	1,151	1,158	2,309	5,574	(1,065)	4,509
Net change in fair value measurements of equity instruments at fair value through other comprehensive income						
Gains (losses) during the year	(660)	(6)	(666)	3,187	109	3,296
Net change during the year	(660)	(6)	(666)	3,187	109	3,296
Exchange differences on translation of foreign operations						
Gains (losses) during the year	4,327	—	4,327	12,180	—	12,180
Reclassification adjustments to Net income	—	—	—	—	—	—
Net change during the year	4,327	—	4,327	12,180	—	12,180
Total other comprehensive income	4,818	1,152	5,970	20,941	(956)	19,985

29. Earnings per Share

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net income attributable to owners of the parent (Millions of Yen)	69,787	87,301
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	69,787	87,301
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	69,787	87,301
Weighted average number of common shares—basic	197,207,848	194,193,275
Dilutive effect of stock options	746,925	548,325
Dilutive effect of performance-based stock remuneration	401,433	422,937
Dilutive effect of restricted stock compensation	—	25,143
Weighted average number of common shares—diluted	198,356,206	195,189,680
Basic earnings per share (Yen)	353.87	449.56
Diluted earnings per share (Yen)	351.82	447.26
Financial instruments not included in the calculation of diluted earnings per share because they have anti-dilutive effect	—	—

30. Financial Instruments

(1) Capital Management

Advantest seeks out the most appropriate methods to enhance capital efficiency considering safety and liquidity for the sake of securing the fund.

Advantest raises fund through bonds and borrowings when required. Derivative transactions for speculation purposes are prohibited by Advantest's policy, and limited to transactions to avoid the risks discussed later.

Advantest manages net interest-bearing debt, where cash and cash equivalents are deducted from interest-bearing debt, and capital. The amounts as of each fiscal year end were as follows:

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Interest-bearing debt(Note 1)	—	30,598
Cash and cash equivalents	(149,164)	(116,582)
Net interest-bearing debt(Note 2)	(149,164)	(85,984)
Capital (equity attributable to owners of the parent company)	280,369	294,621

(Notes) 1. Interest-bearing debt is borrowings.

2. The figure represents the net amount of cash and cash equivalents after deducting interest-bearing.

Advantest monitors financial indicators in order to maintain a well-balanced capital structure that ensures an appropriate return on equity and a stable and flexible financial condition for future investment.

Advantest monitors credit ratings for a financial stability and flexibility, and ROE (return on equity) for profitability, while focusing on changes in the domestic and overseas environment.

(2) Basic Policy on Financial Risk Management

Advantest is exposed to financial risks (credit risks, liquidity risks, foreign exchange risks, and market price fluctuation risks) in the process of its management activities and it manages risks based on a specific policy in order to avoid or reduce said risks. The results of risk management are quarterly reported by the Accounting Department to management.

Advantest's policy limits derivatives to transactions for the purpose of mitigating risks from transactions based on actual demand. Therefore, Advantest does not transact derivatives for speculation purposes or trading purposes.

(3) Credit Risk

Receivables such as notes and trade receivables, resulting from operating activities of Advantest are exposed to customers' credit risks.

Equity securities held for strategic purposes are exposed to the issuer's credit risks.

Additionally, derivative transactions in order to hedge foreign exchange fluctuation risks are exposed to credit risks of counter party financial institutions.

Advantest strives to mitigate collection risk in accordance with credit management standards and procedures in selling goods and services.

Advantest assesses the credit standing of customers and manages collection date and outstanding balance for each customer to ensure smooth collection of trade receivables.

Advantest minimizes risk exposure by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines.

Any maximum exposure to credit risk in financial assets is stated in the carrying amounts presented in the consolidated statement of financial position.

Aging of Trade and other receivables that are past due but not impaired as of March 31, 2021 was as follows:

Millions of Yen

	As of March 31, 2021				
	Financial assets that are measured at an amount equal to 12-month expected credit losses	Financial assets that are measured at an amount equal to lifetime expected credit losses			Total
		Trade and other receivables	Financial assets whose credit risk has increased significantly	Financial assets whose credit is impaired	
Before due date	3,025	50,547	—	—	53,572
Within 90 days	—	2,451	—	—	2,451
Over 90 days, within 180 days	7	490	—	—	497
Over 180 days	12	507	—	—	519
Total	3,044	53,995	—	—	57,039

Aging of Trade and other receivables as of March 31, 2022 was as follows:

Millions of Yen

	As of March 31, 2022				
	Financial assets that are measured at an amount equal to 12-month expected credit losses	Financial assets that are measured at an amount equal to lifetime expected credit losses			Total
		Trade and other receivables	Financial assets whose credit risk has increased significantly	Financial assets whose credit is impaired	
Before due date	3,926	67,837	—	—	71,763
Within 90 days	15	7,036	—	—	7,051
Over 90 days, within 180 days	—	1,604	—	—	1,604
Over 180 days	451	1,286	—	—	1,737
Total	4,392	77,763	—	—	82,155

Impairment is accounted for using the allowance for doubtful accounts, not directly reducing the carrying amount of financial assets.

The allowance for doubtful accounts against the financial assets is included in "Trade and other receivables" and "Other financial assets" in the consolidated statement of financial position.

The change in the allowance for doubtful accounts was as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of year	9	11
Increase during the year	11	—
Decrease due to intended use	—	—
Reversal during the year	(9)	(11)
Exchange differences	—	—
Balance at the end of year	11	—
Current	11	—
Non-current	—	—
Total	11	—

The amount of allowance for doubtful accounts of the financial assets for which credit losses were occurred as of March 31,2021 and 2022 were zero. Allowance for doubtful accounts which are other than the mentioned above were mostly lifetime expected credit losses of Trade and other receivables.

(4) Liquidity Risk

Advantest establishes a financing plan based on the annual business plan and the Accounting Department monitors and collects information on the balance of liquidity-on-hand and interest-bearing debt and reports it to management.

In addition, Advantest manages liquidity risks with the balance of liquidity-on-hand maintained at a proper level by working out the financing plan on a timely basis, and by taking into consideration the financial environment.

The financial liability balance by maturity was as follows:

As of March 31, 2021

Millions of Yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	58,558	58,558	58,558	—	—	—	—	—
Borrowings	—	—	—	—	—	—	—	—
Lease liabilities	11,850	12,076	2,529	2,436	2,220	2,030	1,950	911
Other financial liabilities	3,509	3,509	3,509	—	—	—	—	—
Total	73,917	74,143	64,596	2,436	2,220	2,030	1,950	911
Derivative financial liabilities								
Foreign exchange forward contracts	11	11	11	—	—	—	—	—
Total	11	11	11	—	—	—	—	—

As of March 31, 2022

Millions of Yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	70,352	70,352	70,352	—	—	—	—	—
Borrowings	30,598	31,147	18,747	12,400	—	—	—	—
Lease liabilities	12,865	13,401	3,023	2,788	2,564	2,332	2,314	380
Other financial liabilities	3,276	3,276	3,276	—	—	—	—	—
Total	117,091	118,176	95,398	15,188	2,564	2,332	2,314	380
Derivative financial liabilities								
Foreign exchange forward contracts	33	33	33	—	—	—	—	—
Total	33	33	33	—	—	—	—	—

(5) Market Risk

1) Foreign Exchange Risk Management

As part of developing its global business, Advantest has foreign currency receivables and payables, which are subject to foreign exchange fluctuation risk.

To manage this risk, Advantest determines its foreign exchange fluctuation risk in each currency every month and, in principle, hedges this risk by using forward exchange transactions.

Depending on foreign exchange market conditions, Advantest may also enter into forward exchange contracts on foreign currency receivables and payables for expected transactions it deems certain to occur.

Details of forward exchange contracts are presented below.

Millions of Yen

	Fiscal year ended March 31, 2021				Fiscal year ended March 31, 2022			
	Contract amount	Over one year	Carrying amount		Contract amount	Over one year	Carrying amount	
			Assets	Liabilities			Assets	Liabilities
Foreign exchange forward contracts								
Selling								
USD	1,097	–	–	11	1,184	–	–	33

2) Foreign Exchange Sensitivity Analysis

The table below shows the impact on income before income taxes of a 1% increase in value of the functional currency included U.S. Dollar and the Euro, due to its holdings of financial instruments at the end of each fiscal year, assumed no changes in currencies other than those used.

The impact from the translation of functional currency-denominated financial instruments, assets and liabilities of foreign operations into presentation currency is not included.

Millions of Yen

	Currency	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Impact on income before income taxes	U.S. Dollar	(262)	(443)
	Euro	(9)	(13)

3) Interest Rate Risk

Advantest raises funds through borrowings. Some borrowings have floating interest rates, and are exposed to interest rate fluctuation risks.

4) Interest Rate Sensitivity Analysis

The table below shows the impact of a 0.1% increase in interest rates at the end of each fiscal year on income before income taxes. The analysis is performed for financial instruments such as borrowings, that are affected by interest rate fluctuations, and assumes that all other variable factors, including exchange rate, are constant.

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Impact on income before income taxes	–	(12)

(6) Carrying Amounts and Fair Value of Financial Instruments

(Borrowings)

Short-term borrowings are settled on a short-term basis, and their fair values approximate their carrying amounts. The fair value of long-term borrowings with floating rates is assumed to be quite similar to the carrying amounts, because it reflects market interest rates in a short period of time and the Advantest's credit status is not significantly different after the execution.

(Other)

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

(7) 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 years ended March 31, 2021 and 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, 2021

Millions of Yen

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

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

(Notes) 1. Advantest 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 breakdown of equity instruments designated as financial assets measured at FVTOCI was as follows.

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
PDF Solutions, Inc.	6,510	11,280
Nepes Ark Corporation	1,117	267
Other	752	1,082
Total	8,379	12,629

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, 2021	Fiscal year ended March 31, 2022
Balance at beginning of year	1,475	1,123
Gains or losses		
Profit or loss (Note 1)	747	—
Other comprehensive income(Note 2)	23	(601)
Purchase	—	881
Sales	—	(362)
Conversion	(1,209)	—
Other	87	41
Balance at end of year	1,123	1,082

(Notes) 1. Gains or losses recognized in profit or loss are included in financial income of the consolidated statement of profit or loss.

2. Gains or losses recognized in other comprehensive income are presented in net change in fair value

measurements of equity instruments at FVTOCI of the 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, 2021	Fiscal year ended March 31, 2022
Balance at beginning of year	1,487	2,642
Changes in fair value(Note)	1,059	24
Settlements	–	(2,515)
Other	96	108
Balance at end of year	2,642	259

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

(8) Derivatives and Hedge Accounting

1) Derivatives Subject to Hedge Accounting

There were no derivatives designated as hedging instruments as of March 31, 2021 and 2022.

2) Derivatives Not Subject to Hedge Accounting

Details of derivatives are presented below.

Millions of Yen

	Fiscal year ended March 31, 2021			Fiscal year ended March 31, 2022		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contracts	1,097	–	(11)	1,184	–	(33)

31. Related Party Disclosures

Management personnel compensation was as follows:

Millions of Yen

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Fixed-compensation	288	298
Performance-based bonus	159	239
Share-based compensation expense	229	367
Other	2	–
Total	678	904

32. Business Combinations

Fiscal year ended March 31, 2021

(Business combination through acquisition)

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

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

Millions of Yen

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

Fiscal year ended March 31, 2022
(Business combination through acquisition)

(1) Overview of Acquired Business

Name of Company: R&D Altanova, Inc.
Business Description of acquired company:
simulation, design, layout, fabrication and assembly of test interface boards for high-end applications
Voting rights ratio after acquisition of shares: 100%

(2) Overview of Business Combination

Advantest America, Inc., the Company's U.S. subsidiary, acquired all outstanding shares of U.S. company, R&D Altanova, Inc. ("R&D Altanova") on November 17, 2021, and R&D Altanova became a wholly owned subsidiary of Advantest America, Inc.

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

(3) Acquisition Date

November 17, 2021

(4) Legal Form of Business Combination

Acquisition of shares

(5) Acquisition-related Expense

Acquisition-related expense of ¥746 million is included in Selling, general and administrative expenses in the consolidated statement of profit or loss for the fiscal year ended March 31, 2022.

Fair Value of Assets Acquired, Liabilities Assumed and Consideration Paid as of the Acquisition Date

The fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were provisional as of March 31, 2022 because the purchase price allocation had not been completed. The provisional amount was calculated based on currently available information.

Millions of Yen

	Fair value
Assets acquired	
Cash and cash equivalents	1,407
Trade and other receivables	1,847
Inventories	930
Other current assets	262
Property, plant and equipment, net	1,325
Right-of-use-assets	643
Intangible assets, net	366
Other non-current assets	127
Assets total	6,907
Liabilities assumed	
Trade and other payables	635
Other current liabilities	644
Long-term borrowings	4,472
Lease liabilities	526
Deferred tax liabilities	223
Other non-current liabilities	168
Liabilities total	6,668
Goodwill	25,282
Total	25,521
Fair value of consideration paid	
Cash and cash equivalents	25,521

(Notes) 1. Other non-current assets include Deferred tax assets and others. Other current liabilities include Income taxes payable and others. Other non-current liabilities include Retirement benefit liabilities and others.

2. The total contract amount of trade and other receivables is the same as the fair value, and there are no items that are expected to be uncollectible.

Goodwill generated from this business combination was attributable to the Services, Support and Others segment and was not deductible for tax purposes. Goodwill primarily represented a synergy effect with existing businesses and the excess earning power expected from the acquisition.

(6) Acquisition of subsidiary

Millions of Yen

	Amount
Consideration paid	25,521
Cash and cash equivalents of the acquired subsidiary	(1,407)
Repayments of the long-term borrowings and others	4,862
Acquisition of subsidiary	28,976

(7) Impact on the Business Performance

Disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the fiscal year ended March 31, 2022 (unaudited information), was omitted because of its immateriality for the consolidated statement of profit or loss.

2. Other

Quarterly information for the fiscal year ended March 31, 2022.

(Cumulative Periods)	Three months ended June 30, 2021	Six months ended September 30, 2021	Nine months ended December 31, 2021	Fiscal year ended March 31, 2022
Net sales (Millions of Yen)	97,116	187,990	300,067	416,901
Income before income taxes (Millions of Yen)	25,741	47,260	81,335	116,343
Net income attributable to owners of the parent (Millions of Yen)	19,344	35,246	60,893	87,301
Basic earnings per share (Yen)	98.42	179.52	311.62	449.56

(Accounting Periods)	Three months ended June 30, 2021	Three months ended September 30, 2021	Three months ended December 31, 2021	Three months ended March 31, 2022
Basic earnings per share (Yen)	98.42	81.08	132.50	138.64

2. Non-Consolidated Financial Statements

(1) Financial Statements

1) Non-Consolidated Balance Sheet

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	119,344	80,993
Trade notes receivable	22	10
Electronically recorded monetary claims	1,882	3,895
Accounts receivable	* 60,816	* 84,266
Merchandises and finished goods	9,306	15,904
Work in progress	18,878	23,078
Raw materials and supplies	17,042	32,260
Other current assets	* 7,349	* 10,029
Total current assets	234,639	250,435
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,918	3,256
Land	8,287	8,181
Other property, plant and equipment	7,614	7,519
Total property, plant and equipment	19,819	18,956
Intangible fixed assets		
Patent right	850	453
Other intangible fixed assets	1,245	1,050
Total intangible fixed assets	2,095	1,503
Investments and other assets		
Investment securities	30	307
Investment in affiliated companies	108,928	108,928
Long-term loans receivable	* 31,007	* 60,152
Deferred tax assets	16,626	18,277
Other non-current assets	984	1,251
Total investments and other assets	157,575	188,915
Total non-current assets	179,489	209,374
Total assets	414,128	459,809

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Trade accounts payable	* 34,197	* 40,721
Short-term borrowings	—	18,359
Other accounts payable	* 9,741	* 11,859
Accrued expenses	* 6,287	* 6,397
Income taxes payable	4,324	21,710
Advance receipt	4,106	8,548
Deposits received	* 51,514	* 56,256
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
Total current liabilities	115,659	173,800
Non-current liabilities		
Long-term borrowings	—	12,239
Provision for retirement benefits	11,664	9,465
Asset retirement obligations	40	40
Provision for share-based remuneration	549	654
Other non-current liabilities	807	693
Total non-current liabilities	13,060	23,091
Total liabilities	128,719	196,891
Net assets		
Shareholders' equity		
Common stock	32,363	32,363
Capital surplus		
Capital reserve	32,973	32,973
Total capital surplus	32,973	32,973
Retained earnings		
Legal reserve	3,083	3,083
Other retained earnings		
Reserve for losses in foreign investments	27,062	27,062
General reserve	146,880	146,880
Retained earnings carried forward	57,419	101,420
Total retained earnings	234,444	278,445
Treasury shares	(15,001)	(81,547)
Total shareholders' equity	284,779	262,234
Stock acquisition rights	630	684
Total net assets	285,409	262,918
Total liabilities and net assets	414,128	459,809

2) Non-Consolidated Statement of Operations

(Millions of yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Net sales	*2 271,875	*2 355,575
cost of sales	*2 134,802	*2 161,528
Gross profit	137,073	194,047
Selling, general and administrative expenses	*1,*2 91,975	*1,*2 105,124
Operating income	45,098	88,923
Non-operating income		
Interest and dividends income	*2 8,763	*2 4,549
Foreign exchange gain	505	1,375
Others	*2 1,143	*2 337
Total non-operating income	10,411	6,261
Non-operating expenses		
Interest expenses	*2 111	*2 224
Rental expenses on facilities	228	270
Loss on disposal of non-current assets	41	200
Loss on valuation of investment securities	―	605
Others	*2 393	*2 218
Total non-operating expenses	773	1,517
Ordinary income	54,736	93,667
Extraordinary loss		
Impairment loss	―	398
Total extraordinary loss	―	398
Income before income taxes	54,736	93,269
Income taxes-current	6,825	24,106
Income taxes-deferred	(5,120)	(1,651)
Total income taxes	1,705	22,455
Net income	53,031	70,814

3) Statement of Changes in Net Assets

Fiscal year ended March 31,2021 Millions of Yen

	Shareholders' 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	21,476
Changes in the year						
Dividends from retained earnings						(15,650)
Net income						53,031
Purchase of treasury shares						
Disposal of treasury shares						(1,438)
Changes of items other than shareholders' equity, net						
Total changes in the year	—	—	—	—	—	35,943
Balance at end of year	32,363	32,973	3,083	27,062	146,880	57,419

	Shareholders' equity		Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity		
Balance at beginning of year	(4,179)	259,658	585	260,243
Changes in the year				
Dividends from retained earnings		(15,650)		(15,650)
Net income		53,031		53,031
Purchase of treasury shares	(13,954)	(13,954)		(13,954)
Disposal of treasury shares	3,132	1,694		1,694
Changes of items other than shareholders' equity, net			45	45
Total changes in the year	(10,822)	25,121	45	25,166
Balance at end of year	(15,001)	284,779	630	285,409

Fiscal year ended March 31, 2022 Millions of Yen

	Shareholders' equity					
	Common stock	Capital surplus	Retained earnings			
				Other retained earnings		
		Capital reserve	Legal reserve	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 shares						
Disposal of treasury shares						(1,200)
Cancellation of treasury shares						(66)
Changes of items other than shareholders' 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

	Shareholders' equity		Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' 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 shares	(70,013)	(70,013)		(70,013)
Disposal of treasury shares	3,401	2,201		2,201
Cancellation of treasury shares	66	—		—
Changes of items other than shareholders' 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】

(Significant Accounting Policies)

1. Valuation Criteria and Methods of Assets

(1) Valuation of Securities

Investments in Subsidiaries………………………………Stated at cost using the moving average method

Other Securities

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)

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 is calculated using a method in which book values are written down in accordance with decreased profitability)

2. Depreciation and Amortization of Non-Current Assets

(1) Property, plant and equipment………Straight-line method

(2) Intangible fixed assets……………....Straight-line method

However, software for internal use is amortized using the straight-line method over its estimated useful life of 5 years..

3. Allowances/Provisions

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

4. Revenue recognition

The Company has adopted Accounting Standard Board of Japan (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.

See note 3(14) in the consolidated financial statements for additional details.

5. Other Significant Information for Preparation of Financial Statements

(1) Implementation of a consolidated tax system

The Company has implemented a consolidated tax system.

(2) The application of the treatment of tax effect accounting for the transition from the consolidated tax system to the group tax sharing system

From the next fiscal year, the Company will adopt the group tax sharing system from the consolidated tax system. For items for which the non-consolidated tax system is reviewed in tandem with the transitions to the group tax sharing system that is established under the Act Partially Amending the Income Tax Act (Act No. 8 of 2020), and to the group tax sharing system, the Company reports the amounts of deferred tax assets and deferred tax liabilities pursuant to the provision of the tax law prior to the amendment, and not adopt the provision of paragraph (44) of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), as allowed by the treatment prescribed under paragraph (3) of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Tax System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020).

From the beginning of the next fiscal year, the Company plans to adopt "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021), which provides for the treatment of accounting procedure and disclosure of corporate and local income taxes and tax effect accounting in the case where the group tax sharing system is adopted.

(Significant Accounting Estimates)

1. Valuation of Inventories

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

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Merchandises and finished goods	9,306	15,904
Work in progress	18,878	23,078
Raw materials and supplies	17,042	32,260

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

See note 4(1) in the consolidated financial statements for additional details.

2. Impairment of property, plant and equipment and intangible assets

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

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Property, plant and equipment	19,819	18,956
Intangible fixed assets	2,095	1,503

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

See note 4(2) in the consolidated financial statements for additional details.

3. Provision for Retirement Benefits

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

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Provision for retirement benefits	11,664	9,465

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

See note 4(3) in the consolidated financial statements for additional details.

4. Valuation of Deferred Tax Assets

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

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets	16,626	18,277

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

See note 4(4) in the consolidated financial statements for additional details.

5. Valuation of investment in affiliated companies

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

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Investment in affiliated company (Advantest America, Inc. shares)	12,723	12,723

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

In valuing Advantest America, Inc. shares as of March 31, 2021, the Company reflects the excess earning power of its subsidiaries Advantest Test Solutions, Inc. and Essai, Inc. in its valuation of real value. In valuing Advantest America, Inc. shares as of March 31, 2022, 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, growth rate after 3 years and discount rate. 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.

(Changes in Accounting Policies)

The Company has adopted the 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.

(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," (¥505 million in the previous fiscal year) which was included in "Others" 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" (¥41 million in the previous fiscal year) which was included in "Others" under "Non-operating expenses" is presented as a separate line item for the current fiscal year because of increased materiality of its amount.

(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 the notes to significant accounting policies.

(Additional Information)

The Company has introduced a performance-based stock remuneration plan and a restricted stock compensation plan as an incentive for directors (excluding outside directors and directors who are audit and supervisory committee members), executive officers and executive employees.

(1) Transaction Overview

See note 25 (2) and (3) in the consolidated financial statements for additional details.

(2) Shares of the Company remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares in the net assets section at the carrying amount of the trust (excluding the amount of ancillary expenses). The carrying amount and number of stocks of treasury shares were ¥2,699 million, 694,832 shares, and ¥1,966 million, 425,495 shares for the fiscal years ended March 31, 2021 and 2022, respectively.

(Balance Sheet)

* Monetary claims from affiliated companies and monetary debt to them are as follows

Millions of Yen

	As of March 31, 2021	As of March 31, 2022
Short-term monetary receivables from affiliated companies	40,790	63,025
Long-term monetary receivables from affiliated companies	30,999	60,143
Short-term monetary payables to affiliated companies	61,953	70,228

(Statement of Operations)

*1. The approximate percentage of selling expenses for the previous fiscal year and the current fiscal year were 30% and 28%, respectively. The approximate percentage of general and administrative expenses for the previous fiscal year and the current fiscal year were 70% and 72%, respectively.

Major items and amounts of selling, general and administrative expenses are as follows:

Millions of Yen

	Previous fiscal year (From April 1, 2020 To March 31, 2021)	Current fiscal year (From April 1, 2021 To March 31, 2022)
R & D expenses	42,512	49,009
Salary	4,227	3,894
Depreciation	1,245	1,559
Provision for product warranty	6,708	9,656
outsourcing expenses	24,027	26,702

*2. Transactions with affiliated companies are included as follows:

Millions of Yen

	Previous fiscal year (From April 1, 2020 To March 31, 2021)	Current fiscal year (From April 1, 2021 To March 31, 2022)
Sales Amount	146,452	218,443
Purchase Amount	86,314	107,089
Transaction Amount other than business transaction	9,750	4,716

(Securities)

Investments in affiliated companies, which amount recorded on the balance sheet for the previous fiscal year and current fiscal year was ¥108,928 million, do not state market prices because these are shares with no market value.

(Tax Effect Accounting)

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

Millions of Yen

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Deferred tax asset		
Appraised value of inventories	2,442	2,319
Research and development expense	2,304	2,527
Provision for retirement benefits	3,850	2,883
Fixed assets	11,241	12,973
Loss carried forward	76	—
Other	4,098	5,893
Subtotal of deferred tax assets	24,011	26,595
Valuation allowance for loss carried forward	—	—
Valuation allowance for deductible temporary differences	(7,385)	(8,318)
Subtotal of valuation allowance	(7,385)	(8,318)
Total of deferred tax assets	16,626	18,277
Deferred tax liabilities		
Total of deferred tax liabilities	—	—
Net deferred tax assets	16,626	18,277

2. Major components of difference between statutory effective tax rate and actual effective tax rate after application of tax effect accounting

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Statutory effective tax rate	30.5%	30.5%
(Reconciliation)		
Permanent non-taxable items such as dividends income	(4.2)	(1.2)
Tax credits for research and development expenses	(4.3)	(6.0)
Valuation allowance	(19.4)	1.0
Items that are not permanently deductible	0.2	0.1
Items that do not use income as a tax base, such as per capita rate of residence tax	0.0	0.0
Others	0.3	(0.3)
Actual effective tax rate after application of tax effect accounting	3.1	24.1

(Revenue Recognition)

The information that is the basis for understanding the revenue from contracts with customers is omitted since it is described in note 23 in the consolidated financial statements.

(Significant Subsequent Events)

Not applicable.

4) Supplementary Schedule

Details of Property, Plant and Equipment and Intangible Fixed Assets (Non-Consolidated)

Millions of Yen

Items	Types of assets	Balance at beginning of year	Increase for this year	Decrease for this year	Depreciation for this year	Balance at end of year	Accumulated depreciation
Property, plant and equipment	Buildings and structures	3,918	155	420 〔398〕	397	3,256	11,505
	Land	8,287	—	106	—	8,181	—
	Other	7,614	2,658	100	2,653	7,519	13,521
	Total	19,819	2,813	626	3,050	18,956	25,026
Intangible fixed assets	Patent right	850	—	1	396	453	2,685
	Other	1,245	449	201	443	1,050	604
	Total	2,095	449	202	839	1,503	3,289

(Notes)1: 〔〕 is the impairment loss amount within the "Decrease for this year".

2: The primary items of "Increase for this year" were as follows.

Machinery and equipment	Production equipment	¥483 million
	Development equipment	¥243 million
Tools, furniture and fixture	Development equipment	¥687 million
	Production equipment	¥358 million

【Details of Provisions (Non-Consolidated)】

(Millions of yen)

Items	Balance at beginning of year	Increase for this year	Decrease for this year	Balance at end of year
Accrued warranty expenses	3,920	9,656	7,301	6,275
Bonus accrual for directors	159	236	159	236
Provision for share-based remuneration - ST	359	823	384	798
Provision for share-based remuneration - LT	549	546	441	654

(2) Major Assets and Liabilities

The details of major assets and liabilities are stated in the consolidated financial statements.

(3) Others

Not applicable.

Item6. Overview of the Stock Affairs of the Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date for dividends from surplus	September 30 March 31
Number of shares per unit	100 shares
Sales and purchase of shares less than one unit	
Handling office	（Special Account） 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division
Shareholder registry administrator	（Special Account） 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Agency	—
Sales and purchases fees	Free of charge
Suspension period of acceptance of additional purchase requests	1. The Company shall suspend acceptance of the Request for Sale every year during (i) the period commencing the tenth business day prior to March 31 and ending on March 31, (ii) the period commencing the tenth business day prior to September 30 and ending on September 30, and (iii) the period commencing the tenth business day prior to the shareholder record date and ending on such shareholder record date that are provided by Japan Securities Depository Center. 2. Notwithstanding the immediately preceding paragraph, the Company may establish any other period to suspend acceptance of the Request for Sale whenever the Company deems it necessary.
Method of public notice	Electronic Reporting on the below site. Electric Public-notice (Japanese only) https://www.advantest.com/investors In the event that electronic public notices cannot be provided due to accidents or other unavoidable circumstances, public notice shall be given in the Nihon Keizai Shimbun.
Benefits for shareholders	Not applicable

(Notes) 1. According to the Company's Articles of Incorporation, shareholders holding shares of less than one unit do not have any rights other than the rights listed in each item of Article 189, Paragraph 2 of the Companies Act, the right to make a request under Article 166, Paragraph 1 of the Companies Act, the right to receive allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by shareholders, and the right to request sale of shares less than one unit.

2. Since June 1, 2021, the account management organization for special accounts has been changed to Mitsubishi UFJ Trust and Banking Corporation, the administrator of the shareholder registry of the Company.

Item7. Reference Information of the Company

1. Information on the Parent Company of the Company

The Company does not have a parent company.

2. Other Reference Information

The following documents were filed between the beginning of the current fiscal year and the date of filing of the Annual Securities Report.

(1) Annual Securities Report and its attachments, and Confirmation Letter
Fiscal year 79th Business Term (from April 1, 2020 to March 31, 2021) Filed with the Director-General of the Kanto Local Finance Bureau on June 24, 2021.

(2) Internal Control Report and its attachments
Filed with the Director-General of the Kanto Local Finance Bureau on June 24, 2021.

(3) Quarterly Reports and Confirmation Letter
(First quarter, 80th Business Term) (from April 1, 2021 to June 30, 2021) Filed with the Director-General of the Kanto Local Finance Bureau on August 13, 2021.
(Second quarter, 80th Business Term) (from July 1, 2021 to September 30, 2021) Filed with the Director-General of the Kanto Local Finance Bureau on November 12, 2021.
(Third quarter, 80th Business Term) (from October 1, 2021 to December 31, 2021) Filed with the Director-General of the Kanto Local Finance Bureau on February 10, 2022.

(4) Securities Registration Statement (Disposal of Treasury Shares as a Restricted Stock Compensation Plan) and its attachments
Filed with the Director-General of the Kanto Local Finance Bureau on June 23, 2021.

(5) Extraordinary Report
Filed with the Director-General of the Kanto Local Finance Bureau on June 24, 2021.
This is an Extraordinary Report according to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs.

(6) Amendment to the Securities Registration Statement
Filed with the Director-General of the Kanto Local Finance Bureau on June 24, 2021.
Filed with the Director-General of the Kanto Local Finance Bureau on July 28, 2021.
Filed with the Director-General of the Kanto Local Finance Bureau on August 13, 2021.
This is an amendment report related to (4) above.

(7) Status Report of Repurchase of Treasury Shares
Reporting period (from July 1, 2021 to July 31, 2021) Filed with the Director-General of the Kanto Local Finance Bureau on August 16, 2021.
Reporting period (from August 1, 2021 to August 31, 2021) Filed with the Director-General of the Kanto Local Finance Bureau on September 15, 2021.
Reporting period (from September 1, 2021 to September 30, 2021) Filed with the Director-General of the Kanto Local Finance Bureau on October 15, 2021.
Reporting period (from October 1, 2021 to October 31, 2021) Filed with the Director-General of the Kanto Local Finance Bureau on November 15, 2021.
Reporting period (from November 1, 2021 to November 30, 2021) Filed with the Director-General of the Kanto Local Finance Bureau on December 15, 2021.
Reporting period (from December 1, 2021 to December 31, 2021) Filed with the Director-General of the Kanto Local Finance Bureau on January 17, 2022.
Reporting period (from January 1, 2022 to January 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on February 15, 2022.
Reporting period (from February 1, 2022 to February 28, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on March 15, 2022.
Reporting period (from March 1, 2022 to March 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on April 15, 2022.

Part Ⅱ. Information on the Guarantee Companies of the Company

Not applicable.

English Translation
Independent Auditor's Reports on the Audit of Financial Statements and the Internal Controls over Financial Reporting

June 22, 2022

The Board of Directors
Advantest Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Toshiyuki Matsumoto
Designated Engagement Partner
Certified Public Accountant

Minoru Ota
Designated Engagement Partner
Certified Public Accountant

Hiroyuki Nakada
Designated Engagement Partner
Certified Public Accountant

<The Audit of the Financial Statements>

Opinion

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of Advantest Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of March 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as provided for in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

In our audit of the consolidated financial statements for the fiscal year ended March 31, 2022, we have determined "Valuation of goodwill and intangible assets related to business acquisitions in recent years" as a key audit matter. "Valuation of deferred tax assets recognized in Japanese tax jurisdiction," which was a key audit matter in the audit of the consolidated financial statements for the fiscal year ended March 31, 2021, is not a key audit matter in the audit of the consolidated financial statements for the fiscal year ended March 31, 2022 because the degree of uncertainty regarding the estimation of future taxable income is considered to have decreased in the fiscal year ended March 31, 2022.

Valuation of Goodwill and Intangible Assets Related to Business Acquisitions in Recent Years

Description of Key Audit Matter

The Group has been acquiring businesses in recent years under a strategy of expanding test and measurement solutions in the semiconductor value chain. Major businesses acquired in recent years and the balance of goodwill and major intangible assets at the end of the current fiscal year are as follows:

Company Name (Cash-generating Units)	Date of Acquisition	Main Business Activities	Balance of Goodwill / Intangible Assets
Advantest Test Solutions, Inc.	February 2019	Semiconductor system level test business	Goodwill: ¥7,449 million
Essai, Inc.	January 2020	Design, manufacture and sale of test sockets and thermal control units	Goodwill: ¥12,504 million Intangible assets: ¥17,549 million
R&D Altanova, Inc.	November 2021	Design, manufacture and assembly of test interface boards	Goodwill: ¥26,951 million

The total of the above assets is ¥64,453 million, which accounts for approximately 13% of the total assets. The related amounts, the key assumptions used in the impairment test and the method used in the calculation are disclosed in Note 4 "Significant Accounting Judgments, Estimates and Assumptions" and Note 13 "Goodwill and Intangible Assets" of the Notes to the consolidated financial statements. As described in Note 32 "Business Combination" to the consolidated financial statements, the balance of goodwill related to R&D Altanova, Inc. recorded in the fiscal year ended March 31, 2022 is a provisional amount based on currently available information because the purchase price allocation has not been completed. As a result of the impairment test, no impairment loss was recorded for these businesses in the fiscal year ended March 31, 2022.

The impairment test is performed by comparing the values in use of each cash-generating unit with the carrying amount of each business. The values in use of each cash-generating unit are determined by discounting estimated future cash flows to present value using pre-tax discount rates that reflect the time value of money and business specific risks based on the capital asset pricing model. The estimated future cash flows are determined based on the three-year business plan approved by management and the growth rates after three years. The key assumptions in estimating the values in use are the sales forecasts for existing large-volume customers and prospects for new customers on which to base a three-year business plan, the growth rates after three years, and the discount rates.

The above-mentioned businesses are belonging to the semiconductor industry and are expected to grow in the long term. On the other hand, in the medium term, the demand has volatile nature due to the influence of investment budgets of semiconductor manufacturers, the Group's customers, and geopolitical risks. At present, sales of these businesses are highly dependent on large-volume customers because it has not been long since the acquisitions, and it is important to acquire new customers by utilizing the customer base of the Group in order to achieve the business plan. Accordingly, there are uncertainties in the sales forecasts to existing large-volume customers and the prospects of new customers, which are the basis of the business plan and the forecasts of growth rates after three years, and management's high degree of judgment is required to forecast these key assumptions. The calculation of the discount rates requires a high level of expertise in evaluation in selecting calculation methods and inputs. Therefore, we determined the valuation of goodwill and intangible assets related to these businesses to be a key audit matter.
Auditor's Response
We have performed the following audit procedures, among others to consider the valuation of goodwill and intangible assets: (1) Assessment of the Group's internal controls ・ We assessed the effectiveness of the design and operation of the Group's internal controls relating to the calculation of the values in use in the impairment test of goodwill. (2) Evaluation of reasonableness of calculation of the values in use (Evaluation of calculation method) ・ We involved the valuation specialists of our network firm to assess the method used to calculate the values in use. (Evaluation of the reasonableness of the business plan) ・ We compared the estimated future cash flows for three years with the business plan approved by management to evaluate consistency between two data. ・ We compared the Group's business plan for prior years with actual results to evaluate the effectiveness of management's estimation process. ・ Regarding the sales forecasts to existing large-volume customers which serve as the basis of the business plan, we inquired of management and the responsible official of each business unit, compared with the sales backlog and publicly available data such as market reports and announcements published by customers and performed the trend analysis based on the past results. ・ Regarding the prospects for new customers, we inquired of management and the responsible official of each business unit, examined the progress of new business negotiations, compared with the past customer acquisition results. ・ We performed a sensitivity analysis of the business plan reflecting uncertainty in the sales forecasts. (Evaluation of the reasonableness of the growth rates and discount rates) ・ Regarding the growth rates for the period after three years, we inquired of management, compared with market reports, and performed the trend analysis based on the past results. ・ We compared the discount rates with the estimation made by the valuation specialists of our network firm.

Other Information

The other information comprises the information included in the Annual Securities Report that contains audited consolidated and non-consolidated financial statements but does not include the consolidated and non-consolidated financial statements and our audit reports thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 IFRSs, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, 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 IFRSs.
- Obtain sufficient 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, among other matters, 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.

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 consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<The Audit of the Internal Control over Financial Reporting>

Opinion

Pursuant to Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act, we also have audited the accompanying management's report on internal control over financial reporting of Advantest Corporation and its subsidiaries (the Group) as of March 31, 2022.

In our opinion, the accompanying management's report on internal control over financial reporting, which states that the internal control over financial reporting was effective as of March 31, 2022, present fairly, in all material respects, the results of the internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control over financial reporting in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Responsibilities of Management, the Audit and Supervisory Committee for the Management's Report on the Internal Control over Financial Reporting

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the management's report on the internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Committee are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the management's report on internal control over financial reporting is free from material misstatement based on our audit of the internal control over financial reporting and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the management's report on the internal control over financial reporting. The audit procedures for the audit of the internal control over financial reporting are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the management's report on the internal control over financial reporting, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the management's report on the internal control over financial reporting. We are responsible for the direction, supervision and performance of the audit of the management's report on the internal control over financial reporting. We remain solely responsible for our audit opinion.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Reports:

This is an English translation of the Independent Auditor's Reports as require by Financial Instruments and Exchange Act for the conveniences of the reader.

English Translation
Independent Auditor's Report

June 22, 2022

The Board of Directors
Advantest Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Toshiyuki Matsumoto
Designated Engagement Partner
Certified Public Accountant

Minoru Ota
Designated Engagement Partner
Certified Public Accountant

Hiroyuki Nakada
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements of Advantest Corporation (the Company), which comprise the non-consolidated balance sheet as of March 31, 2022, and the non-consolidated statements of operations and changes in net assets for the year then ended, and notes to the non-consolidated financial statements.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and its financial performance for the year then ended 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 Non-consolidated 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 non-consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

In our audit of the non-consolidated financial statements for the fiscal year ended March 31, 2022, we have determined "Valuation of investment in affiliated companies (Advantest America, Inc. shares)" as a key audit matter. "Valuation of deferred tax assets," which was a key audit matter in the audit of the non-consolidated financial statements for the fiscal year ended March 31, 2021, is not a key audit matter in the audit of the non-consolidated financial statements for the fiscal year ended March 31, 2022 because the degree of uncertainty regarding the estimation of future taxable income is considered to have decreased in the fiscal year ended March 31, 2022.

Valuation of investment in affiliated companies (Advantest America, Inc. shares)
Description of Key Audit Matter
In the non-consolidated financial statements for the fiscal year ended March 31, 2022, the Company recorded ¥108,928 million of investment in affiliated companies, including ¥12,723 million of shares of Advantest America, Inc. The related amounts, the key assumptions and the method used in the calculation are disclosed in "Significant Accounting Policies," "Significant Accounting Estimates" and "Securities" of the Notes to the non-consolidated financial statements. The Company has been acquiring businesses in recent years under a strategy of expanding test and measurement solutions in the semiconductor value chain. As a result, Advantest America, Inc. has subsidiaries; Advantest Test Solutions, Inc., which conducts semiconductor system level test business, Essai, Inc. which manufactures and sells test sockets, and R&D Altanova, Inc. which manufactures and sells interface boards. The excess earning power of these businesses based on the business plan at the time of acquisition is reflected in the evaluation of the real value for the valuation of Advantest America, Inc. shares. The judgment of whether or not there is a decrease in excess earning power is based on the estimated future cash flows based on the three-year business plan approved by management, the growth rates after three years and the discount rates. The key assumptions in the judgment of whether or not there is a decrease in excess earning power are the sales forecasts for existing large-volume customers and prospects for new customers on which to base a three-year business plan, the growth rates after three years, and the discount rates. The above-mentioned businesses acquired in recent years are belonging to the semiconductor industry and are expected to grow in the long term. On the other hand, in the medium term, the demand has volatile nature due to the influence of investment budgets of semiconductor manufacturers, the Company and its subsidiaries' customers, and geopolitical risks. At present, sales of these businesses are highly dependent on large-volume customers because it has not been long since the acquisitions, and it is important to acquire new customers by utilizing the customer base of the Company and its subsidiaries in order to achieve the business plan. Accordingly, there are uncertainties in the sales forecasts to existing large-volume customers and the prospects of new customers, which are the basis of the business plan and the forecasts of growth rates after three years, and management's high degree of judgment is required to forecast these key assumptions. The calculation of the discount rates requires a high level of expertise in evaluation in selecting calculation methods and inputs. Therefore, we determined the valuation of Advantest America, Inc. shares to be a key audit matter.

Auditor’s Response
In considering the valuation of investment in affiliated companies, we have performed the following audit procedures, among others to determine whether there has been a decrease in excess earning power and whether there has been significant decline in the real value of shares of subsidiaries reflecting excess earning power: (1) Assessment of the Company’s internal controls ・ We assessed the effectiveness of the design and operation of the Company’s internal controls relating to the determination of whether or not there is a decrease in excess earning power. (2) Evaluation of reasonableness of real value reflecting excess earning power ・ We involved the valuation specialists of our network firm to assess whether or not there is a decrease in excess earning power. ・ We compared the estimated future cash flows for three years with the business plan approved by management to evaluate consistency between two data. ・ We compared the Company’s business plan for prior years with actual results to evaluate the effectiveness of management’s estimation process. ・ Regarding the sales forecasts to existing large-volume customers which serve as the basis of the business plan, we inquired of management and the responsible official of each business unit, compared with the sales backlog and publicly available data such as market reports and announcements published by customers and performed the trend analysis based on the past results. ・ Regarding the prospects for new customers, we inquired of management and the responsible official of each business unit, examined the progress of new business negotiations, compared with the past customer acquisition results. ・ We performed a sensitivity analysis of the business plan reflecting uncertainty in the sales forecasts. ・ Regarding the growth rates for the period after three years, we inquired of management, compared with market reports, and performed the trend analysis based on the past results. ・ We compared the discount rates with the estimation made by the valuation specialists of our network firm.

Other Information

The other information comprises the information included in the Annual Securities Report that contains audited consolidated and non-consolidated financial statements but does not include the consolidated and non-consolidated financial statements and our audit reports thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Company’s reporting process of the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this 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 Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated 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 is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-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 non-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 non-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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated 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 non-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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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 appropriate audit evidence regarding the financial information of the components included in the non-consolidated financial statements of the Company to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of the components. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, 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.

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 non-consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report:
This is an English translation of the Independent Auditor's Report as require by Financial Instruments and Exchange Act for the conveniences of the reader.

[Cover]

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 22, 2022
[Company Name]	Kabushiki Kaisha Advantest
[Company Name in English]	ADVANTEST CORPORATION
[Title and Name of Representative]	Yoshiaki Yoshida, Representative Director, President and CEO
[Title and Name of CFO]	Atsushi Fujita, Director and Senior Executive Officer Executive Vice President, Corporate Administration Group
[Address of Registered Office]	1-6-2, Marunouchi, Chiyoda-ku, Tokyo
[Place Where is Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi, Kabuto-cho, Chuo-ku, Tokyo)

1. Matters Related to Basic Framework of Internal Control over Financial Reporting

Yoshiaki Yoshida, Representative Director, President and CEO and Atsushi Fujita, Chief Financial Officer of Advantest Corporation (the “Company”), are responsible for establishing and maintaining internal control over financial reporting of the Company and its subsidiaries, and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objective to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters Related to Scope of Assessment, Assessment Date, and Assessment Procedure

We assessed the effectiveness of our internal control over financial reporting on the assessment date as of March 31, 2022. We made this assessment in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In making this assessment, we evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis (“company-level controls”) and based on the results of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its subsidiaries. The reliability of our financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company and its subsidiaries. We did not include those consolidated subsidiaries which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of total revenues (after elimination of intercompany transactions) for the previous fiscal year, and those business units whose combined amount of revenues reaches approximately two-thirds of total revenues on a consolidated basis were selected at significant business units. For the selected significant business units, we included, in the scope of assessment those business processes leading to revenues, accounts receivables and inventories. Further, not only for selected significant business units, but also for all the business units, we added to the scope of assessment, those business processes having greater materiality considering their impact on the financial reporting, those business processes relating to greater likelihood of material misstatements in significant accounts involving estimates or forecast as these significant accounts that may have a material impact on our business objectives; or those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to Results of Assessment

As a result of the assessments above, we concluded that our internal control over financial reporting was effective as of March 31, 2022.

4. Supplementary Matters
   None.

5. Special Notes
   None.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 22, 2022
[Company Name]	Kabushiki Kaisha Advantest
[Company Name in English]	ADVANTEST CORPORATION
[Title and Name of Representative]	Yoshiaki Yoshida, Representative Director, President and CEO
[Title and Name of CFO]	Atsushi Fujita, Director and Senior Executive Officer Executive Vice President, Corporate Administration Group
[Address of Registered Office]	1-6-2, Marunouchi, Chiyoda-ku, Tokyo
[Place Where is Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi, Kabuto-cho, Chuo-ku, Tokyo)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report
   Yoshiaki Yoshida, Representative Director, President and CEO and Atsushi Fujita, Chief Financial Officer of Advantest Corporation, confirmed that statements contained in the Annual Securities Report for the 80th Business Term (from April 1, 2021 to March 31, 2022) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes
   None.