(Translation)
This document has been translated from the Annual Securities Report for the twelve-month period ended March 31, 2023, 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, 2022 to March 31, 2023

(The 81st term)

Advantest Corporation

(E01950)

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[Company Name]	Kabushiki Kaisha Advantest
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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, “we,” “our,” “us,” “the Company,” “Advantest” and “Advantest Group” refer to Advantest Corporation and its consolidated subsidiaries, or, as the context requires, Advantest Corporation on a non-consolidated basis.
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 2022” refers to the twelve-month period ended March 31, 2023. All other references to years refer to the applicable calendar year.
“¥”, “yen”, “JPY” or (Y) 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		77th	78th	79th	80th	81st
Year end		March. 2019	March. 2020	March. 2021	March. 2022	March. 2023
Net sales	Millions of Yen	282,456	275,894	312,789	416,901	560,191
Income before income taxes	Millions of Yen	66,211	58,574	69,618	116,343	171,270
Net income attributable to owners of the parent	Millions of Yen	56,993	53,532	69,787	87,301	130,400
Comprehensive income attributable to owners of the parent	Millions of Yen	56,645	47,729	75,757	107,286	146,882
Equity attributable to owners of the parent	Millions of Yen	198,731	231,452	280,369	294,621	368,694
Total assets	Millions of Yen	304,580	355,777	422,641	494,696	600,224
Equity attributable to owners of the parent per share	Yen	1,004.53	1,166.51	1,427.29	1,551.72	2,002.43
Basic earnings per share	Yen	302.35	270.12	353.87	449.56	697.41
Diluted earnings per share	Yen	287.37	268.96	351.82	447.26	694.70
Ratio of equity attributable to owners of the parent	%	65.2	65.1	66.3	59.6	61.4
Return on equity attributable to owners of the parent	%	35.3	24.9	27.3	30.4	39.3
Price-earnings ratio	Times	8.51	16.07	27.35	21.51	17.44
Cash flows from operating activities	Millions of Yen	44,792	66,475	67,830	78,889	70,224
Cash flows from investing activities	Millions of Yen	(15,915)	(38,819)	(16,831)	(46,907)	(26,706)
Cash flows from financing activities	Millions of Yen	(13,724)	(17,916)	(30,415)	(68,736)	(77,434)
Cash and cash equivalents at end of year	Millions of Yen	119,943	127,703	149,164	116,582	85,537
Employees (Average number of temporary employees)	Persons	4,630 (285)	5,048 (381)	5,261 (475)	5,941 (509)	6,544 (548)

(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 *				
		77th	78th	79th	80th	81st
Year end		March. 2019	March. 2020	March. 2021	March. 2022	March. 2023
Net sales	Millions of Yen	261,120	253,795	271,875	355,575	482,576
Ordinary income	Millions of Yen	53,164	59,096	54,736	93,667	150,368
Net income	Millions of Yen	48,310	55,066	53,031	70,814	115,834
Common stock (Total number of issued shares)	Millions of Yen Thousand Shares	32,363 (199,567)	32,363 (199,567)	32,363 (199,567)	32,363 (199,542)	32,363 (191,542)
Net assets	Millions of Yen	220,826	260,243	285,409	262,918	305,989
Total assets	Millions of Yen	329,537	372,821	414,128	459,809	533,860
Net assets per share	Yen	1,112.87	1,308.66	1,449.74	1,380.85	1,658.61
Dividend per share (Interim dividend per share)	Yen	92.00 (50.00)	82.00 (41.00)	118.00 (38.00)	120.00 (50.00)	135.00 (65.00)
Net income per share-basic	Yen	256.28	277.86	268.91	364.61	619.26
Net income per share-diluted	Yen	243.13	276.78	267.89	363.54	617.81
Equity-to-assets ratio	%	66.8	69.6	68.8	57.0	57.2
Rate of return on equity	%	25.8	23.0	19.5	25.9	40.8
Price-earnings ratio	Times	10.04	15.62	36.00	26.52	19.64
Payout ratio	%	35.90	29.51	43.88	32.91	21.80
Number of employees (Average number of temporary employees)	Persons	2,067 (203)	2,021 (251)	2,025 (306)	1,986 (364)	1,988 (408)
Total shareholder return (Comparison: Dividend-included TOPIX)	% %	119.6 (95.0)	202.5 (85.9)	447.4 (122.1)	452.3 (124.6)	570.1 (131.8)
Highest share price	Yen	2,875	6,640	9,880	11,550	12,460
Lowest share price	Yen	1,788	2,471	3,785	7,770	6,600

(Note) The highest and lowest share prices are from Tokyo Stock Exchange Prime Market since April 4, 2022 and those on or before April 3, 2022 are from Tokyo Stock Exchange First Section.

* 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.

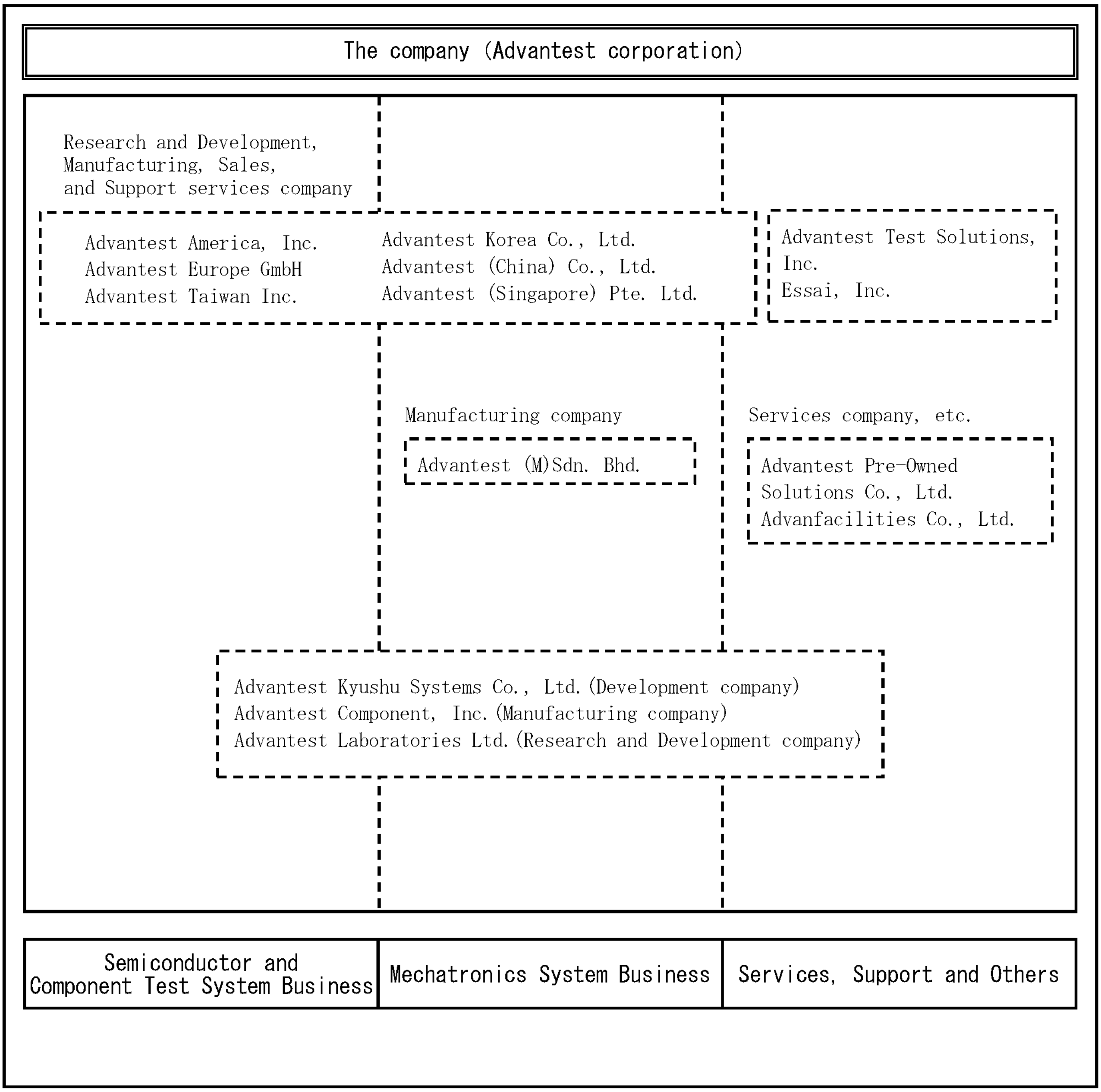
Development activities are mainly conducted by the Company.

(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 25 consolidated subsidiaries.
Consolidated subsidiaries (Domestic 8, Overseas 31, Total 39)

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 Advanfacilities Co., Ltd.	Kazo-City, Saitama	Millions of Yen 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	Yes	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 25 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.	143,097	4,990	4,513	95,598	180,137
Advantest Taiwan Inc.	116,496	6,397	5,106	8,117	35,690

4. Percentage of voting rights includes indirectly held shares.

5. Status of Employee

(1) Status of Consolidated Companies

As of March 31, 2023

Segment	Number of employees (Person)
Semiconductor and Component Test System	3,333 (282)
Mechatronics System	674 (75)
Services, Support and Others	2,318 (149)
Corporate (Common)	219 (42)
Total	6,544 (548)

(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 260, compared to the fiscal year ended March 31, 2022. The increase is mainly a result of Advantest's ongoing investments in reinforcing SLT production and R&D capabilities in anticipation of mid/long-term business growth.

(2) Status of Filing Company (The Company)

As of March 31, 2023

Number of employees (Person)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
1,988 (408)	46.07	20.74	10,100,010

Segment	Number of employees (Person)
Semiconductor and Component Test System	1,217 (250)
Mechatronics System	357 (73)
Services, Support and Others	228 (47)
Corporate (Common)	186 (38)
Total	1,988 (408)

(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.

(4) Female Managers Ratio, Exercise Rate of Childcare Leave by Males, Differences in Wages Between Male and Female Workers

1) The Company

Fiscal year ended March 31, 2023				
Female managers ratio (%) (Note 1)	Exercise rate of childcare leave by males (%) (Note 2)	Differences in wages between male and female workers (%) (Note 3)		
		All workers	Regular workers	Non-regular workers
3.6	21.0	70.9	69.0	89.4

(Notes) 1. (1) This is calculated based on "The Act on Promotion of Women's Participation and Advancement in the Workplace" (Law No. 64 of 2015).

(2) This includes seconded employees from the Company and does not include seconded employees to the Company.

2. (1) This is based on the calculation of the ratio of childcare leave, taken under Article 71-4, Item 1 of the "Enforcement Regulations of the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Ministry of Labour Ordinance No. 25 of Oct. 15, 1991) based on the provisions of the "Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Law No. 76 of 1991).

(2) This includes seconded employees from the Company and does not include seconded employees to the Company.

3. (1) This is calculated based on "The Act on Promotion of Women's Participation and Advancement in the Workplace" (Law No. 64 of 2015).

(2) Regular workers are regular employees.

(3) Non-regular workers are contract workers (fixed term, indefinite term) and part-time workers.

(4) All workers are the sum of regular workers and non-regular workers.

(5) Workers in the differences in wages between male and female workers do not include the following.

Directors (including outside directors)

Executive officers

Seconded employees to the Company

Seconded employees from the Company

(6) Wages in the differences in wages between male and female workers are calculated based on total salaries and bonus payments, including allowances.

(7) Differences in wages between male and female workers (%) = Average annual wage for female workers ÷ Average annual wage for male workers × 100.

4. Other metrics related to human capital are included in "Item 2. Business Overview 2. Sustainability Approach and Initiatives (3) Human Capital".

2) Domestic Subsidiaries

Domestic subsidiaries are not subject to the obligation to disclose information under the provisions of "The Act on Promotion of Women's Participation and Advancement in the Workplace" (Law No. 64 of 2015) and the "Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Law No. 76 of 1991), therefore, this information is omitted.

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, 2023.

(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 purpose & mission of "Enabling Leading-edge Technologies." Since then, Advantest has strived to enhance its corporate value under the policy.

In FY2021, the Grand Design was updated in response to the improvement of our business performance and changes in Advantest's 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 its second mid-term management plan (FY2021- FY2023) (MTP2), which was announced in May 2021, to ensure achievement of the Grand Design's goals. Advantest is working as one to achieve these targets.

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

<Vision Statement>

Adding Customer Value in an Evolving Semiconductor Value Chain

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

Changes in the business environment and society which have provided Advantest with a lot of growth opportunities since the time of the development of the Grand Design are expected to continue, such as the expansion in demand for semiconductors in the medium to long term. Advantest will continue to further promote the above five growth strategies aiming at enhancing our corporate value under such circumstances.

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 has been endeavoring to grow all these numbers. In order to evaluate the progress of the plan from a mid/long-term perspective, Advantest uses three-year averages so as to level the impact of single-year performance fluctuations.

Regarding the management metrics of MTP2, in May 2021, Advantest initially announced the outlook of financial metrics calculated based on the medium-term forecast of market trends. However, in FY2021 as the first year of MTP2, the markets of semiconductors and related products remained brisk beyond the assumption in the development of MTP2, and our business expansion measures also evolved steadily. In July 2022, Advantest revised the targeted management metrics of MTP2 as follows, taking into account the solid progress of the plan; the comprehensive consideration of the forecast of our business environment until FY2023 including a stronger downward resilience in the semiconductor test equipment market driven by the diversification of semiconductor applications, higher difficulty levels for testing high-end semiconductors, and strong motivation of major chip makers to invest in advanced technologies, and based on the assumption that the downturn of global economy since 2022 will remain within the range of normal economic slowdown.

	FY2021-FY2023 average		FY2021-FY2022 average performance (Note3)
	Published in May 2021 (Note 1)	Published in July 2022 (Note 2)	
Sales	JPY 350-380B	JPY 480-520B	JPY 488.5B
Operating Margin	23-25%	27-30%	28.7%
Net Income	JPY 62-70B	JPY 98-120B	JPY 108.9B
Return on Equity (ROE)	20% or more	30-35%	34.9%
Earnings per share (EPS)	JPY 320-370	JPY 510-630	JPY 573

Note:

*1 Exchange rate assumptions at the announcement in May 2021 were 1 USD = 105 JPY and 1 Euro = 130 JPY.

*2 Exchange rate assumptions at the revision in July 2022 for results forecast from the second quarter to the fourth quarter of FY2022 and for FY2023 were 1 USD = 130 JPY and 1 Euro = 140 JPY. (Actual exchange rates for FY2021 were 1 USD = 112 JPY and 1 Euro = 130 JPY. Actual exchange rates for the first quarter of FY2022 were 1 USD = 124 JPY and 1 Euro = 134 JPY.)

*3 Exchange rate assumptions for the FY2021-FY2022 (average actual results): Actual exchange rates for FY2021 were 1 USD = 112 JPY and 1 Euro = 130 JPY; Actual exchange rates for FY2022 were 1 USD = 134 JPY and 1 Euro = 140 JPY.

< Progress >

Advantest is working on MTP2 as the three years to strengthen the foundation for the greater growth of Advantest in the semiconductor market, which is expected to expand further in the medium to long term. In the period from FY2021 to FY2022, Advantest steadily implemented following initiatives, along with the five strategic issues raised in the Grand Design under the medium- to long-term perspective.

< Initiatives on strategic issues and their progress >

(1) Strengthen core business, focus investment

-From FY2021, we have continued to expand each test solution, including “V93000 EXA Scale.” Furthermore, in fiscal 2022, we further strengthened our foundation for growth through the introduction of “inteXcell,” a new axis of memory test cells, and the acquisition of CREA, a major power semiconductor test equipment company.

-Improve the ability to respond to customer needs by continuously increasing sales and support personnel.

(2) Pursue operational excellence

-Achieved the top position in the semiconductor manufacturing equipment industry for three consecutive years in the customer satisfaction survey of TechInsights.

-Launched the Global Business Operations Initiative. Aiming to reform business processes.

(3) Seeking value for further progress

-In the System Level test business, steadily cultivate the AI/HPC, smartphone, and automotive-related markets.

-To strengthen the test-interface business, we have acquired R&D Altanova in FY2021 and will complete the acquisition of Shin Puu in the first quarter of FY2023.

-Continuously expand the “Advantest Cloud Solutions TM(ACS)” service infrastructure.

(4) Cultivate new business areas

-Establish a system to promote new businesses such as medical equipment such as fluorescence detection system.

(5) Further promotion of ESG

-Introduced a CxO system and clarified management accountability in order to strengthen the global management system.

-Formulate and promote the "ESG Action Plan" that serves as the base for advancing ESG. Contribute to expanding social contribution through business and improving ESG external evaluation in FY2022.

In FY2023, as the final year of MTP2, Advantest will work toward the achievement of MTP2 targets, positioning FY2023 as the year to promote the stronger and more resilient business foundations.

<Cost / Profit Structure>

To create corporate value over the long-term in a sustainable manner, Advantest will further strengthen its R&D investments, secure needed human resources and enhance human resource development, and reinforce its parts procurement capabilities, which are foundational to increasing added value and maintaining sustainable competitiveness.

It must be borne in mind that factors such as prolonged shortages of components such as semiconductors, geopolitical risks, ongoing inflation, and falling consumption all contribute to considerable uncertainty regarding the future of the global economy and Advantest’s business environment. Advantest will strive to achieve the above targets by flexibly responding to changes in the external environment, such as implementing cost controls as necessary.

<Capital Policy>

Advantest’s capital policy under MTP2 prioritizes 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, Advantest’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, Advantest seeks a shareholders' equity ratio of 50% or more, and sets ROE as an indicator of capital efficiency.

<Growth Investments & Shareholder Returns Outlook>

Advantest's capital allocation policy aims to use the cumulative operating cash flow of ¥280 -360 billion expected during the MTP2 period as a primary source of funds, and allocate it appropriately to growth investments and shareholder returns after periodic reviews of cash on hand levels. Regarding resource allocation for growth investment, we will increase capital investment related to R&D and production, in response to expectations for long-term semiconductor market expansion and further semiconductor performance gains. The company currently expects to spend a cumulative total of ¥70 billion on capital investments and ¥100 billion on strategic investments such as M&A over the MTP2 period.

Regarding shareholder returns, Advantest will maintain its existing returns policy, assuming that its business environment remains stable during the MTP2 period. Specifically, Advantest will maintain stable dividends with a minimum semi-annual dividend of ¥50 per share and a minimum annual dividend of ¥100 per share, while simultaneously aiming for a total annual return ratio * of 50% or more. Advantest will also seek to enhance shareholder returns and improve capital efficiency through dividends and share repurchases.

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

(3) Business Environment and Key Measures for FY2023

Looking at the Advantest's market environment going forward, Advantest group anticipates that in the medium to long term, semiconductors will need to have even better functionality and reliability as they rise to the challenge of providing infrastructural support for the worldwide digital transformation and carbon-neutral movement. Advantest's expectations of mid/long-term growth remain unchanged. Indeed, the emergence of new AI-based applications has accelerated the digital transformation, while growing demand for Net Zero initiatives has increased the importance of semiconductor technology for better energy efficiency. Customers are also aggressively continuing to develop next-generation devices, including advances in miniaturization. Advantest expects demand for semiconductor test equipment, which ensures that semiconductors support our "safe, secure, and comfortable" environment and society, to grow in step with the growth of the semiconductor market.

In the short term, however, the outlook for our business environment is becoming increasingly uncertain due to global recessionary risks exacerbated by rising inflation and higher interest rates, as well as growing concerns about geopolitical risk factors and pronounced exchange rate fluctuations. As recessionary concerns intensify semiconductor manufacturers are expected to continue their inventory and production adjustments for the time being. Therefore, Advantest expects the semiconductor tester market to contract year-on-year in CY2023. Regarding the tightening of restrictions on the export of semiconductor production equipment to China by the United States and its allies, the direct impact on our FY2023 earnings is currently expected to be minor, but Advantest will continue to closely monitor the situation.

Amidst this uncertain market outlook, based on our outlook for each of our business segments, our full-year consolidated earnings forecast for FY2023 calls for net sales of JPY 480.0 billion, operating income of JPY 105.0 billion, income before income taxes of JPY 103.5 billion, and net income of JPY 78.0 billion. This forecast is based on exchange rate assumptions of 1 USD to 130 JPY and 1 EUR to 140 JPY.

Advantest did not recognize more than a minor direct impact on business results from COVID-19 and the situation in Ukraine in the fiscal year ended March 31, 2023. However, as mentioned above, our business environment is becoming increasingly uncertain. Advantest will pay close attention to changes in the external environment and respond quickly and flexibly with measures that may include cost controls as necessary.

<Key Measures for FY2023>

We will strive to achieve our MTP2 targets and build a stronger and more resilient management foundation by:

- Creating added customer value through leading-edge test technology R&D
  - Expanding our test solutions to meet the needs of leading customers in high-growth sectors such as AI and power semiconductors
  - Continuing to execute growth investment for our future business expansion
  - Further strengthening our data analytics business foundation through close collaborations with partners
- Seeking operational excellence
  - Refining our supply chain management to improve responsiveness to demand fluctuations
  - Actively utilizing DX to improve operational efficiency company-wide (Reinforce global business operation initiatives activities to enhance efficiency)
- Implementing proactive ESG initiatives, including the investment in our human capital from a mid/long-term perspective

2. Sustainability Approach and Initiatives

Advantest's sustainability approach and initiatives are as follows.

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, 2023.

(1) Advantest's Sustainability Story

1) Advantest's Approach to Value Creation and Sustainability

<Advantest's Approach to Value Creation>

A company can survive and grow only by continuously contributing to the common good and the enrichment of people's lives. Therefore, the sustainable development of the company itself cannot be achieved unless its management enhances the sustainability of society and the global environment.

Advantest's purpose and mission is "Enabling Leading-Edge Technologies." This points to our continual quest for greater social development in the form of contributions to the common good driven by leading-edge technological innovation in electronics, supported by our measurement technology and embodied by our products and services, with which we strive to provide ever greater value to customers around the world.

Advantest's management goal is to improve corporate value over the medium to long term by contributing through our business activities to a sustainable society that is safe, secure, and comfortable. In order to sustainably develop our business, we must build good relationships with all stakeholders, including society as a whole, the global environment, customers, shareholders, employees, and business partners, and develop these relationships in a well-balanced manner. We believe that this is a top-priority endeavor, and by pursuing it, corporate value will improve and stakeholder value will also increase

<Our Sustainability Initiatives>

Advantest recognizes that attentive management based on our purpose and mission is essential for resolving sustainability issues and creating corporate value over the medium to long term.

Therefore, in 2018, Advantest formulated a mid/long-term management policy, our Grand Design, aimed at supporting our mission of "Enabling Leading-Edge Technologies" and simultaneously announced our Vision of "Adding Customer Value in the Evolving Semiconductor Value Chain." We are currently addressing five strategic issues to achieve these goals.

Furthermore, in order to steadily improve corporate value and strengthen our management foundation based on our Grand Design, Advantest has established a system to promote a series of three-year mid-term management plans that include financial and sustainability targets. (See 1 [Management Policy, Business Environment and Issues to be Addressed] (2) Management Strategy and Others for details of our current mid-term management plan.).

At the same time, many years of business expansion have transformed the Advantest Group into an organization that embraces diverse cultures, languages, customs, and values. A management foundation that maximizes the potential of our diverse human capital is more necessary than ever.

In recognition of this fact, we revised "The Advantest Way," our foundational set of guidelines and commitments, in 2019, and are now focused on instilling it among our executives and employees, who are the driving force of our value creation.

The Advantest Way consists of the following six elements. Items (1) to (3) stipulate what the Advantest Group aims to be and what we should do in order to create value and contribute to the common good over the mid/long term. Items (4) to (6) define the basic mindset required of Advantest's executives and employees for successful implementation of (1) to (3).

(1) Purpose & Mission: Enabling Leading-Edge Technologies
(2) Vision: Adding Customer Value in an Evolving Semiconductor Value Chain
(3) Core Values: INTEGRITY
(4) ESG for Sustainability
(5) Guiding Principle: Quest for the Essence
(6) Ethical Standards

Among our mid/long-term value creation initiatives, Advantest promotes initiatives for corporate value creation as part of "Sustainability through ESG Promotion." Specifically, based on the recognition that proactive ESG initiatives are essential for the sustainability of both our company and the world, we have established an ESG Basic Policy, which defines a framework of principles for fulfilling our responsibilities.

[ESG Basic Policy]
(1) Advantest strives to protect the environment and reduce our environmental impact.
(2) Advantest fulfills our social responsibilities as a global company to deliver prosperity worldwide.
(3) Advantest respects our customers and reliably provides high-quality products and services that meet their needs.
(4) Advantest respects our shareholders and investors, and appropriately returns profits and discloses information.
(5) Advantest respects our employees, treats them fairly and creates a comfortable working environment.
(6) Advantest respects our business partners and builds cooperative relationships with them for mutual benefit.
(7) Advantest strives to maintain a fair, efficient, and highly transparent governance system.

Advantest aims to improve corporate value over the mid/long term within a framework of consideration for the environment while coexisting harmoniously with our fellow citizens under this Basic ESG Policy. Advantest also contributes to the Sustainable Development Goals (SDGs) by actively working on ESG through our business activities.

2) Promotion System & Governance

<Promotion System>

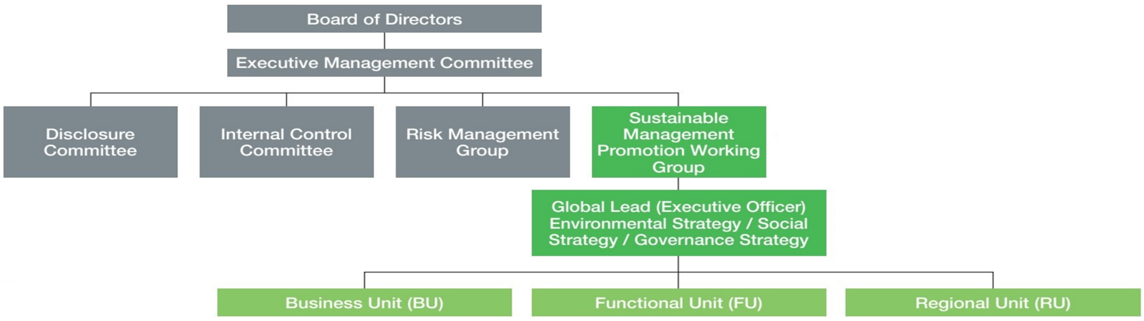
Based on the ESG Basic Policy, in FY2020 Advantest established the Sustainable Management Working Group (SMWG), an organization directly supervised by the Executive Management Committee, to promote both the growth of our own business and the expansion of our social contributions. The SMWG is a company-wide group comprising leaders of all business units, functional units, and regional units as members, which sets goals and KPIs related to the environment, society, and governance and directs mid/long-term responses to priority issues.

In addition, with the support of the SMWG, Advantest has formulated an ESG Action Plan based on our analysis of the importance of ESG issues in each unit, and we are implementing this Plan to address sustainability issues.

<Governance for Sustainability>

The Advantest Group conducts governance for sustainability in the same manner as governance for our other business activities. At the same time, our overall sustainability-related activities and progress are appropriately monitored. Specifically, Advantest's ESG Action Plan has been approved by the Executive Management Committee and is now being implemented in the form of concrete measures by each business unit, who report their progress twice a year to the Executive Management Committee and the Board of Directors for evaluation and consideration of any needed corrective measures.

In addition, Advantest strives to disclose information in a timely and appropriate manner to external stakeholders through our Integrated Annual Report, Sustainability Report, etc. Advantest has also obtained third-party validation of major performance metrics.



3) Risk Management

<Advantest's Risk Management Structure>

The details of our risk management process are as described in "3 [Risk Factors] (1) Risk Management Structure." Important risk factors related to ESG are managed under the same system as other business risks through SMWG's support of the policy planning and activities of each unit from the perspective of ESG.

4) Strategy for Corporate Value Improvement

In Advantest's corporate value creation, the drivers for improving economic value and improving stakeholder value are not clearly separated, but rather consist of mutually inseparable elements. In fact, all of Advantest's business activities contribute directly or indirectly to global sustainability by improving the performance of semiconductors and promoting the widespread use of semiconductors. In light of this, in FY2021, we revised the Five Strategies for improving our future corporate value set forth in our Grand Design (mid/long-term management policy), as follows, and are currently working to promote them.

[5 Strategies set forth in our Grand Design (mid/long-term management policy)]
1. Reinforce core businesses; invest strategically
2. Seek operational excellence
3. Explore value to reach a higher level
4. Pioneer new business fields
5. Enhance ESG initiatives.

Furthermore, to ensure effective promotion and steady enhancement of corporate value, Advantest is executing the key measures based on a mid/long-term perspective. Specifically, these measures which have been identified from a holistic perspective include business value creation such as improving customer value, measures related to strengthening our business foundation such as bettering our human capital, measures related to strengthening our management foundation such as reassessment of our management and execution system, and measures to social and environmental risks of a global scope. Responses to ESG are being implemented as part of these measures. Among ESG issues, those with greater importance over mid/long-term horizon have been addressed in ESG Action Plan and are being promoted strategically. The action items in the ESG Action Plan and their respective priorities are reviewed annually in response to changes in the importance of social issues for the Advantest Group.

5) Metrics and Goals

Please see Advantest's Integrated Annual Report and Sustainability Databook, both available on our website, for more on the sustainability areas and issues that Advantest currently recognizes as important, as well as related goals and metrics.

Integrated Annual Report (https://www.advantest.com/about/annual.html)
Sustainability Databook (https://www.advantest.com/sustainability/report/)

(2) Climate Change Initiatives

1) Initiatives for the TCFD recommendations

Guided by "The Advantest Way," Advantest implements climate change mitigation and adaptation measures from a long-term perspective, aiming to help solve important environmental issues through our business. In April 2020, Advantest announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In this section, Advantest will disclose important information related to climate change in alignment with the recommendations of the TCFD.

2) Governance

Advantest's environmental management system is led by the global lead of SMWG, with members representing all business units, functional units, and regional units.

Environmental targets for the entire Advantest Group are set through formulation and review of our ESG Action Plan. Specifically, we refer to the TCFD and SBTi frameworks to set the environmental targets of the Plan and review them annually based on trends seen in the environment-related consortiums of industry groups and other bodies.

3) Strategy

Advantest's environmental activities are organized under the four priority themes of climate change, environmentally hazardous substances, recycling, and biodiversity. Since collaboration with external stakeholders such as customers and suppliers is essential in promoting environmental management, Advantest has set mid-term targets for each climate change issue, focusing on the reduction of greenhouse gas (GHG) emissions and the introduction of renewable energy. We have established internal and external task forces (TFs) to promote responsible efforts to address environmental issues.

TF1 focuses on CO2 reduction in product development and TF3 targets CO2 reduction through collaboration with customers. Both TF1 and TF3 aim to address Scope 3 Category 11 through collaboration with customers.-TF2 focuses on reduction of CO2 emissions through collaboration with business partners to address Scope 3 Category 1 through collaboration with supplies, and TF4 aims for reduction of CO2 emissions through business activities with the introduction of energy-saving equipment and renewable energy to tackle Scope 1+2 direct emissions from our own production processes. All four TFs are implementing activities related to their goals.

4) Climate change risks and opportunities

In order to respond to the effects of climate change, climate change risks and opportunities were deliberated under the TCFD categories. These risks and opportunities were assessed according to their "priority" and "impact" and were categorized into time spans of "short-term" (now until 2027), "mid-term" (now until 2030), and "long-term" (now until 2050).
The time axis in the scenario analysis was examined on the following time axis for both 2°C and 4°C.
・Scenarios related to transition risks and opportunities are set for 2030 in order to accurately reflect policy trends.
・Scenarios related to physical risks and opportunities are expected to show physical impacts in 2050.
For this reason, transition risks are defined as "short-term" and "medium-term," while physical risks are defined as "long-term."

Climate change risks
Two scenarios described in the TCFD categories were deliberated regarding business risks related to climate change.
(1) "Risks related to the transition to a decarbonized society," which occurs mainly during the well below 2-degrees Celsius scenario
(2) "Risks related to the physical effects of climate change," which occurs in the 4-degrees Celsius scenario in which global CO2 emissions reduction goals are not achieved

Well below 2-degrees Celsius scenario: Risks transitioning to a decarbonized society

Category	Major risks	Response/strategy	Time axis
Policies and regulations	Increased business costs due to laws and regulations (Carbon tax / chemical substances)	・Reduction of greenhouse gas emissions throughout the supply chain (achievement of SBTi certified target) ・Product development that does not use environmentally harmful substances	Short-to mid-term
Technology and market	Loss of sales opportunities due to delays in technological development (Energy saving technology, test technology for new semiconductors is yet to be implemented)	・Further energy-saving performance (low power and compact sizes) alongside improvements in testing performance ・Development of new testing methods and testing devices ・Generating human resources for next-generation energy-saving research and development	Short-to mid-term
Reputation	Decrease in reputation among stakeholders (due to delays in GHG emissions reduction plans)	・Promotion of ESG management (achievement of ESG Action Plan targets)	Short-to mid-term

Well below 4-degrees Celsius scenario: Risks transitioning to a climate change

Category	Major risks	Response/strategy	Time axis
Acute/chronic events	Disruption of the supply chain due to large-scale typhoons and torrential rainfall	・Response based on the business continuity plan	Long-term

Climate change opportunities

Semiconductors will contribute significantly to the achievement of Net Zero, which requires stringent climate change countermeasures to be imposed. It is to be assumed that semiconductor production volumes will continue to grow in the future due to factors such as the expansion in semiconductor demand accompanying the digital revolution. Meanwhile, the quality and quantity of semiconductor testing will increase in step with the increasing sophistication and technological evolution of semiconductors. Demand for semiconductor test is expected to increase as a result of the combination of two factors: greater test content per chip, and increased semiconductor production volumes. Hence, Advantest recognizes Net Zero to be an opportunity created by climate change. We will make investments to achieve the necessary technological advancements, such R&D costs and next-generation human capital development, as a part of our efforts to contribute to Net Zero through our semiconductor test business and product development that meets the needs of new semiconductor technologies.

Climate change-related opportunities

Category	Major opportunities	Response/strategy	Time axis
Products & services/ market	Growth in test demand outpacing market growth for core semiconductors where energy efficiency is important	・Further energy-saving performance (low power and compact sizes) alongside improvements in testing performance ・Development of new testing methods and testing devices	Short-to mid-term
	New test demand introduced by power semiconductors, which are required by the final demands such as EV	・Development of new testing methods and testing devices	Mid-term
	Sales growth by providing green products	・Introduction of energy-efficient products based on the ESG Action Plan and steady implementation of the energy-saving plan	Mid-term

5) Risk Management

At Advantest, we consider the factors that may hinder business management to be risks and have established a company-wide risk management system. The company-wide risk management system is described in “3. Risk Factors (1) Risk Management Structure,” and risks related to climate change are also managed within this system. Specifically, Advantest analyzes and evaluates urgent and anticipated risks posed by climate change, and implements countermeasures to avoid and mitigate those risks within the company-wide risk management system.

6) Metrics and Goals

Metrics and goals for measures taken in respect to the risks and opportunities brought about by climate change are managed under our ESG Action Plan. As a mid/long-term climate change countermeasures target, Advantest has set a goal to reach net-zero Scope 1+2 GHG emissions by FY2050. In addition, we have set targets to reduce Scope 1+2 GHG emissions by 60% by FY2030 compared to FY2018 and to reduce Scope 3 GHG emissions by 15% by FY2030 compared to FY2018. These goals have been SBTi certified, acknowledging that our greenhouse gas reduction targets are based on scientific evidence.

For more details on our ESG Action Plan and environmental initiatives, please see Advantest’s Integrated Annual Report and Sustainability Databook, both available on our website.

Integrated Annual Report (https://www.advantest.com/about/annual.html)

Sustainability Databook (https:/www.advantest.com/sustainability/report/)

(3) Human Capital

1) Governance

In 2022, Advantest established the position of Chief Human Capital Officer (CHO) and has put in place a system to address common global human capital issues and individual regional human capital issues, with the CHO at the helm. The authority to make decisions on matters related to human capital is stipulated in our Global Organization and Authorization Rules, and the CHO's decision or prior approval is required for important matters, with reports to the Board of Directors as appropriate, to ensure governance that considers the entire Advantest Group.

2) Strategy

As mentioned above, in order to continue to be a company that embodies our Purpose & Mission of "Enabling Leading-Edge Technologies," Advantest has formulated a mid/long-term management policy, our "Grand Design," and we are addressing strategic issues to achieve its goals.

As a prerequisite for this, it is essential to develop and strengthen our human capital, R&D capital, manufacturing capital, and customer relationship capital and others. Human capital is the foundation of these capitals. Therefore, Advantest's personnel strategy must be closely linked to our management strategy. In recognition of this, to enhance the comprehensive strength of our human capital, Advantest is promoting a variety of initiatives that focus on both "individual strength" and "organizational strength." To enhance "individual strength," Advantest will put more effort into developing the abilities of our employees, and at the same time strive to secure necessary human capital through measures such as improving recruitment and enhancing retention programs. To enhance "organizational strength," Advantest is working to improve engagement and to retain and promote the active participation of diverse human resources. Furthermore, as a link between these two "wheels," we continue to optimize our personnel system as necessary to embody our management philosophy.

Our Basic Policy Regarding Human Capital Development and Internal Environment Development Policy, which are part of our human capital strategies, are as follows.

a. Basic Policy Regarding Human Capital Development

Advantest regards employees as human capital essential for its sustainable growth. Advantest strongly believes developing employees as human capital indicates an investment in human capital, and that the "individual strength" enhanced through the development and the "organizational strength" utilizing the enhanced individual strength are the two "wheels" that drive employee engagement and become the sources of future value creation. Accordingly, Advantest proactively, continually and fairly implements measures to develop human capital under The Advantest Way, INTEGRITY Core Values, technical and professional management strategies, and the skills required to grow within the development framework.

1. Self-Directed Career Development

   We encourage employees to be proactive in their career development, while Advantest provides the resources and support to acquire the experience and knowledge necessary to enhance their careers inside Advantest.

2. Global Human Capital

   From a long-term perspective, we are committed to developing human capital with a global viewpoint, which includes providing opportunities to enhance expertise and management literacy on a global scale.

3. Leading-Edge Human Capital

   To achieve our corporate mission statement, "Enabling Leading-edge Technologies," we aim to develop the strengths of every employee and foster high performers to take on leading-edge challenges.

4. Advantest Development Framework

   Under The Advantest Way and our management strategies, we encourage all employees to enhance the skills required to advance their careers within the Advantest Development Framework, and provide them with the necessary resources.

b. Internal Environment Development Policy

Advantest regards employees as human capital essential for its sustainable growth. Advantest also recognizes that maximizing the value of human capital will directly lead to increase its corporate value. Accordingly, Advantest proactively, continually and fairly implements measures to develop the internal environment for human capital under The Advantest Way, its management strategies, and this policy.

1. Corporate Culture

We understand The Advantest Way is a corporate culture to bring together our diverse employees to a globally unified team. We continue efforts to instill The Advantest Way as a deeply-rooted corporate culture, aiming to ensure all employee's embody and practice The Advantest Way in our daily work life.

2. Human Capital Development/Cultivation

We are committed to strengthening the development and cultivation of human capital to facilitate self-directed career development for motivated employees. We regularly conduct employee engagement surveys to gain a deep understanding of the strengths and issues of human capital and appropriately reflect the survey results in our measures and action plans to develop and cultivate Advantest's human capital.

3. Health Management

Under our Health and Productivity Management (HPM) Policy, we are strategically committed to maintaining and improving employees' health from a managerial perspective.

4. Workstyles and Work Environments

We accept, encourage, and support diverse workstyles which enables every employee to achieve a good work-life balance. In addition, we promote developing an office environment that provides the necessary resources and support for employees to enhance their remote work environments..

3) Risk management

The company-wide risk management system is described in "3. Risk Factors (1) Risk Management Structure," and risks related to human capital are also managed within this system. In addition, the Company has established a Corporate Ethics Helpline, which allows employees to report and consult with the Corporate Ethics Office in the event of human rights issues that are difficult to resolve in the workplace. The Corporate Ethics Office plays a central role in handling reports and consultations, and every precaution is taken to ensure that employees making reports are not treated unfavorably or subjected to retaliation, including the anonymization of their names. In addition, to facilitate consultation and reporting through the Helpline, we have established a contact point for reporting to an outside law firm (legal representation). The helpline is available in all languages of the Advantest Group's locations, and a link is provided on the top page of the global intranet.

In Japan, the Human Rights Protection and Personnel Mediation Committee has also been established together with a labor union to provide consultation on domestic human rights issues. The Human Rights Protection and Personnel Mediation Committee responds appropriately and strives to promptly resolve issues, giving due consideration to the privacy of employees making reports.

4) Metrics and Goals

Key Issue	Goal	KPI	FY2022 Results	FY2023 Goals	FY2030 Goals
Diversity, protection, and respect for human rights	Fair treatment in gender	Female manager ratio	9.0%	10.5%	17.0%
	Edification and practice of human rights	Participation rate of educational training	99.5%	100%	100%
	Work-life balance	Return-to work rate after maternity leave (non-consolidated)	93.7%	100%	100%
		Exercise rate of childcare leave by males (non-consolidated)	21%	25%	50%
Employee engagement	Edification and improvement of attractive corporate culture	Score of Gallup survey	3.64（Note 1）	3.75	4.1
Investing in human resources	Maintaining and enhancing occupational safety and health	Occupational accident rate (frequency rate)	0.47	0	0
	Promotion of health management	To be selected in White 500 (Japan)	Selected	To be selected	To be selected
	Employee capacity building	Education and training expenses (Billions of YEN)	0.48	0.6	1.0

(Notes) 1. FY2021 results (survey not conducted in FY2022)

2. Results and goals are on a consolidated basis, except for items described as (non-consolidated)

3. The non-consolidated Female manager ratio and Differences in Wages between Male and Female Workers are described in “ Item 1. Company Overview 5. Status of Employee.”

3. 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 while the Internal Control Committee supervises and evaluates the situation and provides feedback.

Compliance-related risks are collected by the Chief Compliance Officer (CCO). In addition, certain types of risk information are reported directly to the Board of Directors, Audit and Supervisory Committee, 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 its own priority measures.

The Internal Control Committee defines the risk factors that may hinder the achievement of these priority measures, and requests individual units to identify risks and report on their risk responses. In this manner, the Internal Control Committee oversees and 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. The Secretariat of the Internal Control Committee also supports each unit in various manners as appropriate, such as providing proposals for risk analysis and countermeasures, and providing necessary information.

Compliance-related risk are collected by the CCO, and then the CCO reports them to the Board of Directors, Audit and Supervisory committee and the Executive Management Committee. Depending on the nature of the risk, 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 emergency, a 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. Scenarios assumed for risks and responses to risks are described under individual risk items. 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, 2023.

Risk Map

Degree of impact	Low	Middle	High
Major	(1)-f (2)-b (4)-a (5)-a (6)-a (7)-a (7)-b (8)-c	(1)-d (2)-a	(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	
	Probability of 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	Product development
		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	Intellectual property

(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 expects 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 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
- trends in the high performance semiconductor market by expanding AI/Artificial Intelligence, image recognition and speech recognition services using neural networks

Demand in the semiconductor market and Advantest's performance in the current fiscal year are described in "4. Management's Discussion and Analysis (1) Analysis of Results of Operations" 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 FY2022, 85.5% 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 7.7% were shipped to the Americas and 3.1% 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 the 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 promote activities to build an ethical supply chain that also considers the environment and human rights, while visualizing supply chain risks, entering into supply contracts for highly customized parts and components, and expanding procurement channels and production sites 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 procurement policy and are working to reduce risks by encouraging suppliers to understand human rights and labor safety initiatives.

(1) - c

<table>
<tr><td colspan="4">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</td></tr>
<tr><th colspan="2">Classification</th><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>(1) External environment</td><td>c Regulatory</td><td>High</td><td>Major</td></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td colspan="4">To reduce this risk, Advantest seeks to find alternative technology as well as monitor environmental regulations for chemical materials and legal regulation.</td></tr>
</table>

(1) - d

<table>
<tr><td colspan="4">Advantest faces fierce competition in its businesses, and if Advantest is not able to maintain or expand its market share, its business may suffer</td></tr>
<tr><th colspan="2">Classification</th><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>(1) External environment</td><td>d Competitors</td><td>Middle</td><td>Major</td></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td colspan="4">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.</td></tr>
</table>

(1) - e

<table>
<tr><td colspan="4">Advantest has assumed the following risks associated with infectious diseases such as the COVID-19</td></tr>
<tr><th colspan="2">Classification</th><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>(1) External environment</td><td>e Catastrophic loss
(Infection disease)</td><td>Low</td><td>Minor</td></tr>
<tr><td colspan="4">(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</td></tr>
<tr><td colspan="4">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) an 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 infectious diseases.</td></tr>
</table>

(1) - f

<table>
<tr><td colspan="4">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</td></tr>
<tr><th colspan="2">Classification</th><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>(1) External environment</td><td>f Catastrophic loss (Disaster)</td><td>Low</td><td>Major</td></tr>
<tr><td colspan="4">Advantest’s main domestic 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.</td></tr>
<tr><td colspan="4">To reduce this risk, Advantest has 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.</td></tr>
</table>

(2) Decision-making

(2) - a

<table>
<tr><td colspan="4">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 losses</td></tr>
<tr><th colspan="2">Classification</th><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>(2) Decision-making</td><td>a Investment valuation/evaluation (M&A/Alliance)</td><td>Middle</td><td>Major</td></tr>
<tr><td colspan="4">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, goodwill and intangible assets resulting from acquisitions could have a material adverse effect on Advantest’s financial condition and results of operations if the discount rate increases due to interest rate hikes or if significant impairment losses are recorded without the expected synergies.

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.</td></tr>
<tr><td colspan="4">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.</td></tr>
</table>

(2) - b

<table>
<tr><td colspan="4">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</td></tr>
<tr><td colspan="2">Classification</td><td>Probability of occurrence</td><td>Degree of impact</td></tr>
<tr><td>(2) Decision-making</td><td>b Life cycle</td><td>Low</td><td>Major</td></tr>
</table>

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 Chiplet Packaging 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
・solution by electron-beam metrology to enable reliable pattern critical dimension measurement or defect review on a leading-edge photomask; and
・jigs and tools that meet the customer's latest device under test and test specifications.

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, electric vehicle, 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

<table>
<tr><td colspan="4">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</td></tr>
<tr><th colspan="2">Classification</th><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>(2) Decision-making</td><td>c Business portfolio</td><td>Middle</td><td>Middle</td></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td colspan="4">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.</td></tr>
</table>

(2) - d

<table>
<tr><td colspan="4">Advantest may not be able to recover its capital expenditures</td></tr>
<tr><th colspan="2">Classification</th><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>(2) Decision-making</td><td>d Investment valuation/evaluation (CAPEX)</td><td>Low</td><td>Middle</td></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td colspan="4">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.</td></tr>
</table>

(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 Product development	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	Minor

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

<table>
<tr><td colspan="4">Fluctuations in exchange rates could reduce Advantest's profitability</td></tr>
<tr><td colspan="2">Classification</td><td>Probability of occurrence</td><td>Degree of impact</td></tr>
<tr><td>(3) Financial price</td><td>a Currency</td><td>High</td><td>Major</td></tr>
<tr><td colspan="4">The majority of Advantest's net sales are derived from products sold to customers located outside of Japan. Of Advantest's FY2022 net sales, 96.3% were from products sold to overseas customers. Approximately 78% of Advantest's net sales in FY2022 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.</td></tr>
<tr><td colspan="4">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.</td></tr>
</table>

(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 FY2021 and approximaely 28% for FY2022. 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 has built a strong financial position and secured sufficient liquidity by utilizing measures such as a committed credit line to withstand sharp demand fluctuations. Furthermore, Advantest maintains a good relationship with several financial institutions to enable immediate financing when necessary.			

(5) Governance

(5) - a

<table>
<tr><td colspan="4">Advantest may not ensure management stability and sustainability if a succession plans of the Group CEO and executives do not function</td></tr>
<tr><td colspan="2">Classification</td><td>Probability of occurrence</td><td>Degree of impact</td></tr>
<tr><td>(5) GOVERNANCE</td><td>a Succession planning</td><td>Low</td><td>Major</td></tr>
<tr><td colspan="4">If the succession plans do not work for our group's executive officers, including Group CEO, and key positions (executive officer class) in each unit, management stability and sustainability may not be ensured.</td></tr>
<tr><td colspan="4">To reduce this risk, Advantest deliberates and executes the succession plan for the Group CEO at the Nomination and Compensation Committee, taking into account the perspective of the management team, which consists of senior executive officers, with regard to (1) arrangement of required human capital requirements, (2) selection of candidates, (3) evaluation of candidates, (4) narrowing down candidates and (5) development 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. Succession plans for key positions such as leaders of each business unit and function unit are reviewed annually by a study committee headed by the Group CEO. In addition, in accordance with the policies established by a study committee, the responsible department designs and implements training and development plans for candidates, reporting status to the Nomination and Compensation Committee and the Board of Directors as appropriate.</td></tr>
</table>

(6) Reputation

(6) - a

<table>
<tr><td colspan="4">Advantest’s financial position and business performance may be adversely affected by damage to its brand power or loss of trust</td></tr>
<tr><td colspan="2">Classification</td><td>Probability of occurrence</td><td>Degree of impact</td></tr>
<tr><td>(6) Reputation</td><td>a Image and branding</td><td>Low</td><td>Major</td></tr>
<tr><td colspan="4">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, and could result in claims for damages.</td></tr>
<tr><td colspan="4">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.</td></tr>
</table>

(7) Information technology

(7) - a

<table>
<tr><td colspan="4">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</td></tr>
<tr><th colspan="2">Classification</th><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>(7) Information technology</td><td>a Infrastructure</td><td>Low</td><td>Major</td></tr>
<tr><td colspan="4">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 data due to the aging, complexity, and black-boxing of existing IT systems, or if funds and human resources are devoted to the maintenance of existing systems, and resources cannot be allocated to IT investment that utilizes new digital technologies, it loses competitiveness, the maintenance cost of the old system becomes high, or system problems and data loss may occur due to the retirement or aging of persons in charge system maintenance operation, and Advantest's business results could have a material adverse effect.</td></tr>
<tr><td colspan="4">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.</td></tr>
</table>

(7) - b

<table>
<tr><td colspan="4">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</td></tr>
<tr><th colspan="2">Classification</th><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>(7) Information technology</td><td>b Security</td><td>Low</td><td>Major</td></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td colspan="4">To reduce this risk, Advantest constantly monitors cyber-attacks to enhance their detection and strives to improve employee awareness through regular information security education.</td></tr>
</table>

(8) Operations

(8) - a

<table>
<tr><td colspan="4">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</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>a Sourcing</td><td>High</td><td>Major</td></tr>
<tr><td colspan="4">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.
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. The process of selecting suppliers and of identifying suitable replacement components and parts is a time-consuming process, and failure to do so may result in Advantest being unable to deliver products meeting customer requirements in a timely manner. The failure of Advantest to adjust to large increases in demand for its products could result in the loss of existing large customers or the loss of opportunities to build strong relationships with potential large customers with whom Advantest have few or no business as well as the potential for order cancellations or changes to product delivery timings. Such failure may adversely affect Advantest's future market share and financial condition and results of operations including the write-down of inventories.</td></tr>
<tr><td colspan="4">To reduce this risk, Advantest conducts activities, in accordance with rules 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. Furthermore, when selecting suppliers for components and parts, 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 secure half-finished materials such as die bank, in which supplier completes substantial time required for wafer process, and keep wafers or diced chips to fulfill demand increase.</td></tr>
</table>

(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 diverse 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 capital possessing familiarity 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 a diverse range of human capital with excellent capabilities in business strategy and organizational management.
However, the competition for continuously hiring and retaining the necessary personnel is fierce. If Advantest becomes less attractive to employees due to a delay of improvements in the working environment, or less competitive compensation levels, it would result in the outflow of human capital. Additionally, if employee training is inadequate or if transmission of knowledge and skills is insufficient for the ageing or retirement of human capital, it could have a material adverse effect upon Advantest’s business operations and business results.</td></tr>
<tr><td colspan="4">To reduce this risk, Advantest aims to recruit and secure diverse and experienced human capital on a wide-ranging global basis. To achieve this, based on our management strategies, Basic Policy Regarding Human Capital Development and Internal Environment Development Policy, Advantest is working to stabilize our human capital through the formulation of mid- to long-term recruitment plans (new graduates and mid-career hires), activities to promote our mission, vision, and corporate values, efforts to improve the working environment and increase engagement, ensuring externally competitive compensation levels, investing in employee development and creating a system for transmission on knowledge and skills.</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 Intellectual property</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>

4. Management’s Discussion and Analysis

(1) Analysis of Results of Operations

1) Statement of Operations

	Fiscal year ended March 31, 2022 (Millions of Yen)	Fiscal year ended March 31, 2023 (Millions of Yen)	Change (Millions of Yen)	Change (%)
Net sales	416,901	560,191	143,290	34.4
Cost of sales	(180,994)	(241,130)	(60,136)	33.2
Selling, general and administrative expenses	(121,132)	(152,042)	(30,910)	25.5
Other income (expenses), net	(41)	668	709	—
Operating income	114,734	167,687	52,953	46.2
Operating income ratio	27.5%	29.9%	2.4%	—
Financial income (expenses), net	1,609	3,583	1,974	2.2times
Income before income taxes	116,343	171,270	54,927	47.2
Income taxes	(29,042)	(40,870)	(11,828)	40.7
Net income	87,301	130,400	43,099	49.4
Net income attributable to:				
Owners of the parent	87,301	130,400	43,099	49.4

During Advantest's fiscal year ended March 31, 2023, the global economy suffered from worldwide inflation due to higher resource prices driven by heightened geopolitical risks as well as supply chain disruptions caused by COVID-19 restrictions. Mainly in Western countries, policymakers responded with interest rate hikes, and as 2023 opened, news of financial instability emerged from the United States, further heightening recessionary concerns.

Amidst this global economic situation, the semiconductor market saw a decline in demand for chips used in cornerstone consumer electronics products such as smartphones, personal computers and televisions, and from mid-2022, semiconductor manufacturers increasingly took steps to adjust inventories and revise their CapEx plans. On the other hand, shortages of certain automotive and industrial semiconductors continued. Despite this patchy demand picture, the decline of the semiconductor market overall gradually accelerated.

Advantest’s semiconductor test equipment sales were also affected by the decline in demand for chips used in consumer electronics. Rising demand for our products against the backdrop of higher semiconductor performance compensated for the demand decline caused by reduced production volumes of consumer devices. However, parts shortages and logistical dislocations affected a wide range of supply chains, and our difficulties in procuring needed parts continued from the previous fiscal year through the third quarter.

Under these circumstances, Advantest responded to this situation by reinforcing our strategic procurement capabilities and adjusting our production plans in order to meet customer delivery date requirements as closely as possible, while tailoring our efforts to the relative strength and weakness of test demand for various types of semiconductors, and achieved our sales target through these efforts.

As a result, although procurement costs rose, higher sales and yen depreciation boosted our performance. This resulted in record highs in all of net sales, operating income, income before income taxes and net income for the consolidated fiscal year.

Average currency exchange rates in the current fiscal year were 1 USD to 134 JPY (112 JPY in the previous fiscal year) and 1 EUR to 140 JPY (130 JPY in the previous fiscal year).

Net sales

Even as the semiconductor market slowed down, higher semiconductor performance drove an increase in test volumes that compensated for the decrease in demand due to lower semiconductor production volumes. Sales of SoC testers were driven by testers for advanced smartphone application processors (APUs), as well as for high-performance computing (HPC) and AI-related devices. In addition, sales increased in the automotive, industrial, and other sectors, which are seeing strong demand.

As a result of above, net sales for FY2022 increased by ¥143,290 million or 34.4%, from the previous fiscal year to ¥560,191 million.

Cost of sales

In FY2022, cost of sales increased by ¥60,136 million, or 33.2%, compared to FY2021 to ¥241,130 million due to the increase of net sales. Cost of sales to net sales ratio was 43.0%, a decrease of 0.4 percentage points from FY2021 due to a higher proportion of higher-margin products in Advantest's sales mix.

Selling, general and administrative expenses

Selling, general and administrative expenses for FY2022 increased by ¥30,910 million or 25.5%, from the previous fiscal year to ¥152,042 million. This was due to an increase of support hiring in line with growing sales, as well as an increase of expenses caused by yen depreciation.

Other income (expenses), net

In FY2022, other income (expense), net increased by ¥709 million compared to FY2021 to an income of ¥668 million.

Operating income

As a result of the above, in FY2022, Advantest's operating income increased by ¥52,953 million, or 46.2%, compared to FY2021, resulting in operating income of ¥167,687 million. Operating income to net sales ratio was 29.9%, an increase of 2.4 percentage points from FY2021.

Financial income (expenses), net

In FY2022, net financial income increased by ¥1,974 million, or 2.2 times, compared to FY2021 to a gain of ¥3,583 million. This was mainly due to the foreign exchange gain caused by the depreciation of the yen against the U.S. dollar.

Income before income taxes

As a result of the above, income before income taxes increased by ¥54,927 million, or 47.2%, compared to FY2021, resulting in income before income taxes of ¥171,270 million in FY2022.

Income taxes

In FY2022, Advantest's effective tax rate was 23.9%, while the effective income tax rate for FY2021 was 25.0%. For more details on income taxes of Advantest in FY2022 and FY2021, 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 FY2022, Advantest's net income attributable to owners of the parent increased by ¥43,099 million, or 49.4%, compared to FY2021, resulting in an income of ¥130,400 million. Net income attributable to owners of the parent to net sales ratio was 23.3%, an increase of 2.4 percentage points from FY2021.

2) Results of Production, Orders received and Sales

a. Results of Production and Orders received

Advantest manufacturing is principally based on customer orders, and since the production results are similar to sales results, production results are not listed. The results of orders received are also not listed since short-term trends of orders tend to fluctuate significantly depending on investment trends of customers, which are not necessarily appropriate as an indicator for predicting the medium- to long-term performance of Advantest.

b. Sales results

The results of sales for the fiscal year ended March 31, 2023 by segment are as follows.

	Amount (Millions of Yen)	Change (%)
Semiconductor and Component Test System Segment	404,252	39.9
Mechatronics System Segment	59,874	41.5
Services, Support and Others Segment	96,104	12.0
Elimination	(39)	—
Total	560,191	34.4

(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 FY2022, net sales of Advantest's Semiconductor and Component Test System Segment accounted for 72.2% of total net sales.

In this segment, sales of SoC semiconductor test equipment for advanced process devices greatly exceeded results in the previous fiscal year amidst further technological evolution and performance gains in HPC (High Performance Computing) devices and application processors. Furthermore, sales of test equipment for mature process products such as automotive and industrial devices, which are in great demand, also increased. Regarding memory semiconductor test equipment, despite a significant slowdown in the memory semiconductor market, customer CapEx executions in high-performance memory semiconductor test equipment continued throughout FY2022, supporting continued strong sales of our products. It is estimated that the CY2022 semiconductor test equipment market shrank year-on-year, but Advantest expanded our sales, resulting in market share gains.

As a result, net sales of Advantest's Semiconductor and Component Test System Segment for FY2022 increased by ¥115,393 million, or 39.9%, compared to FY2021 to ¥404,252 million, and segment income increased by ¥57,531 million, or 54.5%, compared to FY2021 to ¥163,186 million.

Mechatronics System Segment

In FY2022, net sales of Advantest's Mechatronics System Segment accounted for 10.7% of total net sales.

In this segment, sales of device interface products and test handlers increased due to strong customer demand for semiconductor test equipment. Sales of SEM metrology products also increased due to the adoption of EUV lithography technology by semiconductor manufacturers and rising demand for mature process photomasks. In terms of profit, increased sales and a more-favorable product mix contributed to higher segment profitability.

As a result, net sales of Advantest's Mechatronics System Segment for FY2022 increased by ¥17,569 million, or 41.5%, compared to FY2021 to ¥59,874 million, and segment income increased by ¥8,863 million, or 2.5 times, compared to FY2021 to ¥14,964 million.

Services, Support and Others Segment

In FY2022, net sales of Advantest's Services, Support and Others Segment accounted for 17.2% of total net sales.

In this segment, maintenance services delivered strong sales as Advantest's installed base grew. However, in our system-level test (SLT) business, which has high sales exposure to a limited number of customers, sales in the second half contracted rapidly due to a decline in consumer-related demand. Moreover, in addition to Advantest's ongoing investments in reinforcing SLT production and R&D capabilities in anticipation of mid/long-term business growth, which led costs to increase, the recording of inventory valuation losses for some products caused profit in this segment to decline significantly year-on-year.

As a result, net sales of the Services, Support and Others Segment for FY2022 increased by ¥10,301 million, or 12.0%, compared to FY2021 to ¥96,104 million, and segment income decreased by ¥10,184 million, or 57.2%, compared to FY2021 to ¥7,629 million.

4) Sales by Geographic Markets

Advantest's overseas sales as a percentage of total sales was 96.3% for FY2022 (96.1% in FY2021).

Japan

Net sales in Japan increased by ¥4,141 million, or 25.3%, compared to FY2021 to ¥20,522 million in FY2022.

Asia (excluding Japan)

Net sales in Asia (excluding Japan) increased by ¥110,769 million, or 30.0%, compared to FY2021 to ¥479,459 million in FY2022. This was mainly due to strong sales of test systems for SoC semiconductors in both Taiwan and China.

Americas

Net sales in the Americas increased by ¥22,632 million, or 2.1 times, compared to FY2021 to ¥42,882 million in FY2022 due to strong sales of system-level test products, test systems for SoC semiconductors and SEM metrology products.

Europe

Net sales in Europe increased by ¥5,748 million, or 49.6%, compared to FY2021 to ¥17,328 million in FY2022 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 ¥31,045 million to ¥85,537 million as of March 31, 2023.

Cash flows from operating activities

Net cash provided by operating activities was ¥70,224 million, an decrease of ¥8,665 million yen compared to FY2021. This amount was primarily attributable to an increase of ¥71,638 million in inventories, income tax paid of ¥40,166 million, an increase of ¥16,484 million in trade and other payables, an increase of ¥15,582 million in trade and other receivables and adjustments of non-cash items such as depreciation and amortization in addition to the income before income taxes of ¥171,270 million.

Cash flows from investing activities

In FY2022, expenditure was ¥26,706 million, an decrease of ¥20,201 million compared to the previous consolidated fiscal year. This amount was primarily attributable to purchase of property, plant and equipment of ¥22,535 million.

Cash flows from financing activities

In FY2022, expenditure was ¥77,434 million, an increase of ¥8,698 million compared to the previous consolidated fiscal year. This amount was primarily attributable to purchase of treasury shares amounting to ¥50,042 million and dividends paid of ¥25,418 million.

3) Assets, Liabilities and Equity

Total assets as of March 31, 2023 amounted to ¥600,224 million, an increase of ¥105,528 million compared to March 31, 2022. This was primarily due to the increases of ¥74,069 million in inventories, ¥19,997 million in trade and other receivables, ¥12,654 million in property, plant and equipment, and ¥10,460 million in goodwill and intangible assets respectively despite the decrease of ¥31,045 million in cash and cash equivalents.

Liabilities increased by ¥31,455 million from the end of FY2021 to ¥231,530 million as of March 31, 2023. This was mainly due to the increases of ¥18,910 million in trade and other payables, ¥4,622 million in lease liabilities, ¥3,821 million in income taxes payable, and ¥2,759 million in borrowings, respectively.

The amount of total equity or equity attributable to owners of the parent as of March 31, 2023 was ¥368,694 million, an increase of ¥74,073 million compared to March 31, 2022. Equity attributable to owners of the parent to assets ratio was 61.4% as of March 31, 2023, an increase of 1.8 percentage points from March 31, 2022.

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

For factors materially affecting Advantest's business results and financial condition refer to "3. 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. 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."

5. Material Contracts

The Company has entered into an agreement for committed line of credit with a bank on September 1, 2022 as follows:

The maximum loan amount under this agreement	¥30.0 billion
Term of this agreement	Three years
Collateral	Not applicable

6. 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 ¥48.4 billion in FY2021 and approximately ¥60.1 billion in FY2022. The number of employees in its research and development division is approximately 30% of Advantest group workforce.

The contents and achievements for FY2022 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 photoelectric fusion device 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 compound semiconductor, including less-distortion, 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 a high-voltage, high-current semiconductor and component test system for testing power devices used in electric vehicles (EVs).

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 and 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;
- development of technologies and systems that apply optics and magnetism to check and diagnose living organisms;
- development of terahertz spectroscopic technologies and systems to measure characteristics of materials for high speed communication; and
- development of data analytics solutions and business, leveraging data from our equipment together with new computational technologies.

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 ¥25.0 billion (including property, plant and equipment and intangible assets) during the fiscal year ended March 31, 2023, 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 ¥13.9 billion were made in the semiconductor and component test system business segment and ¥1.5 billion in the mechatronics system business segment.

Capital investments of ¥8.1 billion were made in services, support and others segment.

2. Status of Major Facilities

The Company

As of March 31, 2023

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	3,086	4,069 (195,617.84)	2,952	10,107	1,176
Saitama R&D Center (Shin-tone, Kazo-shi, Saitama)	Mechatronics System Business	Development equipment	231	1,388 (56,977.77)	594	2,213	169
Kitakyushu R&D Center (Yahatahigashi-ku, Kitakyushu-shi, Fukuoka)	Semiconductor and Component Test System Business	Development equipment	536	560 (5,460.60)	37	1,133	1
Sendai Laboratory (Aoba-ku, Sendai-shi, Miyagi)	Semiconductor and Component Test System Business, Basic Research	Manufacturing equipment and Research and development equipment	582	469 (29,728.19)	1,442	2,493	8
Gunma Factory (Ora-machi, Ora-gun, Gunma)	Semiconductor and Component Test System Business, Mechatronics System Business, Services, Support and Others	Manufacturing equipment	550	1,593 (88,512.16)	2,844	4,987	384

Overseas Subsidiaries

As of March 31, 2023

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	3,763	1,935 (39,605)	776	6,474	259
Essai, Inc. (California, U.S.A.)	Services, Support and Others	Manufacturing equipment	1,884	1,860 (60,195)	5,391	9,135	386

3. Plans for New Facilities Installation, Retirement

Important plans of facilities investment within one year after the fiscal year ended March 31, 2023 are as follows.

ame of subsidiary (Location)	Name of segments	Details of equipment	Planned investment amount		Funding method	Scheduled start and completion		Additional capacity after completion
			Total amount (Millions of Yen)	Amount paid (Millions of Yen)		Start	Completion	
Essai,Inc. (California, U.S.A.)	Services, Support and Others	Buildings, Manufacturing equipment	4,700	1,400	Borrowings from the parent company and own funds	February 2023	December 2023	(Note)

(Note) Additional capacity after completion is difficult to quantify and is omitted.

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

(Note) The Company has resolved at the Board of Directors' Meeting held on May 19, 2023 to implement a share split and partially amend the Company's Articles of Incorporation due to the share split. In connection with the share split, total number of shares authorized to be issued will be increased from 440,000,000 shares to 1,760,000,000 shares, effective October 1, 2023.

2) Total Number of Issued Shares

Class	Number of issued shares as of the end of the current fiscal year (shares) (March 31, 2023)	Number of issued shares as of the filing date (shares) (June 23, 2023)	Stock exchange on which the Company is listed	Description
Common shares	191,542,265	191,542,265	Tokyo Stock Exchange Prime Market	One unit of shares constitutes 100 shares
Total	191,542,265	191,542,265	—	—

(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, 2023 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*	300 [200]	1,890 [1,120]
Class, details, and number of shares to be issued upon exercise of stock acquisition rights*	(Note 2) Common shares 30,000 [20,000]	(Note 2) Common shares 189,000 [112,000]
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*	1,390 [1,090]
Class, details, and number of shares to be issued upon exercise of stock acquisition rights*	(Note 2) Common shares 139,000 [109,000]
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, 2023. The contents as of the end of the month prior to the filing date (May 31, 2023) are shown in [ ] for items that have changed since the end of the fiscal year ended March 31,2023 to the end of the month prior to the filing date (May 31, 2023). Other matters remain unchanged from the end of the fiscal year ended March 31, 2023.

(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 share-for-share 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

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

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

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

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 exercise 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.

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

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 share-for-share 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 acquisition 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 acquisition 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
September 9, 2022 (Note)	(8,000,000)	191,542,265	—	32,363	—	32,973

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

(5) Shareholding by Shareholder Category

As of March 31, 2023

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	—	67	32	266	832	35	23,893	25,125	—
Number of shares held (units)	—	964,676	64,415	13,710	680,998	115	190,323	1,914,237	118,565
Percentage of shares held (%)	—	50.39	3.37	0.72	35.57	0.01	9.94	100.00	—

(Notes) 1. 7,166,043 shares of treasury shares are included as 71,660 units in the item of "Individuals and others" and as 43 shares in the item of "Status of shares less than one unit."
In addition, treasury shares does not include 39,100 shares of the Company Shares owned by the BIP Trust and 123,083 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, 2023

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	61,338	33.26
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	28,274	15.33
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)	3,201	1.73
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)	2,938	1.59
NORTHERN TRUST CO.(AVFC) RE NON TREATY CLIENTS ACCOUNT (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)	2,821	1.53
STATE STREET BANK AND TRUST COMPANY 505225 (Standing proxy: Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	2,041	1.10
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	1,899	1.03
Goldman Sachs Japan Co., Ltd. BNYM	6-10-1, Roppongi, Minato-ku, Tokyo	1,861	1.00
DZ PRIVATBANK S.A. RE INVESTMENTFONDS (Standing proxy: MUFG Bank, Ltd.)	4, RUE THOMAS EDISON, L-1445 LUXEMBOURG-STRASSEN (2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	1,691	0.91
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	1,644	0.89
Total	—	107,713	58.42

(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 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%

3. 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%

4. According to the large shareholding report "change report" made available for public inspection on May 19, 2022, the following large shareholders are stated to jointly hold the following shares as of May 13, 2022, 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 9 other companies
Number of shares held	15,459,133 shares
Shareholding ratio	7.75%

5. According to the large shareholding report "change report" made available for public inspection on January 6, 2023, the following large shareholders are stated to jointly hold the following shares as of December 26, 2022, 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	13,090,049 shares
Shareholding ratio	6.83%

6. According to the large shareholding report "change report" made available for public inspection on March 22, 2023, the following large shareholders are stated to jointly hold the following shares as of March 15, 2023, 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	19,957,100 shares
Shareholding ratio	10.42%

(7) Status of Voting Rights

1) Issued Shares

As of March 31, 2023

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	7,166,000	—	—
Shares with full voting rights (others)	Common shares	184,257,700	1,842,577	—
Less than one unit Shares	Common shares	118,565	—	—
Total number of issued shares		191,542,265	—	—
Total voting rights held by all shareholders		—	1,842,577	—

(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), 39,100 shares of the Company Shares owned by the BIP Trust (391 voting rights) and 123,000 shares of the Company Shares owned by the ESOP Trust (1,230 voting rights), in the column of "Less than one unit Shares," 46 shares in the name of Japan Securities Depository Center and 83 shares of the Company Shares owned by the ESOP Trust.

2) Treasury Shares

As of March 31, 2023

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	7,166,000	—	7,166,000	3.74
Total	—	7,166,000	—	7,166,000	3.74

(Note) Other than the above, 39,100 shares of the Company Shares owned by the BIP Trust and 123,083 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

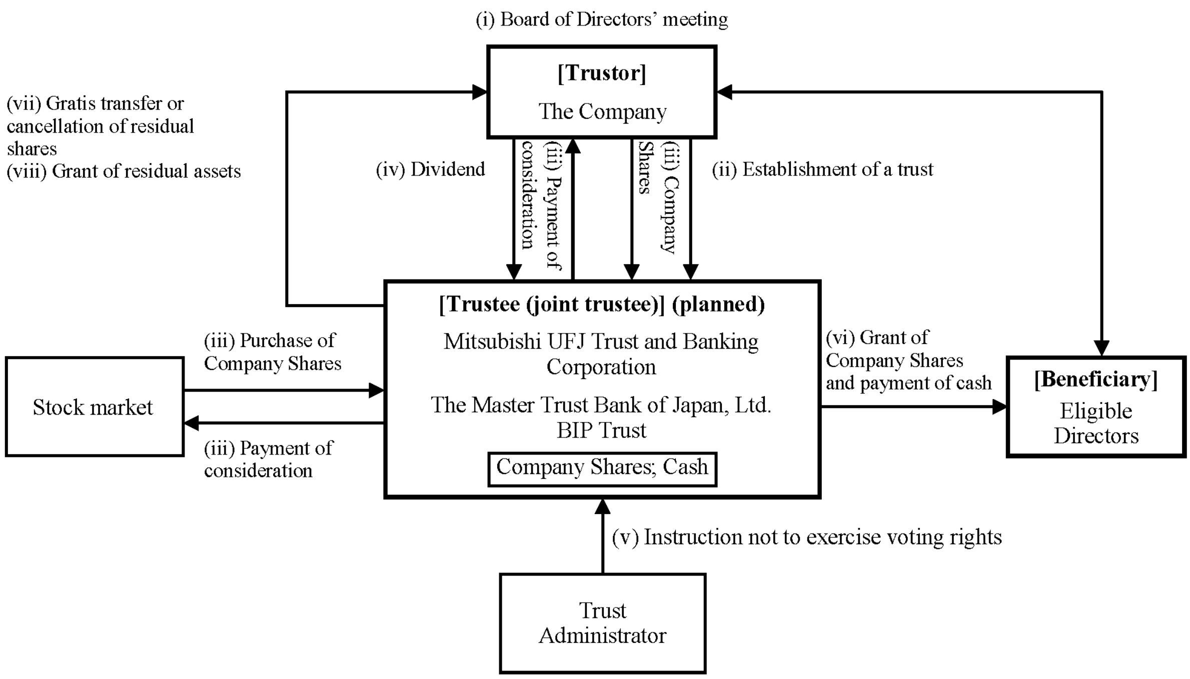
Since the Company has replaced the existing stock option plans and performance-based stock remuneration plans (the "Plan") with a new share-based compensation plan consisting of a restricted stock compensation plan and a performance share unit plan, no additional establishment of trusts with regard to 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 have taken place and will take place in the future. However, the granting of points under the performance-based stock remuneration plan established prior to the 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 shareholders (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 BIP 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 coexist 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 stock 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.

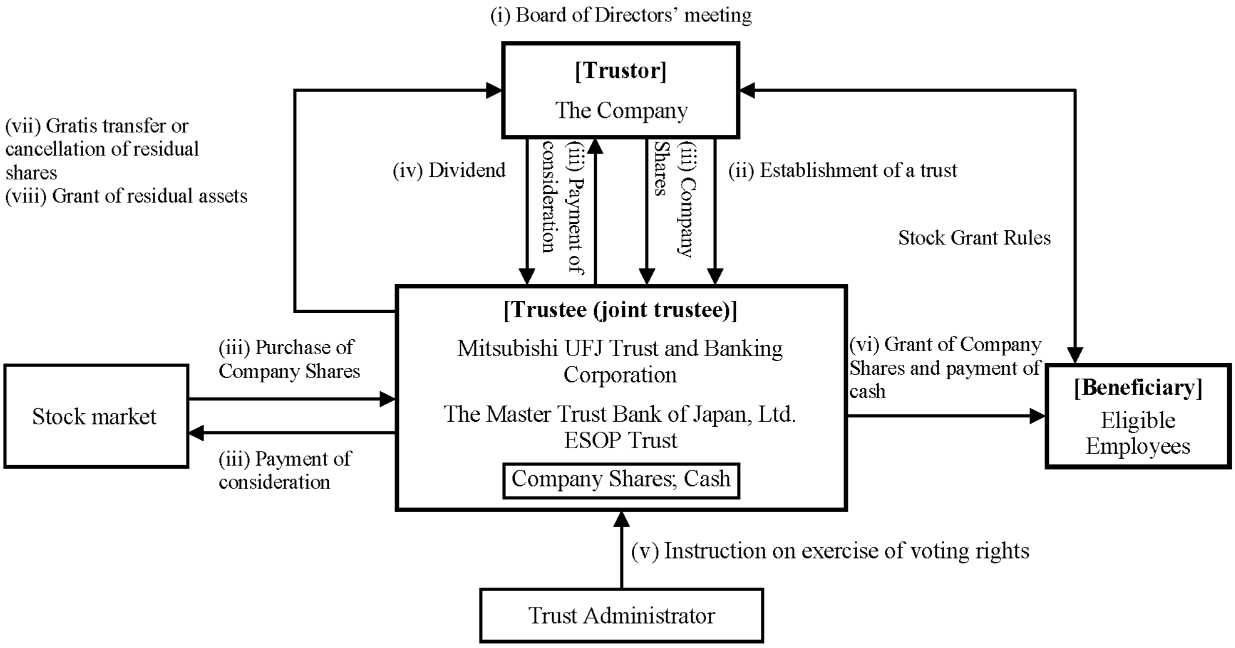
4) Outline of ESOP Plan

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 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 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, 2022) (Period of acquisition: From August 1, 2022 to December 23, 2022)	10,000,000	50,000,000,000
Treasury shares acquired before the beginning of the fiscal year ended March 31, 2023	―	―
Treasury shares acquired during the fiscal year ended March 31, 2023	6,327,200	49,999,528,987
Total number and total value of shares to be acquired by the resolution	3,672,800	471,013
Unexercised rate as of the end of the fiscal year ended March 31, 2023 (%)	36.7	0.0
Treasury shares acquired during the current period	―	―
Unexercised rate as of the filing date (%)	36.7	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, 2023	6,640	28,326,843
Treasury shares acquired during the current period	86	1,173,200

(Note) The number of treasury shares acquired during the current period does not include the number of shares acquired from June 1, 2023 to the date of filing of this Annual Securities Report.

(4) Disposals or holding of Acquired Treasury Shares

Category	Fiscal year ended March 31, 2023		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	8,000,000	68,279,209,307	―	―
Acquired treasury shares transferred in association with a merger, equity swap, or company split	―	―	―	―
Others (Transfer by exercising stock acquisition rights) (Disposal of treasury shares as restricted stock compensation)	323,000 54,161	2,618,965,000 467,991,837	117,000 ―	950,859,000 ―
Treasury shares held	7,166,043	―	7,049,129	―

(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, 2023 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 27, 2022	12,151	65
Board of Directors' meeting held on May 19, 2023	12,906	70

(Note) Dividend of ¥10 million and ¥11 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 27, 2022, and May 19, 2023, 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 and enhance corporate value over the mid-to-long term. Advantest will invariably pursue the sources of phenomena and seek their essence, so that it can find the correct solutions. To that end, Advantest will establish a fair, efficient and transparent governance system.

Advantest has codified the mission, vision, and core values in the form of "The Advantest Way" and thoroughly promotes it and ensure awareness as the foundation of activities for all Directors, Exective Officers, and employees of the Company Group. Further details regarding "The Advantest Way" are described in Item2. Business Overview 2. Sustainability Approach and Initiatives.

2) Summary of Corporate Governance Systems

<The Board of Directors’ meetings>

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 bodies. The Company strengthens the oversight and supervisory functions of the Board of Directors by including multiple outside directors as members of the Board of Directors.

・Structure

The Board of Directors of the Company as of the filing date of this Annual Securities Report (June 23, 2023) consists of a total of 11 directors (including Directors who are Audit and Supervisory Committee members) including 5 executive directors (inside directors), 1 non-executive director (inside director) and 5 non-executive directors (outside directors), of which 2 are non-Japanese nationals (U.S. citizens) and 1 is a female director. The Chairperson of the Board of Directors is Mr. Yoshiaki Yoshida, Representative Director, President & Group CEO. Details of the members of the Board of Directors are as described in “(2) Status of Directors” below.

<table>
<tr><th colspan="2">Classification</th><th>Name</th><th>The Board of Directors’ meetings
（14times held）</th><th>The Nomination and Compensation Committee
（14times held）</th></tr>
<tr><td rowspan="6">Inside director</td><td rowspan="5">Executive directors</td><td>Yoshiaki Yoshida</td><td>100％（14times）</td><td>100％（14times）</td></tr>
<tr><td>Douglas Lefever</td><td>100％（14times）</td><td>-</td></tr>
<tr><td>Koichi Tsukui</td><td>100％（14time）</td><td>-</td></tr>
<tr><td>Soichi Tsukakoshi</td><td>100％（14times）</td><td>-</td></tr>
<tr><td>Atsushi Fujita</td><td>100％（14times）</td><td>-</td></tr>
<tr><td rowspan="6">Non-executive directors</td><td>Yuichi Kurita</td><td>100％（14times）</td><td>-</td></tr>
<tr><td rowspan="5">Outside directors</td><td>Osamu Karatsu</td><td>100％（14times）</td><td>-</td></tr>
<tr><td>Toshimitsu Urabe</td><td>100％（14times）</td><td>100％（14times）</td></tr>
<tr><td>Nicholas Benes</td><td>100％（14times）</td><td>-</td></tr>
<tr><td>Kouichi Nanba</td><td>100％（14times）</td><td>-</td></tr>
<tr><td>Sayaka Sumida</td><td>100％（14times）</td><td>100％（14times）</td></tr>
</table>

The Company has proposed the "Election of 6 directors (excluding directors who are audit and supervisory committee members)" and the "Election of 2 director who are audit and supervisory committee members" as proposals (items to be resolved) for the Ordinary General Meeting of Shareholders to be held on June 27, 2023. When the proposals for the election of the Board of Directors is approved by the Ordinary General Meeting of Shareholders as proposed by the Company, the composition of the Board will be 3 executive directors (inside directors), 1 non-executive director (inside director), and 5 non-executive directors (outside directors), for a total of 9 directors including members of the Audit and Supervisory Committee, and the majority of directors will be outside directors. The number of foreign (U.S.) directors will be 2 (22%) and the number of female directors will be 2 (22%). If the proposal for the election of the Board of Directors is approved by the Ordinary General Meeting of Shareholders, Mr. Yoshiaki Yoshida will continue to serve as the Chairperson even after the extraordinary meeting of the Board of Directors to be held on June 27, 2023.

・Status of activities

Regular Board of Directors' meetings are held once a month and spends about 3 to 5 hours to discuss important matters. In addition, the board holds offsite meetings where board members discuss medium- and long-term issues that can not be discussed within the board of meeting. 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.

The Board of Directors met 14 times and off site meeting met 2 times in FY2022, and all members attended all meetings. At the Board of Directors' meetings, directors with a wealth of knowledge and experience expressed their opinions from each point of view on various agendas, and active discussions took place.

In FY2022, the main discussion and reporting items of the Board of Directors were as follows.

- The Board of Directors discussed the progress of the Second Mid-Term Management Plan (MTP2), confirmed the importance of growth investments such as M&A and digital transformation, and reviewed the financial model of MTP2.
- The changing business environment surrounding the Company, including changes in the semiconductor market and geopolitical risks caused by the US-China conflict were reported to the Board of Directors and they discussed measures to address this issue in the Board of Directors.
- Monthly reports on the current status of sales, profits, inventory levels, cash flow and other relevant factors are made to the Board of Directors to monitor the execution of business operations.
- The Board of Directors discussed more effective financing methods when they resolved commitment line agreements and long-term borrowing.
- The Board of Directors discussed about M&A as growth investments, and resolved the mergers and acquisitions of CREA – Collaudi Elettronici Automatizzati S.r.l. and Shin Puu Technology Co., Ltd..
- Internal audit reports and compliance reports were made to the Board of Directors twice a year . The reports included the Company's internal audit system, items pointed out by internal audits and compliance incidents from helpline notifications.
- IR reports were made to the Board of Directors twice a year, and which included status of communication with investors and investors' awareness of issues.
- ESG reports were made to the Board of Directors twice a year, and which included status of the Company's climate change initiatives and other ESG initiatives.

<The Nomination and Compensation Committee>

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

Regarding dismissal/removal of directors and executive officers, the Nomination and Compensation Committee shall comply with the policy and procedures for appointment, selection, and dismissal of directors and executive officers established by the Board of Directors ("the policy and procedure"), and shall recommend persons as candidates to the Board of Directors who will contribute to a sustainable level of business development and enhancement of corporate value over the mid-to-long term. In addition, regarding independent outside directors, in addition to the aforementioned the policy and procedure, the "Independence Criteria for Outside Directors" established by the Board of Directors shall also apply. Candidates recommended to the Board of Directors have a wealth of knowledge and be expected to contribute positively to 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.

・Structure

The Nomination and Compensation Committee is composed of members selected from among the directors by resolution of the Board of Directors. In order to incorporate an independent perspective, the majority of committee members are outside directors. The Chairperson also serves as an outside director.

The current committee members are Mr. Toshimitsu Urabe, Ms. Sayaka Sumida and Mr. Yoshiaki Yoshida. Mr. Toshimitsu Urabe is the Chairperson. The above three Directors are scheduled to be elected as members of the Nomination and Compensation Committee and Mr. Urabe is scheduled to be elected as Chairperson at the Board of Directors' meeting scheduled to be held after the Ordinary General Meeting of Shareholders to be held on June 27, 2023.

・Status of activities

In FY2022, the Nomination and Compensation Committee met 14 times, and Mr. Toshimitsu Urabe , Ms. Sayaka Sumida and Mr. Yoshiaki Yoshida attended 14 times. All the members were present at every Nomination and Compensation Committee meeting. In FY2022, the main activities of the Nomination and Compensation Committee were as follows. In the next fiscal year and beyond, the Committee will continue to discuss and examine the following issues.

- Candidates for Directors and Executive Officers and the Management Structure

  Under the structure of directors and managing executive officers after June 2022, the Committee considered appropriate candidates and proposed them to the Board of Directors. The management structure on the strengthening of the CxO was discussed and proposed to the Board of Directors.

  The Committee discussed management structure in response to changes in the business environment including business expansion, acceleration of further growth, and preparation for future generational changes, and proposed transition to a three-member representative director structure to the Board of Directors.

  As the organizational structure for directors and managing executive officers after June 2023, the Committee considered appropriate candidates and a management structure with three-member representative directors, and proposed them to the Board of Directors.

- Succession Plan for CEO

  After analyzing management issues and personnel requirements for the CEO and management team, the Committee held discussions after receiving reports and assessment of some of the Senior Executive Officers and a survey on external human resources from an external HR consulting firm. In these discussions, the Committee referred to the annual CEO assessment by non-executive directors and interviews with non-executive directors and Senior Executive Officers. Based on discussions with the non-executive directors, the Committee decided on a succession candidate and a transition plan and proposed both to the Board of Directors.

- Experience, knowledge, and abilities required of directors and managing executive officers (skill matrix)

  Recognizing that the Skill Matrix is a tool to consider the most appropriate executive team and board structure, the Committee has set the elements of experience, knowledge, and abilities required of Directors and Senior Executive Officers based on discussions with non-executive directors.

- Operation of Fixed Compensation, Performance-based Bonuses and Stock Compensation

  Individual evaluations of executive bonuses for FY2021 were discussed and finalized.

  The Committee discussed and proposed to the Board of Directors the fixed compensation, performance indicators for performance-linked bonuses and stock compensation for FY2022.

  In addition, the Committee established a process to define the roles and expected performances of each Director/Officer and evaluate the results.

  Based on that, the Committee discussed fixed compensation for FY2023.

<The Audit and Supervisory Committee>

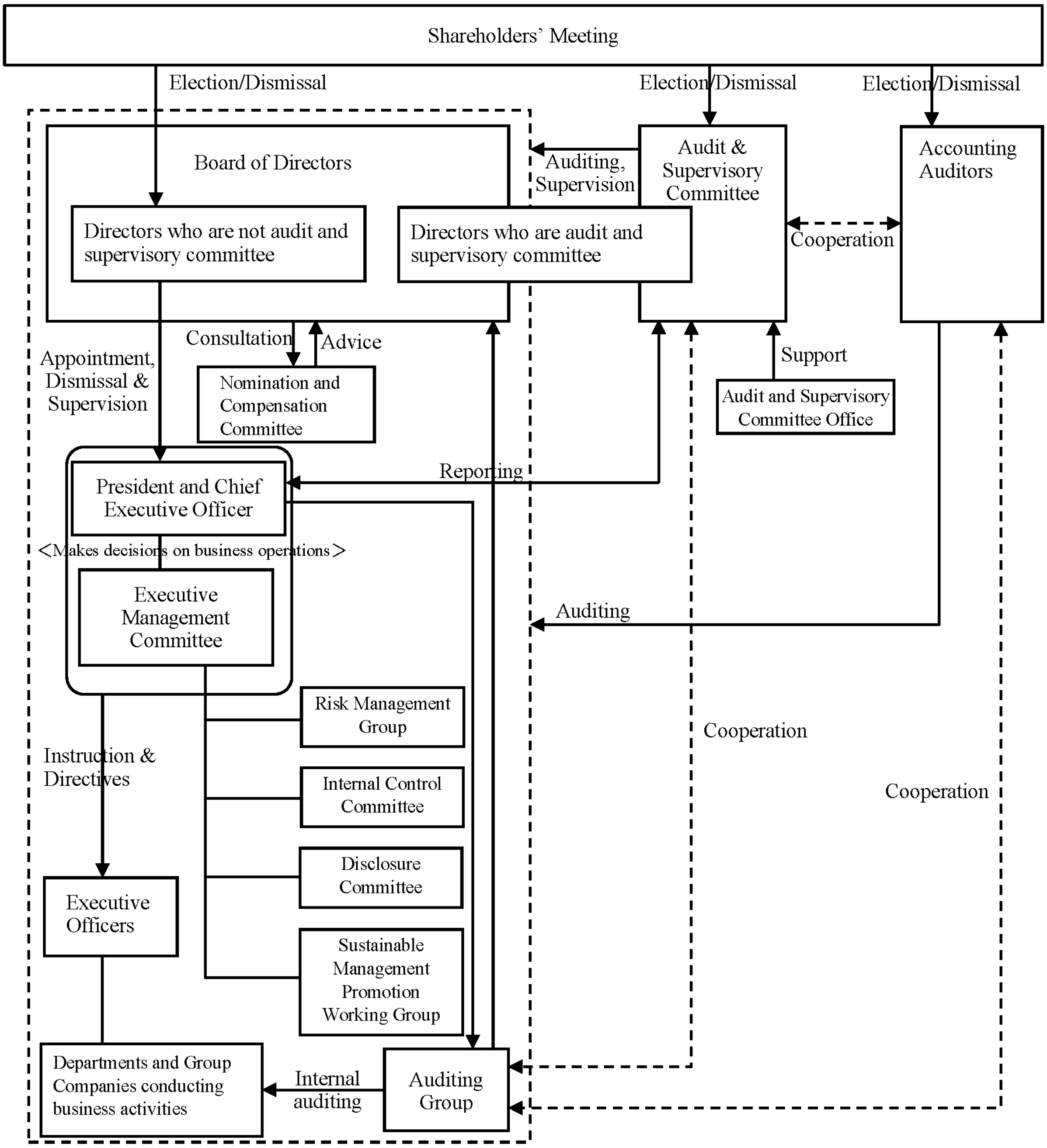
The activities of the Audit and Supervisory Committee are as described in "(3) Status of Audits 1) Status of Auditing by the Audit Supervisory Committee".

<The Executive Management Committee>

The Company delegates necessary authorities to ensure the prompt and efficient performance of duties and the Executive Management Committee is positioned as a decision-making body for important business execution matters of the Company. Of the operations to which authority has been delegated, important matters above a certain level are, in principle, deliberated at the Executive Management Committee. The Executive Management Committee is held approximately twice a month.

The Executive Management Committee is 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 will continue to serve as the Chairperson of the Executive Management Committee after the extraordinary meeting of the Board of Directors to be held on June 27, 2023.

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



3) Reasons for adoption of current Corporate Governance systems

Advantest transitioned to an Audit and Supervisory Committee established company on June 24, 2015. Under a structure of a company with an Audit and Supervisory Committee, the audit and supervisory functions of the Board of Directors can be further strengthened, because Directors who are members of the Committee have voting rights at the Board of Directors. At the same time, decisions can be more flexibly delegated to executives, thereby enabling speedier management. Advantest believes that this will enable us to achieve a sustainable level of business development and mid-to-long term enhancement of corporate value, and therefore Advantest has adopted the structure of a company with an Audit and Supervisory Committee and an executive officer system.

In addition, a certain number of outsiders are required among the members of the Board of Directors in order to provide advice and management monitoring and supervision that will lead to the sustainable level of business development of the Advantest Group and mid-to-long term enhancement of corporate value. Therefore, Advantest has appointed five outside directors. The Company has proposed the "Election of 6 directors (excluding the Audit and Supervisory Committee members)" and "Election of 2 director who is an Audit and Supervisory Committee member" as items to be resolved for the Ordinary General Meeting of Shareholders to be held on June 27, 2023. When these proposals for the election of the Board of Directors are approved by the Ordinary General Meeting of Shareholders, the majority of directors will be outside directors.

4) 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 provide supervision in accordance with Regulations of the Board of Directors, while Executive Officers and employees execute business in accordance with the Global Organization and Authorization Rules. Under the rules, Executive Management Committee has largely delegated authority to unit leaders except for certain important matters in order to achieve agility in management.
- The Company has changed the position of Mr. Douglas Lefever from Director, Senior Executive Officer to the Representative Director, Corporate Vice President & Group COO, and Mr. Koichi Tsukui from Director, Senior Executive Officer to the Representative Director, Corporate Vice President & Group Co-COO, in order to strengthen the management system in consideration of response to changes in management environments including business expansion, further acceleration of growth, and preparation for generation changes in the future.
- Advantest is promoting initiatives with the aim of materializing INTEGRITY in our daily operations and making INTEGRITY our true corporate culture. Specifically, we launched the "INTEGRITY award" to recognize and express appreciation for employees who have demonstrated INTEGRITY by recommendation from peer employees. As the framework to further promote the transformation of our corporate culture, instead of existing short-term projects, we also appointed the 32 "INTEGRITY Ambassadors" across the globe, and organized the "Culture Council" consisting of Group CEO, Senior Executive Officers, and Leaders of each country, etc. to support the Ambassadors.
- In order to strengthen our system to quickly respond to compliance incidents, we have terminated the Compliance Committee and made Chief Compliance Officer(CCO) responsible for the control of compliance. We have transferred the role of information sharing on compliance which had previously been held by the Compliance Committee to the Internal Control Committee to the extent necessary.
- The Company has established internal and external helplines. The Company has also transitioned the external helpline to more highly-confidential system since March 2023. The Company 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 Company established an Internal Control Committee, chaired by the Representative Director, President & Group CEO and in which outside directors can attend as observers, and 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 inadequacies are found in the internal control evaluation process.
- Advantest has established a Risk Management Group headed by the Representative Director, President & Group CEO 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 to review and implement measures to protect personal information, prevent leakage of confidential information and maintain and enhance IT system security.
- 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 a certification of ISO 27001, a standard for information security management system, in August 2021, and its subsidiary in Germany obtained the extended certification in May 2022.

<Status of Framework to ensure proper operations of the Company’s subsidiaries>

・ The Company establishes important business processes for Advantest as a whole, and builds and operates a uniform internal control system among group companies by providing guidance on risk analysis and appropriate responses to such risks. 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 status of internal audit is as described in "(3) Status of Audits 1) Status of Auditing by Internal Auditors".

5) Summary of limited liability agreements and indemnification agreements

・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 for damages based on this agreement is the minimum liability as stipulated by laws and regulations.

・Overview of the contents of indemnification agreements

The Company has concluded indemnification agreements with directors Yoshiaki Yoshida, Douglas Lefever, Koichi Tsukui, Osamu Karatsu, Toshimitsu Urabe, Nicholas Benes, Soichi Tsukakoshi, Atsushi Fujita, Yuichi Kurita, Kouichi Nanba, and Sayaka Sumida pursuant to the Article 430-2, Paragraph 1 of the Companies Act. Under the said agreements, the Company shall indemnify them against expenses listed in Item 1 of the said Paragraph and losses listed in Item 2 of the said Paragraph to the extent permitted by laws and regulations. However, certain conditions of exemption are established to ensure that the appropriateness of the execution of duties by the insured persons is not impaired by the said agreements, and the amount of expenses and losses of no less than JPY 3 million requires the deliberation by the Board of Directors.

・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, as well as 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.

6) Advantest's Articles of Incorporation

・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 23, 2023 (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 & Group CEO	Yoshiaki Yoshida	February 8, 1958	April 1999	Joined Advantest Corporation	(Notes) 2	624
			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		
			January 2023	Representative Director, President & Group CEO (present position)		
Representative Director, Corporate Vice President & Group COO (Note 6) CSO (Note 7)	Douglas Lefever	December 10, 1970	June 1998	Joined Advantest America, Inc.	(Notes) 2	-
			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 CSO (Note 7) (present position)		
			January 2023	Representative Director, Corporate Vice President & Group COO (Note 6) (present position)		
Representative Director, Corporate Vice President & Group Co-COO (Note 8) CTO (Note 9)	Koichi Tsukui	December 11, 1964	April 1987	Joined Advantest Corporation	(Notes) 2	104
			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 CTO (Note 9) (present position)		
			January 2023	Representative Director, Corporate Vice President & Group Co-COO (Note 8) (present position)		

Title	Name	Date of Birth	Brief biography		Term of office	Share ownership (unit:100 shares)
Director	Osamu Karatsu	April 25, 1947	April 1975 June 1991 June 1997 April 1999 April 2000 June 2012	Joined Nippon Telegraph and Telephone Public Corporation Executive Manager, LSI Laboratories, Nippon Telegraph and Telephone Corporation Vice President and Director, Advanced Telecommunications Research Institute International Principal Consultant, SRI Consulting K.K. Chief Executive Director, SRI International Japan Director of Advantest Corporation (present position)	(Notes) 2	35
Director	Toshimitsu Urabe	October 2, 1954	April 1978 April 2009 April 2011 April 2013 April 2017 June 2017 June 2019 April 2021	Joined Mitsubishi Corporation Senior Vice President and Deputy Chief Representative for China of Mitsubishi Corporation, and President for Mitsubishi Corporation (Hong Kong) Ltd. Senior Vice President and Senior Assistant to Senior Executive Vice President, Human Resources of Mitsubishi Corporation Executive Vice President, Group CEO, Business Service Group of Mitsubishi Corporation Advisor, Mitsubishi Corporation Deputy President and Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) Director of Advantest Corporation (present position) Outside Director of Japan Business Systems, Inc. (present position)	(Notes) 2	8
Director	Nicholas Benes	April 16, 1956	September 1983 November 1983 October 1984 May 1994 April 1997 March 2000 December 2006 March 2007 November 2009 June 2016 June 2019	Joined Morgan Guaranty Trust Company of New York (currently JPMorgan Chase & Co.) Joined California State Bar Association Joined New York State Bar Association Senior Managing Director, Kamakura Corporation President and Founder, JTP Corporation Outside Director, Alps Mapping Co., Ltd. Outside Director, Livedoor Holdings Co., Ltd. Outside Director, Cecile Co., Ltd. Representative Director, The Board Director Training Institute of Japan (present position) Outside Director, Imagica Robot Holdings Inc. (currently IMAGICA GROUP Inc.) Director of Advantest Corporation (present position)	(Notes) 2	6

Title	Name	Date of Birth	Brief biography		Term of office	Share ownership (unit:100 shares)
Director, Senior Executive Officer CPO (Note 10)	Soichi Tsukakoshi	February 1, 1960	April 1983 June 2008 June 2013 June 2015 June 2017 June 2020 June 2021 June 2022	Joined Advantest Corporation Executive Officer Executive Vice President, Production Group (present position) Managing Executive Officer Director, Managing Executive Officer Supply Chain Director, Senior Executive Officer (Senmu Shikko Yakuin) Director, Senior Executive Officer (Keiei Sikko Yakuin) (present position) CPO (Note 10) (present position) In Charge of Quality Assurance Group (present position)	(Notes) 2	149
Director, Senior Executive Officer CFO (Note 11) CCO (Note 12)	Atsushi Fujita	November 15, 1959	April 1983 June 2015 June 2017 June 2019 June 2020 June 2021	Joined Advantest Corporation Executive Officer Managing Executive Officer Executive Vice President, Corporate Administration Group (present position) Director, Managing Executive Officer Corporate Administration Corporate Administration and Compliance Director, Senior Executive Officer (present position) CFO (Note 11) (present position) CCO (Note 12) (present position)	(Notes) 2	113
Director, Standing Audit and Supervisory Committee Member	Yuichi Kurita	July 28, 1949	April 1973 March 2001 June 2003 June 2007 June 2009 June 2010 June 2012 June 2015	Joined Fujitsu Limited Joined Advantest Corporation Executive Officer Director, Managing Executive Officer Corporate Planning and Administration Director, Senior Executive Officer Standing Corporate Auditor Director, Standing Audit and Supervisory Committee Member (present position)	(Notes) 2	48
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	9

Title	Name	Date of Birth	Brief biography		Term of office	Share ownership (unit:100 shares)
Director, Audit and Supervisory Committee Member	Sayaka Sumida	January 28, 1961	October 1984	Joined Asahi Accounting Company (currently KPMG AZSA LLC)	(Notes) 3	5
			May 2006	Partner, KPMG Azsa & CO., (currently KPMG AZSA LLC)		
			August 2007	Chairperson of Audit Standards Committee, The Japanese Institute of Certified Public Accountants		
			July 2010	Executive Board Member (in charge of Quality Control Standards and Audit Standards), The Japanese Institute of Certified Public Accountants		
			January 2015	Board Member, International Auditing and Assurance Standards Board (IAASB), International Federation of Accountants (IFAC)		
			February 2017	Member, Business Accounting Council in the Financial Services Agency		
			June 2020	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)		
Total						1,101

(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 & Group CEO:	Yoshiaki Yoshida
Representative Director, Corporate Vice President & Group COO (Note 6):	Douglas Lefever
Representative Director, Corporate Vice President & Group Co-COO (Note 8):	Koichi Tsukui
Director, Senior Executive Officer:	Soichi Tsukakoshi, Atsushi Fujita
Senior Executive Officer:	Keith Hardwick, CHO (Note 13)
	Kimiya Sakamoto, CCRO (Note 14)
	Yasuo Mihashi, Co-CSO (Note 15)
	Juergen Serrer, Sub Leader, ATE Business Group
	Sanjeev Mohan, Co-CCRO (Note 16)
	Richard Junger, CDO (Note 17), CIO (Note 18), Co-CPO (Note 19)
	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 (Note 20)
Jaehyuk Cha, Director, Advantest Korea Co., Ltd.

6. Group COO: Group Chief Operating Officer
7. CSO: Chief Strategy Officer
8. Group Co-COO: Group Co-Chief Operating Officer
9. CTO: Chief Technology Officer
10. CPO: Chief Production Officer
11. CFO: Chief Financial Officer
12. CCO: Chief Compliance Officer
13. CHO: Chief Human Capital Officer
14. CCRO: Chief Customer Relations Officer
15. Co-CSO: Co-Chief Strategy Officer
16. Co-CCRO: Co-Chief Customer Relations Officer
17. CDO: Chief Digital Officer
18. CIO: Chief Information Technology Officer
19. Co-CPO: Co-Chief Production Officer
20. Co-CHO: Co-Chief Human Capital Officer

b. The Directors of the Company will be as shown below, when the proposed items of “Election of 6 Directors (excluding Directors who are Audit and Supervisory Committee members)” and “Election of 2 Directors who is an Audit and Supervisory Committee member” will be resolved at the Ordinary General Meeting of Shareholders to be held on June 27, 2023. The table below also shows the proposed items, including titles and positions resolved at the Board of Directors’ Meeting held on June 20, 2023. The changes from June 23, 2023 (As of the filing date of this Annual Securities Report) are underlined.

Seven men and two women (Percentage of women: 22%)

Title	Name	Date of Birth	Brief biography		Term of office	Share ownership (unit:100 shares)
Representative Director, President Group CEO (Administration, New Area Business Development Initiative in charge)	Yoshiaki Yoshida	February 8, 1958	April 1999 June 2006 June 2009 June 2013 June 2016 January 2017 January 2023 June 2023	Joined Advantest Corporation Executive Officer Managing Executive Officer Director, Managing Executive Officer Director, Senior Executive Officer Representative Director, President and CEO Representative Director, President & Group CEO Representative Director, President (present position) Group CEO (Administration, New Area Business Development Initiative in charge) (present position)	(Notes) 2	624
Representative Director, Corporate Vice President Group COO (Corporate Strategy, Business Promotion, Technology in charge) (Note 6)	Douglas Lefever	December 10, 1970	June 1998 August 2014 September 2014 June 2017 June 2019 June 2020 June 2021 January 2023 June 2023 July 2023	Joined Advantest America, Inc. Executive Officer, Advantest Corporation Director, President and CEO, Advantest America, Inc. Managing Executive Officer, Advantest Corporation Leader, System Test Business Unit (present position) Director, Managing Executive Officer Customer Relations & Corporate Strategy Leader, Applied Research & Venture Team Director, Senior Executive Officer CSO (Note 7) Representative Director, Corporate Vice President & Group COO (Note 6) Representative Director, Corporate Vice President (present position) Group COO (Corporate Strategy, Business Promotion, Technology in charge) (Note 6) (present position) Chairman, Advantest America, Inc. (present position) In Charge of Nanotechnology Business Group (present position) In Charge of Applied Research & Venture Team (present position) In Charge of ACS (present position)	(Notes) 2	-

Title	Name	Date of Birth	Brief biography	Term of office	Share ownership (unit:100 shares)
Representative Director, Corporate Vice President Group Co-COO (Production, Business Process Innovation in charge) (Note 8)	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 June 2020 Director, Managing Executive Officer Test Technology Leader, ATE Business Group June 2021 Director, Senior Executive Officer CTO (Note 9) January 2023 Representative Director, Corporate Vice President & Group Co-COO (Note 8) June 2023 Representative Director, Corporate Vice President (present position) Group Co-COO (Production, Business Process Innovation in charge) (Note 8) (present position)	(Notes) 2	104
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 Director of Advantest Corporation (present position) April 2021 Outside Director of Japan Business Systems, Inc. (present position)	(Notes) 2	8
Director	Nicholas Benes	April 16, 1956	September 1983 Joined Morgan Guaranty Trust Company of New York (currently JPMorgan Chase & Co.) November 1983 Joined California State Bar Association October 1984 Joined New York State Bar Association May 1994 Senior Managing Director, Kamakura Corporation April 1997 President and Founder, JTP Corporation 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 Director of Advantest Corporation (present position)	(Notes) 2	6

Title	Name	Date of Birth	Brief biography	Term of office	Share ownership (unit:100 shares)
Director	Naoto Nishida	February 11, 1954	April 1978 Joined Toshiba Corporation Jun 2007 Director, Production Engineering Center, Toshiba Apr 2009 General Manager, Productivity Planning Division, Toshiba Corporation April 2011 General Manager, Technology Planning Division, Toshiba Corporation June 2012 Executive Officer, Corporate Vice President (General Manager, Technology Planning Division), Toshiba Corporation June 2013 Executive Officer, Corporate Senior Vice President (In charge of Procurement & Logistics Group, In charge of Production Control Group), Toshiba Corporation June 2014 Board of Director, Executive Officer, Corporate Executive Vice President (In charge of Technology & Innovation Dept., New Business Dept., Research & Development Center, Software Technology Center), Toshiba Corporation September 2015 Executive Officer, Corporate Executive Vice President (In charge of Research & Development Management Dept.), Toshiba Corporation April 2016 Executive Officer, Corporate Executive Vice President (In charge of Technology Management Dept.), Toshiba Corporation November 2017 Special Commission, Toshiba Corporation (present position) June 2023 Director of Advantest Corporation (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	48

Title	Name	Date of Birth	Brief biography		Term of office	Share ownership (unit:100)
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 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	5
Director, Audit and Supervisory Committee Member	Tomoko Nakada	January 20, 1972	April 1995 April 1997 June 2000 September 2001 August 2002 March 2015 April 2017 December 2020 June 2021 June 2023	Entered Legal Training and Research Institute Assistant Judge, Tokyo District Court Attorney-at-law Registration in Japan Takahashi Norikatsu Law Office (currently, Hokusei Law Office, P.C.) Visiting Research Fellow, Harvard Law School Attorney-at-law Registration in New York State International Fellow, The American College of Trust and Estate Counsel (ACTEC) (present position) Academician, The International Academy of Estate and Trust Law (TIAETL) (present position) Founder and Representative, Tokyo Heritage Law Firm (present position) Outside Director, Audit and Supervisory Committee Member, TS Tech Co., Ltd. (present position) Director, Audit and Supervisory Committee Member (present position)	(Notes) 3	-
Total						795

(Notes) 1. Mr. Toshimitsu Urabe, Mr. Nicholas Benes, Mr. Naoto Nishida, Ms. Sayaka Sumida and Ms. Tomoko Nakada are outside directors.

2. Term of office will expire upon the closing of the Ordinary General Meeting of Shareholders to be held in June 2024.
3. Term of office will expire upon the closing of the Ordinary General Meeting of Shareholders to be held in June 2025.
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 25 persons (including those who serve as Director), as follows:

Representative Director, President	Yoshiaki Yoshida
Representative Director, Corporate Vice President	Douglas Lefever
Representative Director, Corporate Vice President	Koichi Tsukui
Senior Executive Officer:	Soichi Tsukakoshi, CPO (Note 10)
	Keith Hardwick, CHO & CCO (Note 11, 12)
	Yasuo Mihashi, CFO & CSO (Note 13, 14)
	Juergen Serrer, CTO & ATE Business Group Leader (Note 9)
	Makoto Nakahara, CCRO (Note 15)
	Sanjeev Mohan, Co-CCRO (Note 16)
	Richard Junger, CDO & CIO (Note 17, 18)
	Yong Xu, China Business Strategy
Executive Officer:	Michael Stichlmair, Senior Vice President (Officer), Sales Group
	Suan Seng Sim (Ricky Sim), Managing Director (CEO), Advantest (Singapore) Pte. Ltd.
	Masayuki Suzuki, Executive Vice President, Memory Test Business Unit, ATE Business Group
	Naruo Tanaka, Executive Vice President, New Area Business Development Initiative
	Toshiaki Adachi, Sub-leader, 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-CCO (Note 19, 20)
	Jaehyuk Cha, Director, Advantest Korea Co., Ltd.
	Daisuke Watanabe, Executive Vice President, Technology Development Group, ATE Business Group
	Ralf Stoffels, Division Manager, 93000 Product Unit, SoC Test Business Unit, ATE Business Group
	Katsuhiko Tsunetsugu, Senior Vice President (Officer), Corporate Strategy Group
	Andre Vachenauer, Executive Vice President, Corporate IT Group

6. Group COO: Group Chief Operating Officer
7. CSO: Chief Strategy Officer
8. Group Co-COO: Group Co-Chief Operating Officer
9. CTO: Chief Technology Officer
10. CPO: Chief Production Officer
11. CHO: Chief Human Capital Officer
12. CCO: Chief Compliance Officer
13. CFO: Chief Financial Officer

14. CSO: Chief Strategy Officer
15. CCRO: Chief Customer Relations Officer
16. Co-CCRO: Co-Chief Customer Relations Officer
17. CDO: Chief Digital Officer
18. CIO: Chief Information Technology Officer
19. Co-CHO: Co-Chief Human Capital Officer
20. Co-CCO: Co-Chief Compliance Officer

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 23, 2023) is five (two of whom are Audit and Supervisory Committee Members). The following are their names and significant concurrent positions, as well as reasons for their appointment and their independence. Each outside director of our company owns shares in our company, but the number of such shares is small as described in “1) List of Directors.”

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. 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 and non-bank financial institution, particularly overseas experience in the United States and Asia, experience in business investment decisions, etc., and extensive experience in administrative management, for example human resources and IT. 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. The Company has no special transactions with Mr. Toshimitsu Urabe. Although the Company has transactions with Japan Business Systems, Inc. where he has been serving as an outside director, including capital investments in IT operations, etc., the amount of transactions between the two companies in FY2022 was 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 Japan Business Systems, Inc. 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.

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. 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 FY2022 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 as an outside director who is an audit and supervisory member. 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. 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 FY2022 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.

The Company has proposed the "Election of 6 directors" (excluding the Audit and Supervisory Committee members) and "Election of 2 director who is an Audit and Supervisory Committee member" as items to be resolved for the Ordinary General Meeting of Shareholders to be held on June 27, 2023. The names of each outside director and their significant concurrent positions, as well as reasons for their appointment and their independence are as follows if the proposals are approved by the Ordinary General Meeting of Shareholders.

Each outside director of our company owns shares in our company, but the number of such shares is small as described in "1) List of Directors."

Name	Concurrent position (s)	The reasons for nomination and Independence
Toshimitsu Urabe	Outside Director, Japan Business Systems, Inc.	Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company and non-bank financial institution, particularly overseas experience in the United States and Asia, experience in business investment decisions, etc., and extensive experience in administrative management, for example human resources and IT. 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. The Company has no special transactions with Mr. Toshimitsu Urabe. Although the Company has transactions with Japan Business Systems, Inc. where he has been serving as an outside director, including capital investments in IT operations, etc., the amount of transactions between the two companies in FY2022 was 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 Japan Business Systems, Inc. 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.
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. 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 FY2022 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.
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. 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 FY2022 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.

Name	Concurrent position (s)	The reasons for nomination and Independence
Naoto Nishida	Special Commission, Toshiba Corporation	Mr. Naoto Nishida has a wealth of knowledge and experience as a laser technology expert, in addition to his experience in the fields of technology, supply chain management (SCM), production, and research & development at a global company deeply involved in semiconductors. He is expected to reflect his insights into our business, industry and technology and the perspectives on strategic innovation in the Company group's global management, thereby contributing to the sustainable enhancement of corporate value and invigoration of the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director. Mr. Naoto Nishida does not have any dealings with the Company that would affect his independent judgement. The Company has transactions with Toshiba Corporation and its affiliates, including the sales of our products and the purchase of raw materials, etc. The amount of such transactions with Toshiba Corporation and its affiliates, in FY2022 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 Toshiba Corporation, 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.
Tomoko Nakada	Representative, Tokyo Heritage Law Firm Outside Director, Audit and Supervisory Committee Member, TS Tech Co., Ltd.	Although Ms. Tomoko Nakada has not been directly involved in the management of a company in the past, she has a wealth of experience and a high level of expertise in law as a judge and as a lawyer, engaging in the practice of corporate legal affairs and international inheritance cases in the United States. She is expected to reflect her knowledge of laws in the Company group's audit and supervision, thereby contributing to the enhancement of compliance. Thus, the Company believes that she is a suitable person as an outside director who is an audit and supervisory committee member. The Company has no special transactions with Ms. Tomoko Nakada or the law firm of which she is the representative. Therefore, the Company judges that she is sufficiently independent in light of the Independence Criteria of Independent Outside Directors specified by the Company. And since she also satisfies the requirements for independent directors/auditors 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 other than executive compensation (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 two Directors who are members of the Audit and Supervisory Committee and election of one Director who is alternate 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 27, 2023. If the proposal is approved, the Audit and Supervisory Committee will continue to consist of one inside director and two outside directors.

Mr. Yuichi Kurita, an inside director and a member of the Audit and Supervisory Committee, has 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 long 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

(Activities by the Audit and Supervisory Committee)

During FY2022, the Audit and Supervisory Committee held 13 meetings, and the attendance rate of each member was as follows.

Job title	Name	The Audit and Supervisory Committee
Chairperson of the Audit and Supervisory Committee （Independent outside director）	Kouichi Nanba	100％（13times）
The Audit and Supervisory Committee menber （Independent outside director）	Sayaka Sumida	100％（13times）
The standing Audit and Supervisory Committee member （Inside director）	Yuichi Kurita	100％（13times）

The Audit and Supervisory Committee audited the execution of duties by directors, executive officers, and other business execution organizations in accordance with the audit policy and audit plan established by the Audit and Supervisory Committee and the assignment of duties. The average duration of each Audit and Supervisory Committee meeting was approximately one and a half hours.

The main activities of the Audit and Supervisory Committee during FY2022 were 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 (14 times)	○	○
	- Internal Control Committee (twice)	○	○
	- Executive Management Committee (twice a month), Business Plan Meeting (twice), Executive Mid-term Strategy Meeting (6 times), Executive Officers Meeting in Japan (monthly), General managers' meeting (monthly), etc.	○	―
Interviews with executive directors,	- Interview with Representative Director, President & Group CEO (twice)	○	○

Activities		Standing	Outside
executive officers	- Interviews with Representative Director, Corporate Vice President & Group COO, Representative Director, Corporate Vice President & Group Co-COO (6 times), and executive directors	○	(Notes) 1.
Audits of major units and subsidiaries	- Audits of units selected in the audit plan and major domestic and foreign consolidated subsidiaries (domestic : 5 companies, foreign: 7 companies) - 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 (12 times) - Periodic discussions with auditors of domestic and overseas consolidated subsidiaries (twice) - Exchange of opinions as needed	○ ○ ○	○ ○ (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 (7 times) - Meetings with the global audit team, including the audit teams of overseas consolidated subsidiaries (once) - On-site meetings with teams of independent auditor of overseas consolidated subsidiaries - 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 FY2022, as the impact of COVID-19 has lessened compared to the past few years, the Audit and Supervisory Committee made it a basic policy to conduct on-site, in-person inspections at major domestic and overseas consolidated subsidiaries and offices in Japan to the extent possible, and when it was difficult to achieve this, the Audit and Supervisory Committee conducted inspections and interviews via web conference.

(Specific 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, the assignment of duties by Audit and Supervisory Committee members, and focus of audit
- Status of execution of duties by directors, executive officers, and other executive organizations 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

The Audit and Supervisory Committee shares information through on-site inspections by the standing Audit and Supervisory Committee member, attendance at important meetings such as the Executive Management Committee and hearing business reports from executive departments, and exchanges opinions on proposals that are (or have been) brought before the Board of Directors meeting and the status of risk assessment and compliance of the group at Internal Control

Committee meetings. In particular, during FY2022, the Audit and Supervisory Committee considered the following points from the perspective of global management in the context of business acquisitions and rapid personnel increases overseas that have been implemented in recent years for the medium- and long-term growth of our group.

- Whether the Company's business operations are properly conducted in accordance with measures for medium- and long-term corporate value enhancement (promotion of ROIC/AVA management, status of promotion of ESG activities, etc.) based on the Grand Design and the Second Medium-Term Management Plan.
- Whether the Executive Management Committee is appropriately operating and holding substantial and substantive discussions based on the Global Organization and Authorization Rules.
- Whether or not a prompt and efficient business execution system has been established through the introduction of the CxO system.
- Whether or not concrete measures for business risks are being implemented in relation to management policies and strategies, etc.
- Whether or not the policies of the Board of directors meeting are thoroughly implemented in the business execution.
- Whether issues in the field of business execution are reported to executive officers and directors. Are particularly important matters reported to the Board of Directors.
- Whether measures to ensure the penetration and effectiveness of the Advantest Way are appropriately implemented.

In addition, since a major revision of the rules regarding the independent auditor's independence was announced in the FY2022, the Audit and Supervisory Committee discussed the group's policy in accordance with the revision of the rules not only with the Audit and Supervisory Committee members, but also with the CFO and related departments.
Furthermore, the status of the Succession Plan, which is under consideration mainly by the Nomination and Compensation Committee, was addressed and discussed as appropriate.

(Collaboration with outside directors of Advantest and auditors 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 views 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 views 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 proactively communicated its views and requests regarding the selection of KAM items and the description of specific information to the independent auditor.
Regarding the " Valuation of goodwill and intangible assets related to recent business acquisitions" which is included as a KAM in the year-end audit, the Audit and Supervisory Committee discussed with independent auditor on the impact of changes in discount rates and the progress of future business plans from the time of acquisition on the headroom of goodwill.

In addition, the Audit and Supervisory Committee communicated to the independent auditor its perception of risks, such as the customary tendency for shipments to be large near the end of the fiscal year with respect to revenue recognition, which the independent auditors have identified as a "significant risk " and the reasons for the increased monetary importance of inventories and the impact of expected future use on inventory valuation, and questioned the audit procedures.

2) Status of Auditing by Internal Auditors

a. Internal Audit Organization and Personnel

The Company has established an Internal Audit Group under the direct control of the Representative Director, President & Group CEO, and has a total of 15 employees in charge of internal audit, including seven from the Auditing Group of Company and eight from overseas Group companies (the U.S., Singapore, and South Korea), to conduct internal audit within the Group. In line with the increase in the number of business locations in the U.S., we have increased the number of internal auditors in the U.S. during the fiscal year.

b. Internal Audit Procedures

Based on the audit plan for each fiscal year, the Internal Audit conducts operational audit of the Company's divisions and Group companies in Japan and overseas regarding the following audit items. If the Internal Audit detects any issues, the Internal Audit points them out, makes recommendations for improvement, and grasp the status of improvement.

・ Response to risks: BCP plans for the prevention or recovery including but not limited to, flood.
・ Compliance with the applicable laws and internal rules: Design of delegation of authority and compliance with the rules under the delegation of authority.
・ Business effectiveness and efficiency: research and development progress, supply chain management.
・ Information security: Management of personal and confidential information - information security including cyber-attack countermeasures.
・ Safeguarding of Assets: Management of fixed assets and inventories

In addition, the Internal Audit Department evaluates and reports on internal control over financial reporting based on the Financial Instruments and Exchange Act in Japan.

c. Initiatives to Ensure the Effectiveness of Internal Audit

The Internal Audit has established a system to report directly not only to the Representative Director, President & Group CEO, but also to the Board of Directors and the Audit and Supervisory Committee, and periodically reports to the Board of Directors every six months and the Audit and Supervisory Committee quarterly as follows.

・Report to the Board of Directors

Report	Date	Summary
Activity Report of the Internal Audit Office	June 17, 2022 December 22, 2022	Report on audit results and activities for the first half (including reports on the status of internal control evaluation related to financial reporting)

・Report to the Audit and Supervisory Committee

Report	Date	Summary
Activity Report of the Internal Audit Office	April 27, 2022 July 28, 2022 October 27, 2022 January 28, 2023	Audit results and activity reports for each quarter (including reports on the status of internal control evaluation related to financial reporting)
Report on the status of internal control evaluation related to financial reporting	May 19, 2022	Evaluation status of internal control over financial reporting in the previous fiscal year.

d. Cooperation between Internal Audit, Audit and Supervisory Committee and Accounting Auditors

・Cooperation between the Internal Audit and the Audit and Supervisory Committee

In order to contribute to the efficient execution of audit by the Audit and Supervisory Committee, the Senior Vice President of the Auditing Group sends an audit report to the full-time Audit and Supervisory Committee member each time an audit of the audited department is conducted, and reports on activities to the Audit and Supervisory Committee on a quarterly basis. In addition, the Internal Audit Department shares audit plans and achievements with the Audit and Supervisory Committee and exchanges opinions with the Audit and Supervisory Committee.

・Cooperation between the Internal Audit and the Accounting Auditors

The Senior Vice President of the Auditing Group determines the annual plan and scope of audits related to internal control audits related to financial reporting in consultation with the Accounting Auditors, holds meetings and exchanges opinions as necessary, and holds regular quarterly meetings with the Accounting Auditors regarding the status of internal control evaluations.

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 2022 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 exceeded the above number of years 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:

Name of CPA, and others	
Certificated public accountant Designated and Engagement Partner	Toshiyuki Matsumoto
	Minoru Ota
	Hiroyuki Nakada

(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, 2022		Fiscal year ended March 31, 2023	
	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)	153	―	155	13
The Company's consolidated subsidiaries	―	―	―	―
Total	153	―	155	13

(Fiscal year ended March 31, 2023)

The details of fees for non-audit services for the Company mainly consisted of ESG consulting services.

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, 2022		Fiscal year ended March 31, 2023	
	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)	―	58	―	113
The Company's consolidated subsidiaries	144	101	185	277
Total	144	159	185	390

(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.

(Fiscal year ended March 31, 2023)

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 and human resources 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	Company 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)	Advantest Corporation (The Company)	695	184	162	17	137	195	5
	The consolidated subsidiaries	145	70	75	—	—	—	
Directors (Audit and Supervisory Committee members) (excluding Outside Directors)	Advantest Corporation (The Company)	43	43	—	—	—	—	1
Outside Directors (excluding Audit and Supervisory Committee members)	Advantest Corporation (The Company)	41	41	—	—	—	—	3
Outside Directors (Audit and Supervisory Committee members)	Advantest Corporation (The Company)	31	31	—	—	—	—	2

(Notes) 1. As of March 31, 2023, 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 FY2022 in accordance with IFRS. No stock options were granted in FY2022. Restricted stock compensation and performance-based stock remuneration are recorded as expenses in accordance with IFRS for FY2022.

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

Name	Total consolidated compensation (Millions of Yen)	Classification	Company name	Total consolidated 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	213	Representative Director, President & Group CEO	Advantest Corporation (The Company)	64	65	5	30	49
Douglas Lefever	279	Representative Director, Corporate Vice President & Group COO	Advantest Corporation (The Company)	8	—	3	59	64
		Director, President and CEO	Advantest America, Inc.	70	75	—	—	—
Koichi Tsukui	117	Representative Director, Corporate Vice President & Group Co-COO	Advantest Corporation (The Company)	38	33	3	16	27
Soichi Tsukakoshi	116	Director, Senior Executive Officer	Advantest Corporation (The Company)	37	32	3	16	28
Atsushi Fujita	115	Director, Senior Executive Officer	Advantest Corporation (The Company)	37	32	3	16	27

(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 FY2022 in accordance with IFRS. No stock options were granted in FY2022. Restricted stock compensation and performance-based stock remuneration are recorded as expenses in accordance with IFRS for FY2022.

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 above, 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 Nomination and Compensation 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).

When determining the details of the individual compensation and related matters of the Directors, as the Nomination and Compensation Committee conducts multifaceted examinations including consistency with the “Board Policies and Procedures in Determining the Compensation of Directors”, the Board of Directors also respects the committee’s judgment, and has determined that the details of the individual compensation and related matters of the Directors for the current fiscal year are in line with the “Board Policies and Procedures in Determining the Compensation of Directors”.

(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 FY2022 (paid in June 2023)

The Performance-based bonuses formula for FY2022 (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 Group 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%

Based on the results for FY2022 (consolidated net income: 130.4 billion yen), the payment rate was 112.2%.

6) Performance-based Bonuses Formula for FY2023 (to be paid in June 2024)

The Performance-based bonuses formula for FY2023 (to be paid in June 2024) has been resolved by the Board of Directors held on June 20, 2023, after consulting with the Nomination and Compensation Committee (held on June 14, 2023. Outside directors make up the majority, and executive officers do not participate in resolutions relating to opinions.).

President and Group 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 FY2023

Consolidated net income	Payment rate
39 billion yen or less	0%
Between 39 to 78 billion yen	Prorate from 0 to 100%
78 billion yen	100%
Between 78 to 117 billion yen	Prorate from 100 to 200%
117 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, 2023)

	Number of companies	Total carrying amount (Millions of Yen)	Purpose for holding shares
Unlisted shares	6	332	Mainly for transaction 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, 2023

	Number of companies	Total carrying amount (Millions of Yen)	Purpose for holding shares
Unlisted shares	2	118	Mainly for transaction support
Shares other than unlisted shares	2	18,896	For joint business development, etc.

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

3) Shares with Purposes of Pure Investment

The Company does not 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, 2022 to March 31, 2023) and the non-consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) 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, 2022	As of March 31, 2023
Assets			
Current assets			
Cash and cash equivalents	7, 29	116,582	85,537
Trade and other receivables	8, 29	82,155	102,152
Inventories	9	95,013	169,082
Other current assets		11,007	17,924
Subtotal		304,757	374,695
Assets held for sale	11	188	—
Total current assets		304,945	374,695
Non-current assets			
Property, plant and equipment, net	12	51,392	64,046
Right-of-use-assets	14	12,645	17,312
Goodwill and intangible assets, net	13	85,307	95,767
Other financial assets	10, 29	14,565	21,488
Deferred tax assets	16	25,494	26,522
Other non-current assets		348	394
Total non-current assets	6	189,751	225,529
Total assets		494,696	600,224
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	17, 29	70,352	89,262
Short-term borrowings	18	18,359	13,357
Income taxes payable		26,814	30,635
Provisions	19	6,536	9,093
Lease liabilities	29	2,918	4,587
Other financial liabilities	29	3,276	4,903
Other current liabilities	23	22,627	22,852
Total current liabilities		150,882	174,689
Non-current liabilities			
Long-term borrowings	18, 29	12,239	20,000
Lease liabilities	29	9,947	12,900
Retirement benefit liabilities	20	22,341	16,812
Deferred tax liabilities	16	3,445	5,773
Other non-current liabilities	29	1,221	1,356
Total non-current liabilities		49,193	56,841
Total liabilities		200,075	231,530
Equity			
Share capital	21	32,363	32,363
Share premium	21	44,995	44,622
Treasury shares	21	(81,547)	(59,099)
Retained earnings	21	279,828	319,171
Other components of equity	21	18,982	31,637
Total equity attributable to owners of the parent		294,621	368,694
Total equity		294,621	368,694
Total liabilities and equity		494,696	600,224

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, 2022	Fiscal year ended March 31, 2023
Net sales	6, 23	416,901	560,191
Cost of sales	12, 13, 20	(180,994)	(241,130)
Gross profit		235,907	319,061
Selling, general and administrative expenses	12, 13, 19, 20, 24, 25	(121,132)	(152,042)
Other income		606	1,003
Other expenses		(647)	(335)
Operating income	6	114,734	167,687
Financial income	26	1,912	4,458
Financial expenses	26	(303)	(875)
Income before income taxes		116,343	171,270
Income taxes	16	(29,042)	(40,870)
Net income		87,301	130,400
Net income attributable to:			
Owners of the parent		87,301	130,400
Earnings per share:	28	Yen	Yen
Basic		449.56	697.41
Diluted		447.26	694.70

Consolidated Statement of Comprehensive Income

Millions of Yen

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net income		87,301	130,400
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, 27	4,509	3,327
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	21, 27	3,296	5,062
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	21, 27	12,180	8,093
Total other comprehensive income (loss)		19,985	16,482
Total comprehensive income for the year		107,286	146,882
Comprehensive income attributable to:			
Owners of the parent		107,286	146,882

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, 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
Net income					130,400		130,400	130,400
Other comprehensive income (loss), net of tax						16,482	16,482	16,482
Total comprehensive income for the year		—	—	—	130,400	16,482	146,882	146,882
Purchase of treasury shares	21		(23)	(50,006)			(50,029)	(50,029)
Disposal of treasury shares	21		(1,835)	4,175	(1,171)		1,169	1,169
Cancellation of treasury shares	21			68,279	(68,279)		—	—
Dividends	22				(25,434)		(25,434)	(25,434)
Share-based payments	25		1,426				1,426	1,426
Other			59				59	59
Transfer from other components of equity to retained earnings	21				3,827	(3,827)	—	—
Total transactions with the owners		—	(373)	22,448	(91,057)	(3,827)	(72,809)	(72,809)
Balance as of March 31, 2023		32,363	44,622	(59,099)	319,171	31,637	368,694	368,694

4) Consolidated Statement of Cash Flows

Millions of Yen

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities:			
Income before income taxes		116,343	171,270
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization		14,968	21,396
Share-based compensation expense		1,782	1,520
Changes in assets and liabilities:			
Trade and other receivables		(19,368)	(15,582)
Inventories		(28,004)	(71,638)
Trade and other payables		9,823	16,484
Warranty provisions		2,437	2,536
Advance receipts		8,937	(2,328)
Retirement benefit liabilities		(10,808)	(2,832)
Other		(2,658)	(10,302)
Subtotal		93,452	110,524
Interests and dividends received		143	459
Interests paid		(220)	(593)
Income taxes paid		(14,486)	(40,166)
Net cash provided by (used in) operating activities		78,889	70,224
Cash flows from investing activities:			
Proceeds from sale of equity instruments		920	—
Purchases of equity instruments		(881)	—
Proceeds from sale of debt instruments		404	—
Proceeds from sale of property, plant and equipment		45	356
Purchases of property, plant and equipment		(17,158)	(22,535)
Purchases of intangible assets		(1,061)	(1,053)
Acquisition of subsidiaries	31	(28,976)	(3,505)
Other		(200)	31
Net cash provided by (used in) investing activities		(46,907)	(26,706)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	18	16,967	(19,968)
Proceeds from long-term borrowings	18	11,501	20,000
Proceeds from disposal of treasury shares		955	1,134
Purchases of treasury shares	21	(70,148)	(50,042)
Dividends paid	22	(25,456)	(25,418)
Payments for lease liabilities	14	(2,555)	(3,140)
Other		—	—
Net cash provided by (used in) financing activities		(68,736)	(77,434)
Net effect of exchange rate changes on cash and cash equivalents		4,172	2,871
Net change in cash and cash equivalents		(32,582)	(31,045)
Cash and cash equivalents at the beginning of year		149,164	116,582
Cash and cash equivalents at the end of year	7	116,582	85,537

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 23, 2023 by Yoshiaki Yoshida, Representative Director, President & Group CEO and Atsushi Fujita, Director, Senior Executive Officer, CFO & CCO 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.

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 18 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 reasonably 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, when 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.

Advantest has adopted International Tax Reform-Pillar Two Model Rules (Amendments to IAS 12) from the current fiscal year. The amendments clarify that IAS 12 applies to income taxes arising from tax laws enacted or substantially enacted to introduce the Pillar 2 GloBE (Global Minimum Corporate Tax) rules of Base Erosion and Profit Shifting (BEPS) by the Organisation for Economic Co-operation and Development (OECD); however, the amendments introduce a mandatory exception in IAS 12 from recognizing and disclosing deferred tax assets and liabilities relate to Pillar Two income taxes.

In Japan, with the FY2023 tax reform, the Income Tax Act corresponding to the Global Minimum Corporate Tax was established, and the Tax Reform Act “Act for Partially Amendment of the Income Tax Act” (Act No. 3 of 2023) was enacted on March 28, 2023. Under the tax reform, the Income Inclusion Rule (IIR), one of the Global Minimum Corporate Tax rules of BEPS, has been introduced. From the fiscal year beginning on April 1, 2024, additional (top-up) taxation will be imposed on the parent company located in Japan up to the 15% minimum tax rate on the tax burden of subsidiaries of the parent company located in Japan.

Applying the exception established by IAS 12, Advantest has not recognized and disclosed deferred tax assets and liabilities with respect to income tax arising from the Global Minimum Corporate Tax.

(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, 2023

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Inventories	95,013	169,082

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, 2023

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Property, plant and equipment, net	51,392	64,046
Right-of-use assets	12,645	17,312
Goodwill and intangible assets, net	85,307	95,767

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, 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.

CGU that has significant goodwill as of March 31, 2023 are Advantest Test Solutions, Inc., Essai, Inc. and R&D Altanova group and the amount of goodwill allocated to these CGUs are ¥8,127 million, ¥13,642 million and ¥22,029 million, respectively. Essai, Inc. and R&D Altanova group also have significant intangible assets of ¥16,979 million and ¥8,473 as of March 31, 2023, respectively.

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 recoverable amounts of Essai, Inc. and R&D Altanova group approximate their carrying amounts as of March 31, 2023 primarily due to the hike of discount rate as interest rate of USD rose.

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, 2023

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Retirement benefit liabilities	22,341	16,812

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, 2023

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets	25,494	26,522

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 the business plan and tax planning.

Key assumption for estimates of taxable income is sales forecast of each business unit as the basis for business plan. 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 due to significant demand volatility in the semiconductor industry. In addition, 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.

Differences in result and forecast of taxable income may have a material impact on the amount of deferred tax assets recognized in the consolidated financial statements in future periods.

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 are no new or revised accounting standards and interpretations issued by the date of approval of the consolidated financial statements which are expected to have a material impact on 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, 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

Fiscal year ended March 31, 2023

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	404,213	59,874	96,104	—	560,191
Inter-segment sales	39	—	—	(39)	—
Total	404,252	59,874	96,104	(39)	560,191
Segment income (loss) (operating income (loss) before share-based compensation expense)	163,186	14,964	7,629	(16,572)	169,207
Adjustment: Share-based compensation expense	—	—	—	—	(1,520)
Operating income	—	—	—	—	167,687
Financial income	—	—	—	—	4,458
Financial expenses	—	—	—	—	(875)
Income before income taxes	—	—	—	—	171,270
(Other profit and loss items)					
Depreciation and amortization	11,284	1,181	7,987	944	21,396

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

(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, 2022	Fiscal year ended March 31, 2023
Japan	16,381	20,522
Americas	20,250	42,882
Europe	11,580	17,328
Asia	368,690	479,459
Total	416,901	560,191

Net sales to unaffiliated customers are based on customer’s location. Net sales indicated as Asia were mainly generated in Taiwan, China and South Korea in the amount of ¥131,822 million, ¥103,275 million and ¥85,809 million for the fiscal year ended March 31, 2022 and ¥153,175 million, ¥149,202 million and ¥109,827 million for the fiscal year ended March 31, 2023, 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, 2022	As of March 31, 2023
Japan	39,160	48,142
Americas	88,085	98,522
Europe	7,555	14,902
Asia	14,892	15,953
Total	149,692	177,519

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 and Italy. Non-current assets in Asia were primarily located in South 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, 2022 and 2023.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents was as follows:

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Cash and short-term deposits with maturities of three months or less	116,582	85,537

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, 2022	As of March 31, 2023
Note Receivables	5,384	6,682
Trade Receivables	72,379	89,795
Other Receivables	4,392	5,675
Less allowance for doubtful accounts	—	—
Total	82,155	102,152

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, 2022	As of March 31, 2023
Finished goods	20,829	27,060
Work in process	27,259	30,883
Raw materials and supplies	46,925	111,139
Total	95,013	169,082

Inventory valuation losses recognized as an expense due to the decline in profitability for the fiscal years ended March 31, 2022 and 2023 were ¥2,728 million and ¥6,344 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets was as follows:

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Financial assets that are measured at fair value through other comprehensive income		
Equity instruments	12,629	19,762
Financial assets measured at amortized cost	1,936	1,726
Total	14,565	21,488
Non-current assets	14,565	21,488
Total	14,565	21,488

11. Assets Held for Sale

The breakdown of assets held for sale was as follows:

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Assets held for sale	188	—

Advantest decided to sell a business location and classified some land and buildings as assets held for sale in the fiscal year ended March 31, 2022. These assets were sold on July 22, 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, 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)	—	—	—	—	(199)
Depreciation	—	(905)	(7,595)	(843)	—	(9,343)
Impairment losses	—	(398)	—	—	—	(398)
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

Fiscal year ended March 31, 2023

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
Balance at beginning of year	11,250	9,467	25,917	2,095	2,663	51,392
Acquisition	432	4,823	14,900	1,501	2,340	23,996
Acquisition through business combinations	—	13	15	24	—	52
Sales and disposals	(70)	(15)	(196)	(6)	—	(287)
Depreciation	—	(1,015)	(11,140)	(941)	—	(13,096)
Exchange differences	174	256	1,406	70	83	1,989
Balance at end of year	11,786	13,529	30,902	2,743	5,086	64,046

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, 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

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
As of March 31, 2023						
Gross carrying amount	12,805	40,844	84,183	10,392	5,086	153,310
Accumulated depreciation and impairment losses	1,019	27,315	53,281	7,649	—	89,264
Carrying amount	11,786	13,529	30,902	2,743	5,086	64,046

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

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.

No significant impairment losses were recorded on property, plant and equipment for the year ended March 31, 2023.

(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, 2022	As of March 31, 2023
Acquisition of Fixed Assets	1,107	740

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, 2022

Millions of Yen

	Goodwill	Software	Intangible assets recognized by business combination (Note 1)	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

Fiscal year ended March 31, 2023

Millions of Yen

	Goodwill	Software	Intangible assets recognized by business combination (Note 1)	Others	Total
Balance at beginning of year	63,187	2,124	19,731	265	85,307
Acquisition	—	1,052	—	—	1,052
Acquisition through business combinations (Note 2)	(4,887)	3	10,912	—	6,028
Sales and disposals	—	(13)	—	(4)	(17)
Amortization	—	(811)	(3,989)	(17)	(4,817)
Exchange differences	4,792	68	3,339	15	8,214
Balance at end of year	63,092	2,423	29,993	259	95,767

(Notes) 1. “Intangible assets recognized by business combination” were mainly customer-related assets and technology-related assets.

2. “Acquisition through business combinations” in the fiscal year ended March 31, 2023 includes reclassification from goodwill to intangible assets due to the completion of the purchase price allocation of R&D Altanova, Inc. See note 31 for the business combination of R&D Altanova, Inc.

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, 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
As of March 31, 2023					
Gross carrying amount	63,092	8,638	42,652	791	115,173
Accumulated amortization and impairment losses	—	6,215	12,659	532	19,406
Carrying amount	63,092	2,423	29,993	259	95,767

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, 2022 were mainly intangible assets of ¥17,549 million, recognized by the business combination of Essai, Inc.

The intangible assets at the end of the fiscal year ended March 31, 2023 were mainly intangible assets of ¥16,979 million and ¥8,473 million, recognized by the business combination of Essai, Inc and R&D Altanova, Inc., respectively.

The remaining amortization period at the end of the fiscal year ended March 31, 2023 was 8 years and 7 to 17 years, respectively.

(2) Impairment Test for Goodwill

Carrying amounts of goodwill allocated to CGU or CGU group were as follows:

Millions of Yen

CGU or CGU group	As of March 31, 2022	As of March 31, 2023
Semiconductor and component test system business		
-Japan	9,659	10,538
Services, support and others		
-Japan	6,624	7,227
-Advantest Test Solutions, Inc.	7,449	8,127
-Essai, Inc.	12,504	13,642
-R&D Altanova, Inc.*	26,951	22,029
-Collaudi Elettronici Automatizzati S.r.l.*	—	1,529

The recoverable amounts of CGU or CGU group are calculated by the values 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.

Pre-tax discount rates used for measuring the value in use for fiscal years ended March 31, 2022 and 2023 were 11.7% - 17.1% and 14.2% - 18.9%, respectively. Since the recoverable amount of CGU or CGU group except for Essai, Inc. and 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 Essai, Inc. and R&D Altanova, Inc. approximates their carrying amount as of March 31, 2023 primarily due to the hike of discount rate as interest rate of USD rose.

* See note 31 for R&D Altanova, Inc. and Collaudi Elettronici Automatizzati S.r.l.

(3) Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for fiscal years ended March 31, 2022 and 2023 were ¥48,367 million and ¥60,094 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 3 years, and certain of the lease agreements are cancelable. Maturity analysis for operating lease fee were as follows:

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

Fiscal year ended March 31, 2023

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	442	50	6	—	—	—	498

(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, 2022	Fiscal year ended March 31, 2023
Depreciation expense of right-of-use assets		
Buildings	2,190	2,663
Others	368	821
Total	2,558	3,484
Interest expense related to lease liabilities	86	200
Expenses related to short-term leases	1	—
Expenses related to leases of low-value assets	21	21

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

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Right-of-use assets		
Buildings	11,849	14,737
Others	796	2,575
Total	12,645	17,312

The increase in right-of-use assets were ¥2,786 million and ¥7,542 million for the fiscal years ended March 31, 2022 and 2023, 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 ¥2,577 million and ¥3,161 million for the fiscal years ended March 31, 2022 and 2023, respectively.

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

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

Fiscal year ended March 31, 2023

Millions of Yen

	As of April 1, 2022	Changes arising from cash flows	Non-cash changes		As of March 31, 2023
			Increase of right-of-use assets	Others	
Lease liabilities	12,865	(3,140)	7,542	220	17,487

Maturity analyses for lease liabilities as of March 31, 2023 is disclosed in note 29.

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, 2022	As of March 31, 2023
Deferred tax assets		
Inventories	3,328	4,654
Warranty provisions	1,197	2,360
Retirement benefit liabilities	5,749	4,445
Accrued expenses	4,528	4,821
Research and development expenses capitalized for tax purposes	2,528	2,718
Operating loss carryforwards	453	319
Property, plant and equipment and Intangible assets	9,781	11,072
Tax credits	260	223
Lease liabilities	3,231	4,781
Others	2,060	2,355
Total deferred tax assets	33,115	37,748
Deferred tax liabilities		
Net change in fair values of financial assets	–	(2,218)
Undistributed earnings of foreign subsidiaries	(2,863)	(3,083)
Right-of-use assets	(3,181)	(4,735)
Property, plant and equipment and Intangible assets	(4,932)	(6,657)
Others	(90)	(306)
Total deferred tax liabilities	(11,066)	(16,999)
Net deferred tax assets	22,049	20,749

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, 2022	As of March 31, 2023
Deferred tax assets	25,494	26,522
Deferred tax liabilities	3,445	5,773

Changes in net deferred tax assets were as follows:

Millions of Yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net deferred tax assets		
Balance at beginning of year	20,769	22,049
Recognized in profit or loss	2,249	4,623
Recognized in other comprehensive income	(956)	(3,103)
Acquisition through business combinations	(104)	(2,613)
Others	91	(207)
Balance at end of year	22,049	20,749

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, 2022	As of March 31, 2023
Deductible temporary differences	61,158	53,190
Operating loss carryforwards	194	232
Tax credits	499	668

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, 2022	As of March 31, 2023
Operating loss carryforwards		
Not later than 1 year	—	—
Later than 1 year and not later than 5 years	—	—
Later than 5 years	194	232
Total	194	232
Tax credits		
Not later than 1 year	—	—
Later than 1 year and not later than 5 years	3	23
Later than 5 years	496	645
Total	499	668

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 and 2023 were ¥21,235 million and ¥34,057 million, respectively.

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, 2022	Fiscal year ended March 31, 2023
Income tax expense		
Current income tax expense	31,291	45,493
Deferred income tax expense		
Origination and reversal of temporary differences	(3,288)	(4,718)
Changes in unrecognized deferred tax assets	1,057	95
Adjustments to deferred tax assets and liabilities due to changes in tax rate	(18)	—
Total	29,042	40,870

Current and deferred income tax expense include tax benefit from operating loss carryforwards, tax credits, or temporary differences in past periods, which were not recognized as deferred tax assets. The tax benefits for the fiscal year ended March 31, 2022 and 2023 were not material, respectively.

(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, 2022	Fiscal year ended March 31, 2023
Applicable tax rate	30.5%	30.5%
Differences in statutory tax rate of foreign subsidiaries	(1.6)	(1.3)
Tax credits	(5.9)	(5.8)
Non-deductible expenses	0.7	0.3
Undistributed earnings of foreign subsidiaries	0.7	0.8
Changes in unrecognized deferred tax assets	0.9	0.1
Effect of tax rate changes	0.0	—
Others	(0.3)	(0.7)
Effective tax rate	25.0%	23.9%

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, 2022 and 2023 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, 2022	As of March 31, 2023
Accounts payable	45,546	59,179
Accrued expenses	20,786	23,077
Other payables	4,020	7,006
Total	70,352	89,262

18. Borrowings

(1) Breakdown of Borrowings

The breakdown of borrowings was as follows:

Millions of Yen

	As of March 31, 2022	As of March 31, 2023	Average interest rate (%)	Repayment Due (Year)
Short-term borrowings	18,359	—	—	—
Current portion of long-term borrowings	—	13,357	5.46%	2024
Long-term borrowings (excluding current portion)	12,239	20,000	0.22%	2026
Total	30,598	33,357		
Current liabilities	18,359	13,357		
Non-current liabilities	12,239	20,000		
Total	30,598	33,357		

(Notes) 1. Borrowings are classified as financial liabilities measured at amortized cost.
2. The average interest rates and the repayment due are as of the end of the current fiscal year.
3. With regard to the borrowings 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

Fiscal year ended March 31, 2023

Millions of Yen

	Short-term borrowings	Long-term borrowings (Note)	Total
Balance at beginning of year	18,359	12,239	30,598
Changes from financing cash flows	(19,968)	20,000	32
Changes from non-cash activities			
Exchanges differences	1,609	1,118	2,727
Balance at end of year	—	33,357	33,357

(Note) These include amount of current portion of long-term borrowings.

(3) Committed Line of Credit

The agreement for committed line of credit and the unused balance were as follows:

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Total amount of committed line of credit	―	30,000
Balance of borrowings	―	―
Unused committed line of credit	―	30,000

19. Provisions

The change in warranty provisions for the year ended March 31, 2023 was summarized as follows:

Millions of Yen

	Warranty Provisions
Balance at beginning of year	6,536
Increase during the year	14,343
Decrease due to intended use	(11,808)
Reversal during the year	―
Exchange differences	22
Balance at end of year	9,093
Current liabilities	9,093

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 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 damages 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.

(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, 2022	Fiscal year ended March 31, 2023
Defined benefit obligations:		
Balance at the beginning of year	49,362	48,528
Service cost	1,244	1,164
Interest cost	315	373
Remeasurements:		
Actuarial (gain) or loss - Changes in demographic assumptions	44	137
Actuarial (gain) or loss - Changes in financial assumptions	(851)	(2,389)
Benefits paid	(1,586)	(1,485)
Balance at the end of year	48,528	46,328
Plan assets:		
Balance at the beginning of year	33,664	36,650
Interest income	215	282
Remeasurements:		
Actual return on plan assets, excluding interest income	1,085	(1,116)
Employer contributions	2,720	2,398
Benefits paid	(1,034)	(1,083)
Balance at the end of year	36,650	37,131
Net liability amount recognized in the consolidated statement of financial position	11,878	9,197

Non-Japanese Plans

Millions of Yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Defined benefit obligations:		
Balance at the beginning of year	30,965	28,995
Service cost	1,265	1,447
Interest cost	326	607
Remeasurements:		
Actuarial (gain) or loss - Changes in demographic assumptions	(295)	(336)
Actuarial (gain) or loss - Changes in financial assumptions	(4,157)	(4,205)
Benefits paid	(1,187)	(854)
Exchange differences	1,534	1,647
Others	544	665
Balance at the end of year	28,995	27,966
Plan assets:		
Balance at the beginning of year	9,772	18,532
Interest income	44	73
Remeasurements:		
Actual return on plan assets, excluding interest income	(698)	(1,196)
Employer contributions	8,176	1,382
Plan participants' contributions	593	628
Benefits paid	(274)	(181)
Exchange differences	919	1,113
Balance at the end of year	18,532	20,351
Net liability amount recognized in the consolidated statement of financial position	10,463	7,615

(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, 2022			As of March 31, 2023		
	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	1,302	―	1,302	5,349	―	5,349
Equity securities:						
Pooled funds	―	10,762	10,762	―	8,486	8,486
Debt securities:						
Pooled funds	―	5,755	5,755	―	4,553	4,553
Hedge funds	―	11,239	11,239	―	9,864	9,864
Life insurance company general accounts and separate accounts	―	7,592	7,592	―	8,879	8,879
Total	1,302	35,348	36,650	5,349	31,782	37,131

Non-Japanese Plans

Millions of Yen

	As of March 31, 2022			As of March 31, 2023		
	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	1,936	―	1,936	2,191	―	2,191
Equity securities:						
Pooled funds	3,407	485	3,892	4,218	554	4,772
Debt securities:						
Pooled funds	10,169	69	10,238	9,753	69	9,822
Others	371	2,095	2,466	277	3,289	3,566
Total	15,883	2,649	18,532	16,439	3,912	20,351

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 ¥2,822 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, 2022	As of March 31, 2023
Discount rate (%)	0.8	1.2
Rate of compensation increase (%)	2.3	2.3

Non-Japanese Plans

	As of March 31, 2022	As of March 31, 2023
Discount rate (%)	2.0	3.5
Rate of compensation increase (%)	2.7	3.1

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, 2022	As of March 31, 2023
Discount rate	0.5% increase	(2,836)	(2,532)
	0.5% decrease	3,112	2,770

Non-Japanese Plans

Millions of Yen

	Changes in actuarial assumptions	As of March 31, 2022	As of March 31, 2023
Discount rate	0.5% increase	(1,785)	(1,312)
	0.5% decrease	2,047	1,480

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

Japanese Plans

	As of March 31, 2022	As of March 31, 2023
Weighted average duration (Years)	12	11

Non-Japanese Plans

	As of March 31, 2022	As of March 31, 2023
Weighted average duration (Years)	19	15

(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, 2022 and 2023 were ¥87,159 million and ¥105,991 million, respectively.

21. Equity and Other Equity Items

(1) Share Capital

1) Authorized Shares

The number of authorized shares as of March 31, 2022 and 2023 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, 2021	199,566,770
Increase (decrease)	(24,505)
As of March 31, 2022	199,542,265
Increase (decrease)	(8,000,000)
As of March 31, 2023	191,542,265

(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, 2022	9,634,859
As of March 31, 2023	7,328,226

(Notes) 1. The Company’s share (425,495 shares as of March 31, 2022, 162,183 shares as of March 31, 2023), 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, 2022, resulted in an increase of treasury shares by 6,327,200 for the fiscal year ended March 31, 2023.

3. The cancellation of treasury shares from the resolution of the Board of Directors’ meeting held on July 28, 2022, resulted in a decrease of treasury shares by 8,000,000 for the fiscal year ended March 31, 2023.

(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, 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
Increase (decrease)	3,327	8,093	5,062	16,482
Transfer to retained earnings	(3,327)	—	(500)	(3,827)
As of March 31, 2023	—	24,353	7,284	31,637

(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, 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.

Fiscal year ended March 31, 2023

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
Board of Directors' meeting held on October 27, 2022	Common shares	12,151	65	September 30, 2022	December 1, 2022

(Notes) 1. Dividend of ¥29 million to the Company Shares for the BIP Trust and the ESOP Trust is included in the amount of dividend which was resolved at the Board of Directors' meeting held on May 20, 2022.

2. Dividend of ¥10 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 27, 2022.

(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 19, 2023	Common shares	12,906	70	March 31, 2023	June 5, 2023

(Note) Dividend of ¥11 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, 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

Fiscal year ended March 31, 2023

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	12,662	2,931	4,968	(39)	20,522
Americas	17,167	7,423	18,292	—	42,882
Europe	11,098	2,309	3,921	—	17,328
Asia	363,325	47,211	68,923	—	479,459
Total	404,252	59,874	96,104	(39)	560,191

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

Fiscal year ended March 31, 2022

Millions of Yen

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

Fiscal year ended March 31, 2023

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	325,424	78,828	404,252

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, 2021	As of March 31, 2022	As of March 31, 2023
Receivables from contracts with customers			
- Notes and trade accounts receivables	53,995	77,763	96,477
Contract liabilities			
- Advance receipts	11,392	21,387	19,782

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 receipts.

Advance receipts are included in “Other current liabilities” in the consolidated statement of financial position. The increase in contract liabilities for the fiscal year ended March 31, 2022 is mainly a result of revenue growth during that fiscal year.

Advantest recognized ¥9,608 million and ¥18,276 million from the balance of contract liabilities as of April 1, 2021 and 2022 as revenue in the fiscal years ended March 31, 2022 and 2023, 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, 2022 and 2023 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, 2022	Fiscal year ended March 31, 2023
Employee benefit expenses	71,842	85,916
Depreciation and amortization	11,255	14,035
Others	38,035	52,091
Total	121,132	152,042

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 3 years.

The exercisable stock option plans were as follows:

No.	Number of shares to be issued/delivered	Grant date	Exercise Period	Settlement Method	Vesting Conditions
30	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.
31	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.
32	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.
33	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, 2022		Fiscal year ended March 31, 2023	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	1,038,000	3,585	681,000	4,062
Granted	—	—	—	—
Exercised	(357,000)	2,676	(323,000)	3,512
Expired	—	—	—	—
Forfeited	—	—	—	—
Outstanding at end of year	681,000	4,062	358,000	4,558
Exercisable at end of year	489,000	2,912	358,000	4,558

Weighted-average share prices as of exercise date were ¥10,016 and ¥10,293 for stock option plans exercised during fiscal years ended March 31, 2022 and 2023, respectively.

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

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	—	—

As of March 31, 2023

Exercise Price	Outstanding		Exercisable	
	Number of shares	Weighted average remaining contractual life (Years)	Number of shares	Weighted average remaining contractual life (Years)
2,540	30,000	0.4	30,000	0.4
3,090	189,000	1.3	189,000	1.3
6,990	139,000	2.3	139,000	2.3

Share-based compensation expenses were ¥241 million and ¥63 million for fiscal years ended March 31, 2022 and 2023, 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 the shares are delivered 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 multiplying 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 the shares are delivered as remuneration.

2) Number of Estimated Granted Points and Fair Value

The fair value of the Plan 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 values of the PSU granted in the fiscal year ended March 31, 2022 and 2023 were ¥9,460 and ¥6,935, respectively. 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 and PSU were ¥1,217 million and ¥747 million for the fiscal years ended March 31, 2022 and 2023, respectively.

4) Basic Points Activity

Basic points activity was as follows:

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Number of basic points	Weighted average exercise price (Yen)	Number of basic points	Weighted average exercise price (Yen)
Outstanding at beginning of year	512,580	3,811	419,881	5,774
Granted	103,320	9,460	5,082	6,935
Exercised	(191,706)	2,543	(197,823)	4,158
Expired	—	—	—	—
Forfeited	(4,313)	4,352	(7,095)	8,288
Outstanding at end of year	419,881	5,774	220,045	7,174
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 officers 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 the shares are delivered 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 and 2023 were as follows;

Fiscal year ended March 31, 2022

	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

Fiscal year ended March 31, 2023

	RS		RSU	
	Directors, Executive Officers	Executive Employees	Directors, Executive Officers	Executive Employees
Date of the allotment	July 22, 2022	July 22, 2022	July 7, 2022	January 20, 2023
Allotted shares/points	23,405	30,730	40,144	187,037
Fair value	7,540	7,540	7,035	8,920

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 were ¥324 million and ¥605 million for the fiscal year ended March 31, 2022 and 2023, respectively.

4) Basic Points Activity

Basic points activity was as follows:

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Number of basic points	Weighted average exercise price (Yen)	Number of basic points	Weighted average exercise price (Yen)
Outstanding at beginning of year	—	—	92,891	9,339
Granted	93,091	9,340	281,316	8,385
Exercised	(16)	10,030	(2,948)	9,166
Expired	—	—	—	—
Forfeited	(184)	10,030	(2,562)	8,764
Outstanding at end of year	92,891	9,339	368,697	8,617
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, 2022	Fiscal year ended March 31, 2023
Interest income		
Financial assets measured at amortized cost	138	434
Dividend income		
Financial assets measured at fair value through other comprehensive income	1	31
Foreign exchange gain	1,710	3,980
Gain on investments in securities		
Financial assets measured at fair value through profit or loss	37	—
Others	26	13
Total	1,912	4,458

(2) Financial Expenses

The breakdown of financial expenses was as follows:

Millions of Yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Interest expense		
Financial liabilities measured at amortized cost	279	696
Financial liabilities measured at fair value through profit or loss	—	5
Changes in fair value of the contingent consideration	24	158
Others	—	16
Total	303	875

27. 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, 2022			Fiscal year ended March 31, 2023		
	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	5,574	(1,065)	4,509	4,197	(870)	3,327
Net change during the year	5,574	(1,065)	4,509	4,197	(870)	3,327
Net change in fair value measurements of equity instruments at fair value through other comprehensive income						
Gains (losses) during the year	3,187	109	3,296	7,447	(2,385)	5,062
Net change during the year	3,187	109	3,296	7,447	(2,385)	5,062
Exchange differences on translation of foreign operations						
Gains (losses) during the year	12,180	—	12,180	8,093	—	8,093
Reclassification adjustments to Net income	—	—	—	—	—	—
Net change during the year	12,180	—	12,180	8,093	—	8,093
Total other comprehensive income	20,941	(956)	19,985	19,737	(3,255)	16,482

28. 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, 2022	Fiscal year ended March 31, 2023
Net income attributable to owners of the parent (Millions of Yen)	87,301	130,400
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	87,301	130,400
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	87,301	130,400
Weighted average number of common shares-basic	194,193,275	186,978,031
Dilutive effect of stock options	548,325	338,857
Dilutive effect of performance-based stock remuneration	422,937	287,614
Dilutive effect of restricted stock compensation	25,143	102,880
Weighted average number of common shares-diluted	195,189,680	187,707,382
Basic earnings per share (Yen)	449.56	697.41
Diluted earnings per share (Yen)	447.26	694.70
Financial instruments not included in the calculation of diluted earnings per share because they have anti-dilutive effect	—	—

29. 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, 2022	As of March 31, 2023
Interest-bearing debt (Note 1)	30,598	33,357
Cash and cash equivalents	(116,582)	(85,537)
Net interest-bearing debt (Note 2)	(85,984)	(52,180)
Capital (equity attributable to owners of the parent company)	294,621	368,694

(Notes) 1. Interest-bearing debt is borrowings.
2. The figure represents the net amount of cash and cash equivalents after deducting interest-bearing debt.

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, 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

Aging of Trade and other receivables that are past due but not impaired as of March 31, 2023 was as follows:

Millions of Yen

	As of March 31, 2023				
	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	5,643	89,494	―	―	95,137
Within 90 days	17	6,673	―	―	6,690
Over 90 days, within 180 days	15	237	―	―	252
Over 180 days	―	73	―	―	73
Total	5,675	96,477	―	―	102,152

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, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of year	11	–
Increase during the year	–	–
Decrease due to intended use	–	–
Reversal during the year	(11)	–
Exchange differences	–	–
Balance at the end of year	–	–
Current	–	–
Non-current	–	–
Total	–	–

The amount of allowance for doubtful accounts of the financial assets for which credit losses were occurred as of March 31, 2022 and 2023 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, 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	—	—	—	—	—

As of March 31, 2023

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	89,262	89,262	89,262	—	—	—	—	—
Borrowings	33,357	34,225	14,138	44	20,043	—	—	—
Lease liabilities	17,487	18,536	4,803	4,511	3,922	2,641	2,633	26
Other financial liabilities	4,903	4,903	4,903	—	—	—	—	—
Total	145,009	146,926	113,106	4,555	23,965	2,641	2,633	26
Derivativea financial liabilities								
Cross-currency rate swap	432	432	—	—	432	—	—	—
Total	432	432	—	—	432	—	—	—

(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 and cross-currency rate swap.

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 and cross-currency rate swap are presented below.

Millions of Yen

	Fiscal year ended March 31, 2022				Fiscal year ended March 31, 2023			
	Contract amount	Over one year	Carrying amount		Contract amount	Over one year	Carrying amount	
			Assets	Liabilities			Assets	Liabilities
Foreign exchange forward contracts								
Selling								
USD	1,184	—	—	33	668	—	0	—
Cross-currency rate swap	—	—	—	—	19,613	19,613	—	432

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, 2022	Fiscal year ended March 31, 2023
Impact on income before income taxes	U.S. Dollar	(443)	(191)
	Euro	(13)	(20)

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, 2022	Fiscal year ended March 31, 2023
Impact on income before income taxes	(12)	(14)

(6) Carrying Amount and Fair Value of Financial Instruments

(Borrowings)

Short-term borrowings are settled on a short-term basis, and their fair value approximates their carrying amount. The fair value of long-term borrowings with floating rates is assumed to be quite similar to the carrying amount, 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. The fair value of long-term borrowings with fixed rates is calculated by the total sum of the principal and interest discounted by using the interest rates that would be applied if similar new borrowings were conducted.

(Other non-current liabilities)

The fair value of other non-current liabilities is calculated based on the present value discounted by interest rate of low-risk financial assets.

(Others)

Financial instruments other than above are settled mainly on a short-term basis, and their fair value approximates their carrying amount.

(7) Fair Value Hierarchy of Financial Instruments

Financial instruments 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, 2022 and 2023.

1) The financial assets and financial liabilities measured at amortized cost were classified by hierarchy as follows. The table does not include financial instruments whose fair values approximate their carrying amounts or are immaterial:

As of March 31, 2023

Millions of Yen

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Long-term borrowings	20,000	―	20,000	―	20,000
Other non-current liabilities	564	―	524	―	524
Total financial liabilities	20,564	―	20,524	―	20,524

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

As of March 31, 2022

Millions of Yen

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

As of March 31, 2023

Millions of Yen

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through other comprehensive income				
Derivatives	—	0	—	0
Equity instruments (Note 1)	18,896	—	866	19,762
Total financial assets	18,896	0	866	19,762
Financial liabilities that are measured at fair value through profit or loss				
Derivatives	—	432	—	432
Total financial liabilities	—	432	—	432

(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, 2022	Fiscal year ended March 31, 2023
PDF Solutions, Inc.	11,280	18,723
Nepes Ark Corporation	267	173
Other	1,082	866
Total	12,629	19,762

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

Millions of Yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at beginning of year	1,123	1,082
Gains or losses		
Other comprehensive income (Note)	(601)	910
Purchase	881	—
Sales	(362)	(1,138)
Other	41	12
Balance at end of year	1,082	866

(Notes) Gains or losses recognized in other comprehensive income are presented in net change in fair value measurements of equity instruments at FVTOCI of the consolidated statement of comprehensive income.

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

Millions of Yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at beginning of year	2,642	259
Changes in fair value (Note)	24	158
Settlements	(2,515)	(452)
Other	108	35
Balance at end of year	259	—

(Note) If applicable, 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, 2022 and 2023.

2) Derivatives Not Subject to Hedge Accounting

Details of derivatives are presented below.

Millions of Yen

	Fiscal year ended March 31, 2022			Fiscal year ended March 31, 2023		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contracts	1,184	―	(33)	668	―	0
Cross-currency rate swap	―	―	―	19,613	―	(432)

30. Related Party Disclosures

Management personnel compensation was as follows:

Millions of Yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Fixed-compensation	298	369
Performance-based bonus	239	237
Share-based compensation expense	367	349
Total	904	955

31. Business Combinations

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.

(6) Fair Value of Assets Acquired, Liabilities Assumed and Consideration Paid as of the Acquisition Date

The fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were provisional as of March 31, 2022, but they were revised because the purchase price allocation was completed during the first quarter of the fiscal year ended March 31, 2023.

Millions of Yen

	Provisional fair value	Revision	Revised fair value
Assets acquired			
Cash and cash equivalents	1,407	—	1,407
Trade and other receivables	1,847	—	1,847
Inventories	930	—	930
Other current assets	262	—	262
Property, plant and equipment, net	1,325	—	1,325
Right-of-use-assets	643	—	643
Intangible assets, net	366	8,145	8,511
Other non-current assets	127	—	127
Total assets	6,907	8,145	15,052
Liabilities assumed			
Trade and other payables	635	—	635
Other current liabilities	644	—	644
Long-term borrowings	4,472	—	4,472
Lease liabilities	526	—	526
Deferred tax liabilities	223	1,809	2,032
Other non-current liabilities	168	—	168
Total liabilities	6,668	1,809	8,477
Goodwill	25,282	(6,336)	18,946
Total	25,521	—	25,521
Fair value of consideration paid			
Cash and cash equivalents	25,521	—	25,521

(Notes) 1. Other non-current assets include deferred tax assets and others. Other current liabilities include income taxes payable and others. Other non-current liabilities include retirement benefit liabilities and others.

2. The total contract amount of trade and other receivables is the same as the fair value, and there are no items that are expected to be uncollectible.

Goodwill generated from this business combination was attributable to the Services, Support and Others segment and was not deductible for tax purposes. Goodwill primarily represented a synergy effect with existing businesses and the excess earning power expected from the acquisition.

(7) Acquisition of subsidiary

Millions of Yen

	Amount
Consideration paid	25,521
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

(8) Impact on the Business Performance

Disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the fiscal year ended March 31, 2022 (unaudited information), was omitted because of its immateriality for the consolidated statement of profit or loss.

Fiscal year ended March 31, 2023

(Business combination through acquisition)

(1) Overview of Acquired Business

Name of Company: Collaudi Elettronici Automatizzati S.r.l.

Business Description of acquired company:

development and production of test equipment for power semiconductors

Voting rights ratio after acquisition of shares: 100%

(2) Overview of Business Combination

Advantest Europe GmbH, the Company's European subsidiary, acquired all outstanding shares of Italy-based company, Collaudi Elettronici Automatizzati S.r.l. ("CREA") on August 10, 2022, and CREA became a wholly owned subsidiary of Advantest Europe GmbH.

CREA is a major supplier of power semiconductor test equipment. Its products are used to test all kinds of power devices, and are utilized by global semiconductor companies around the world. CREA has many years of extensive experience in the development and production of test equipment for power semiconductors, including the latest SiC /GaN semiconductors. This acquisition will enable Advantest to provide broader test and measurement solutions to a wider range of customers in high-growth sectors.

(3) Acquisition Date

August 10, 2022

(4) Legal Form of Business Combination

Acquisition of shares

(5) Acquisition-related Expense

Acquisition-related expense of ¥232 million is included in Selling, general and administrative expenses in the consolidated statement of profit or loss for the year ended March 31, 2023.

(6) Fair Value of Assets Acquired, Liabilities Assumed and Consideration Paid as of the Acquisition Date

The fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were provisional as of December 31, 2022, but they were revised because the purchase price allocation was completed during the fourth quarter of the fiscal year ended March 31, 2023.

Millions of Yen

	Provisional fair value	Revision	Revised fair value
Current assets	1,476	—	1,476
Non-current assets	424	2,398	2,822
Total assets	1,900	2,398	4,298
Current Liabilities	737	—	737
Non-current liabilities	142	701	843
Total liabilities	879	701	1,580
Goodwill	3,165	(1,716)	1,449
Total	4,186	(19)	4,167
Fair value of consideration paid			
Cash and cash equivalents	3,634	—	3,634
Accounts payable	552	(19)	533
Total	4,186	(19)	4,167

Goodwill generated from this business combination was attributable to the Semiconductor and Component Test System Business segment and was not deductible for tax purposes. Goodwill primarily represented a synergy effect with existing businesses and the excess earning power expected from the acquisition.

(7) Acquisition of subsidiary

Millions of Yen

	Amount
Consideration paid	3,634
Cash and cash equivalents of the acquired subsidiary	(129)
Acquisition of subsidiary	3,505

(8) Impact on the Business Performance

Disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the fiscal year ended March 31, 2023 (unaudited information), was omitted because of its immateriality for the consolidated statement of profit or loss.

32. Subsequent Event

The Company has resolved at the Board of Directors' Meeting held on May 19, 2023 to implement a share split and partially amend the Company's Articles of Incorporation due to the share split.

(1) Share split

1) Purpose of the share split

The purpose is to expand the investor base by reducing the Company's share price per investment unit, creating a more investment-friendly environment.

2) Method of the share split

Each share of common share owned by shareholders listed or recorded in the closing register of shareholders on the record date of September 30, 2023 will be split into four shares per share.

3) Number of shares to be increased by the share split

a. Total number of issued shares before share split	191,542,265 shares
b. Number of shares to be increased by the share split	574,626,795 shares
c. Total number of issued shares following the share split	766,169,060 shares
d. Total number of authorized shares following the share split	1,760,000,000 shares

4) Schedule of the share split

Public notice of record date:	Friday, September 15, 2023
Record date:	Saturday, September 30, 2023
Effective date:	Sunday, October 1, 2023

5) Impact on per share information

Per share information assuming that the share split was performed at the beginning of the fiscal year ended March 31, 2022 is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity attributable to owners of the parent(Yen)	387.93	500.61
Basic earnings per share (Yen)	112.39	174.35
Diluted earnings per share (Yen)	111.82	173.68

(2) Partial amendment to the Articles of Incorporation in connection with the share split

1) Purposes of the amendment

In connection with the share split, an associated article of the Articles of Incorporation will be amended effective October 1, 2023, in accordance with Article 184, Paragraph 2 of the Companies Act.

2) Details of the amendment

Details of the amendment are as follows:

Current Articles of Incorporation	Proposed amendment
(Total number of issuable shares) Article 5. The total number of the Company's issuable shares shall be four hundred and forty million (440,000,000) shares.	(Total number of issuable shares) Article 5. The total number of the Company's issuable shares shall be one billion seven hundred and sixty million (1,760,000,000) shares.

3) Schedule of the amendment

Date of resolution of Board of Directors' Meeting:	Friday, May 19, 2023
Effective date:	Sunday, October 1, 2023

3. Other information

1) Changes in the amount of stated capital

There will be no change in the amount of stated capital as a result of the share split.

2) Dividends

As the share split takes effect on October 1, 2023, the year-end dividend for the fiscal year ended March 31, 2023 with a record date of March 31,2023, and the interim dividend for the fiscal year ending March 31, 2024 with a record date of September 30, 2023 will be paid based on the total number of issued shares before the share split.

3) Adjustment of exercise price for stock acquisition rights

Following the above share split, the per-share exercise price for the stock acquisition rights issued by the Company will be adjusted as follows, effective October 1, 2023.

Yen

Stock acquisition rights	Exercise price before adjustment	Exercise price after adjustment
Resolution at the Board of Directors' Meeting held on June 26, 2019	3,090	773
Resolution at the Board of Directors' Meeting held on June 25, 2020	6,990	1,748

2. Other

Quarterly information for the fiscal year ended March 31, 2023.

(Cumulative Periods)	Three months ended June 30, 2022	Six months ended September 30, 2022	Nine months ended December 31, 2022	Fiscal year ended March 31, 2023
Net sales (Millions of Yen)	135,943	274,806	412,799	560,191
Income before income taxes (Millions of Yen)	48,416	95,247	132,858	171,270
Net income attributable to owners of the parent (Millions of Yen)	36,496	71,161	99,806	130,400
Basic earnings per share (Yen)	192.14	375.50	530.99	697.41

(Accounting Periods)	Three months ended June 30, 2022	Three months ended September 30, 2022	Three months ended December 31, 2022	Three months ended March 31, 2023
Basic earnings per share (Yen)	192.14	183.34	154.93	166.30

2. Non-Consolidated Financial Statements

(1) Financial Statements

1) Non-Consolidated Balance Sheet

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	80,993	53,569
Trade notes receivable	10	2
Electronically recorded monetary claims	3,895	2,304
Accounts receivable	*1 84,266	*1 106,650
Merchandises and finished goods	15,904	21,379
Work in progress	23,078	27,142
Raw materials and supplies	32,260	86,133
Other current assets	*1 10,029	*1 15,646
Total current assets	250,435	312,825
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,256	5,178
Land	8,181	8,089
Other property, plant and equipment	7,519	8,393
Total property, plant and equipment	18,956	21,660
Intangible fixed assets		
Patent right	453	61
Other intangible fixed assets	1,050	1,122
Total intangible fixed assets	1,503	1,183
Investments and other assets		
Investment securities	307	332
Investment in affiliated companies	108,928	149,731
Long-term loans receivable	*1 60,152	*1 28,643
Deferred tax assets	18,277	18,090
Other non-current assets	1,251	1,396
Total investments and other assets	188,915	198,192
Total non-current assets	209,374	221,035
Total assets	459,809	533,860

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Trade accounts payable	*1 40,721	*1 58,903
Short-term borrowings	18,359	—
Current portion of long-term borrowings	—	13,353
Other accounts payable	*1 11,859	*1 15,608
Accrued expenses	*1 6,397	*1 7,191
Income taxes payable	21,710	22,816
Advance receipts	8,548	7,803
Deposits received	*1 56,256	*1 60,087
Accrued warranty expenses	6,275	8,877
Bonus accrual for directors	236	171
Provision for share-based remuneration	798	1,097
Other current liabilities	2,641	2,612
Total current liabilities	173,800	198,518
Non-current liabilities		
Long-term borrowings	12,239	20,000
Provision for retirement benefits	9,465	7,705
Asset retirement obligations	40	40
Provision for share-based remuneration	654	1,131
Other non-current liabilities	693	477
Total non-current liabilities	23,091	29,353
Total liabilities	196,891	227,871
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	—
General reserve	146,880	—
Retained earnings carried forward	101,420	296,201
Total retained earnings	278,445	299,284
Treasury shares	(81,547)	(59,099)
Total shareholders’ equity	262,234	305,521
Valuation and translation adjustments		
Valuation difference on available for-sale securities	—	18
Total valuation and translation adjustments	—	18
Stock acquisition rights	684	450
Total net assets	262,918	305,989
Total liabilities and net assets	459,809	533,860

2) Non-Consolidated Statement of Operations

Millions of yen

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Net sales	*2 355,575	*2 482,576
cost of sales	*2 161,528	*2 216,685
Gross profit	194,047	265,891
Selling, general and administrative expenses	*1, *2 105,124	*1, *2 131,808
Operating income	88,923	134,083
Non-operating income		
Interest and dividends income	*2 4,549	*2 15,762
Foreign exchange gain	1,375	3,166
Others	*2 337	*2 538
Total non-operating income	6,261	19,466
Non-operating expenses		
Interest expenses	*2 224	*2 2,669
Rental expenses on facilities	270	284
Loss on disposal of non-current assets	200	15
Loss on valuation of investment securities	605	—
Others	*2 218	*2 213
Total non-operating expenses	1,517	3,181
Ordinary income	93,667	150,368
Extraordinary loss		
Impairment loss	398	—
Total extraordinary loss	398	—
Income before income taxes	93,269	150,368
Income taxes-current	24,106	34,354
Income taxes-deferred	(1,651)	180
Total income taxes	22,455	34,534
Net income	70,814	115,834

3) Statement of Changes in Net Assets

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

Fiscal year ended March 31, 2023

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	101,420
Changes in the year						
Dividends from retained earnings						(25,474)
Net income						115,834
Reversal of reserve for losses in foreign investments				(27,062)		27,062
Reversal of general reserve					(146,880)	146,880
Purchase of treasury shares						
Disposal of treasury shares						(1,242)
Cancellation of treasury shares						(68,279)
Changes of items other than shareholders' equity, net						
Total changes in the year	—	—	—	(27,062)	(146,880)	194,781
Balance at end of year	32,363	32,973	3,083	—	—	296,201

	Shareholders' equity		Valuation and translation adjustments	Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available for-sale securities		
Balance at beginning of year	(81,547)	262,234	—	684	262,918
Changes in the year					
Dividends from retained earnings		(25,474)			(25,474)
Net income		115,834			115,834
Reversal of reserve for losses in foreign investments		—			—
Reversal of general reserve		—			—
Purchase of treasury shares	(50,006)	(50,006)			(50,006)
Disposal of treasury shares	4,175	2,933			2,933
Cancellation of treasury shares	68,279	—			—
Changes of items other than shareholders' equity, net			18	(234)	(216)
Total changes in the year	22,448	43,287	18	(234)	43,071
Balance at end of year	(59,099)	305,521	18	450	305,989

【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, 2023 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, 2023 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.

(Significant Accounting Estimates)

1. Valuation of Inventories

(1) Amount recognized in the non-consolidated financial statements as of March 31, 2023

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Merchandises and finished goods	15,904	21,379
Work in progress	23,078	27,142
Raw materials and supplies	32,260	86,133

(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, 2023

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Property, plant and equipment	18,956	21,660
Intangible fixed assets	1,503	1,183

(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, 2023.

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Provision for retirement benefits	9,465	7,705

(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, 2023

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets	18,277	18,090

(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, 2023

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Investment in affiliated company (Advantest America, Inc. shares)	12,723	53,526

(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, 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 revised Accounting Standard Board of Japan (ASBJ) Guidance No. 31 Implementation Guidance on Accounting Standard for Fair Value Measurement (revised June 17, 2021) from the current fiscal year. There is no impact of this application on the non-consolidated financial statements.

(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 ¥1,966 million, 425,495 shares, and ¥856 million, 162,183 shares for the fiscal years ended March 31, 2022 and 2023, respectively.

(Balance Sheet)

*1 Monetary claims from affiliated companies and monetary debt to them were as follows

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Short-term monetary receivables from affiliated companies	63,025	81,855
Long-term monetary receivables from affiliated companies	60,143	28,612
Short-term monetary payables to affiliated companies	70,228	82,660

2 The Company has an agreement for committed line of credit with a financial institution in order to ensure efficient procurement of funding for business activities. The unused balance of borrowings at the fiscal year ended March 31, 2023 based on this agreement was as follows.

Millions of Yen

	As of March 31, 2022	As of March 31, 2023
Total amount of loan limit	—	30,000
Balance of borrowings	—	—
Unused committed line of credit	—	30,000

(Statement of Operations)

*1. The approximate percentage of selling expenses for the previous fiscal year and the current fiscal year was 28%. The approximate percentage of general and administrative expenses for the previous fiscal year and the current fiscal year was 72%.

Major items and amounts of selling, general and administrative expenses are as follows:

Millions of Yen

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
R & D expenses	49,009	59,468
Salary	3,894	3,852
Depreciation	1,559	1,655
Provision for product warranty	9,656	13,996
Outsourcing expenses	26,702	35,151

*2. Transactions with affiliated companies are included as follows:

Millions of Yen

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Sales Amount	218,443	296,774
Purchase Amount	107,089	149,900
Transaction Amount other than business transaction	4,716	17,819

(Securities)

Investments in affiliated companies, which amount recorded on the balance sheet for the fiscal years ended March 31, 2022 and 2023 were ¥108,928 million and ¥149,731 million, do not state market prices because these are shares with no market value, respectively.

(Tax Effect Accounting)

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

Millions of Yen

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Deferred tax asset		
Appraised value of inventories	2,319	2,996
Research and development expense	2,527	—
Provision for retirement benefits	2,883	2,347
Fixed assets	12,973	14,835
Other	5,893	6,800
Subtotal of deferred tax assets	26,595	26,978
Valuation allowance for deductible temporary differences	(8,318)	(8,888)
Subtotal of valuation allowance	(8,318)	(8,888)
Total of deferred tax assets	18,277	18,090
Deferred tax liabilities		
Total of deferred tax liabilities	—	—
Net deferred tax assets	18,277	18,090

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, 2022)	Current fiscal year (March 31, 2023)
Statutory effective tax rate	30.5%	30.5%
(Reconciliation)		
Permanent non-taxable items such as dividends income	(1.2)	(2.7)
Tax credits for research and development expenses	(6.0)	(5.5)
Valuation allowance	1.0	0.4
Items that are not permanently deductible	0.1	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)	0.2
Actual effective tax rate after application of tax effect accounting	24.1	23.0

3. The accounting treatment for corporate and local income taxes and tax effect accounting

The Company has adopted the group tax sharing system from the consolidated tax system in the fiscal year ended March 31, 2023. Along with this, the Company has adopted "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021) for the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting.

In accordance with paragraph 32 (1) of ASBJ PITF No. 42, the changes in accounting policies resulting from the application of the ASBJ PITF No. 42 is not expected to have an impact.

(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)

The Company has resolved at the Board of Directors' Meeting held on May 19, 2023 to implement a share split and partially amend the Company's Articles of Incorporation due to the share split.

1. Share split

(1) Purpose of the share split

The purpose is to expand the investor base by reducing the Company's share price per investment unit, creating a more investment-friendly environment.

(2) Method of the share split

Each share of common share owned by shareholders listed or recorded in the closing register of shareholders on the record date of September 30, 2023 will be split into four shares per share.

(3) Number of shares to be increased by the share split

1) Total number of issued shares before share split	191,542,265 shares
2) Number of shares to be increased by the share split	574,626,795 shares
3) Total number of issued shares following the share split	766,169,060 shares
4) Total number of authorized shares following the share split	1,760,000,000 shares

(4) Schedule of the share split

Public notice of record date:	Friday, September 15, 2023
Record date:	Saturday, September 30, 2023
Effective date:	Sunday, October 1, 2023

(5) Impact on per share information

Per share information assuming that the share split was performed at the beginning of the previous fiscal year is as follows:

Yen

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Net assets per share	345.21	414.65
Net income per share - basic	91.15	154.81
Net income per share - diluted	90.88	154.45

2. Partial amendment to the Articles of Incorporation in connection with the share split

(1) Purposes of the amendment

In connection with the share split, an associated article of the Articles of Incorporation will be amended effective October 1, 2023, in accordance with Article 184, Paragraph 2 of the Companies Act.

(2) Details of the amendment

Details of the amendment are as follows:

Current Articles of Incorporation	Proposed amendment
(Total number of issuable shares) Article 5. The total number of the Company's issuable shares shall be four hundred and forty million (440,000,000) shares.	(Total number of issuable shares) Article 5. The total number of the Company's issuable shares shall be one billion seven hundred and sixty million (1,760,000,000) shares.

(3) Schedule of the amendment

Date of resolution of Board of Directors' Meeting:	Friday, May 19, 2023
Effective date:	Sunday, October 1, 2023

3. Other information

(1) Changes in the amount of stated capital

There will be no change in the amount of stated capital as a result of the share split.

(2) Dividends

As the share split takes effect on October 1, 2023, the year-end dividend for the fiscal year ended March 31, 2023 with a record date of March 31, 2023, and the interim dividend for the fiscal year ending March 31, 2024 with a record date of September 30, 2023 will be paid based on the total number of issued shares before the share split.

(3) Adjustment of exercise price for stock acquisition rights

Following the above share split, the per-share exercise price for the stock acquisition rights issued by the Company will be adjusted as follows, effective October 1, 2023.

Yen

Stock Acquisition Rights	Exercise Price Before Adjustment	Exercise Price After Adjustment
Resolution at the Board of Directors' Meeting held on June 26, 2019	3,090	773
Resolution at the Board of Directors' Meeting held on June 25, 2020	6,990	1,748

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	3,256	2,317	2	393	5,178	10,767
	Land	8,181	70	162	-	8,089	-
	Other	7,519	5,035	1,246	2,915	8,393	15,469
	Total	18,956	7,422	1,410	3,308	21,660	26,236
Intangible fixed assets	Patent right	453	-	-	392	61	140
	Other	1,050	511	37	402	1,122	864
	Total	1,503	511	37	794	1,183	1,004

(Note) : The primary items of "Increase for this year" were as follows.

Machinery and equipment	Development equipment	¥2,212 million
	Production equipment	¥1,764 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	6,275	13,996	11,394	8,877
Bonus accrual for directors	236	171	236	171
Provision for share-based remuneration-ST	798	977	678	1,097
Provision for share-based remuneration-LT	654	815	338	1,131

(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 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

(Note) 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.

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 80th Business Term (from April 1, 2021 to March 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on June 22, 2022.

(2) Internal Control Report and its attachments

Filed with the Director-General of the Kanto Local Finance Bureau on June 22, 2022.

(3) Quarterly Reports and Confirmation Letter

(First quarter, 81st Business Term) (from April 1, 2022 to June 30, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on August 12, 2022.

(Second quarter, 81st Business Term) (from July 1, 2022 to September 30, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on November 11, 2022.

(Third quarter, 81st Business Term) (from October 1, 2022 to December 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on February 13, 2023.

(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 24, 2022.

(5) Extraordinary Report

Filed with the Director-General of the Kanto Local Finance Bureau on June 27, 2022.

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 27, 2022.

Filed with the Director-General of the Kanto Local Finance Bureau on July 7, 2022.

This is an amendment statement related to (4) above.

(7) Amendment to the Annual Securities Report and Confirmation Letter

Filed with the Director-General of the Kanto Local Finance Bureau on July 7, 2022.

This is an amendment report and its Confirmation Letter related to (1) above.

(8) Extraordinary Report

Filed with the Director-General of the Kanto Local Finance Bureau on December 22, 2022.

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 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs.

(9) Status Report of Repurchase of Treasury Shares

Reporting period (from July 1, 2022 to July 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on August 15, 2022.

Reporting period (from August 1, 2022 to August 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on September 15, 2022.

Reporting period (from September 1, 2022 to September 30, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on October 17, 2022.

Reporting period (from October 1, 2022 to October 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on November 15, 2022.

Reporting period (from November 1, 2022 to November 30, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on December 15, 2022.

Reporting period (from December 1, 2022 to December 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on January 16, 2023.

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 23, 2023

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, 2023, 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, 2023, 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, 2023, we have determined "Valuation of goodwill and intangible assets related to business acquisitions in recent years" as a key audit matter.

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	Design and sale of semiconductor system level test products	Goodwill: ¥8,127 million
Essai, Inc.	January 2020	Design, manufacture and sale of test sockets and thermal control units	Goodwill: ¥13,642 million Intangible assets: ¥16,979 million
R&D Altanova, Inc.	November 2021	Design, manufacture and sale of test interface boards	Goodwill: ¥22,029 million Intangible assets: ¥8,473 million

The total of the above assets is ¥69,250 million, which accounts for approximately 12% 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 31 "Business Combination" to the consolidated financial statements, the purchase price allocation related to the acquisition of R&D Altanova, Inc. has been completed in the fiscal year ended March 31, 2023. As a result of the impairment test, no impairment loss was recorded for these businesses in the fiscal year ended March 31, 2023.

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, 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. Beginning in the latter half of the current period, the risk of a global economic has increased due to inflation and rising interest rates, and demand for semiconductors for major consumer products has slowed down. These conditions are expected to continue for a certain period of time after the current period. As of March 31, 2023, the values in use and the carrying amounts are close to each other for Essai, Inc. and R&D Altanova, Inc., mainly due to the impact of the increase in the discount rates accompanying the interest rates increase in the United States.

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. ・Regarding the capital investments expected in the estimated future cash flows, we inquired of management and the responsible officials of each business unit and compared with the sales forecasts to evaluate consistency between these figures. ・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, 2023.

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, 2023, 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 required by the Financial Instruments and Exchange Act for the conveniences of the reader.

English Translation

Independent Auditor's Report

June 23, 2023

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, 2023, 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, 2023, 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, 2023, we have determined "Valuation of investment in affiliated companies (Advantest America, Inc. shares)" as a key audit matter.

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, 2023, the Company recorded ¥149,731 million of investment in affiliated companies, including ¥53,526 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 designs and sells semiconductor system level test products, Essai, Inc. which designs, manufactures and sells test sockets and thermal control units, and R&D Altanova, Inc. which designs, 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, 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. Beginning in the latter half of the current period, the risk of a global economic has increased due to inflation and rising interest rates, and demand for semiconductors for major consumer products has slowed down. These conditions are expected to continue for a certain period of time after the current period. 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. ・Regarding the capital investments expected in the estimated future cash flows, we inquired of management and the responsible officials of each business unit and compared with the sales forecasts to evaluate consistency between these figures. ・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 required by the 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 23, 2023
[Company Name]	Kabushiki Kaisha Advantest
[Company Name in English]	ADVANTEST CORPORATION
[Title and Name of Representative]	Yoshiaki Yoshida, Representative Director, President & Group CEO
[Title and Name of CFO]	Atsushi Fujita, Director, Senior Executive Officer, CFO & CCO
[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 & Group CEO and Atsushi Fujita, Director, Senior Executive Officer, CFO & CCO 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, 2023. 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, 2023.

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 23, 2023
[Company Name]	Kabushiki Kaisha Advantest
[Company Name in English]	ADVANTEST CORPORATION
[Title and Name of Representative]	Yoshiaki Yoshida, Representative Director, President & Group CEO
[Title and Name of CFO]	Atsushi Fujita, Director, Senior Executive Officer, CFO & CCO
[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 & Group CEO and Atsushi Fujita, Director, Senior Executive Officer, CFO & CCO of Advantest Corporation, confirmed that statements contained in the Annual Securities Report for the 81st Business Term (from April 1, 2022 to March 31, 2023) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.