(Translation)
This document has been translated from the Annual Securities Report for the twelve-month period ended March 31, 2024, 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, 2023 to March 31, 2024

(The 82nd term)

Advantest Corporation

(E01950)

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| [Document Filed] | Annual Securities Report ("Yukashoken Hokokusho") |
| [Applicable Law] | Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan |
| [Filed to] | Director, Kanto Local Finance Bureau |
| [Filing Date] | June 26, 2024 |
| [Fiscal Year] | The 82nd Term (from April 1, 2023 to March 31, 2024) |
| [Company Name] | Kabushiki Kaisha Advantest |
| [Company Name in English] | ADVANTEST CORPORATION |
| [Title and Name of Representative] | Koichi Tsukui, Representative Director, Senior Executive Officer and President, Group COO |
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| [Phone No.] | +81-3-3214-7500 |
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| [Contact Person] | Yasuo Mihashi, Senior Executive Officer, CFO & CSO |
| [Place Where Available for Public Inspection] | Tokyo Stock Exchange, Inc.<br>(2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo) |

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," "Advantest" and "Advantest Group" refer to Advantest Corporation and its consolidated subsidiaries, or, as the context requires, "the Company," and "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 2023" refers to the twelve-month period ended March 31, 2024. All other references to years refer to the applicable calendar year. The term "CY" preceding a year means the twelve-month period ended December 31 of the 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

| Business Term | | 78th | 79th | 80th | 81st | 82nd |
|---|---|---|---|---|---|---|
| Year ended | | March. 2020 | March. 2021 | March. 2022 | March. 2023 | March. 2024 |
| Net sales | Millions of Yen | 275,894 | 312,789 | 416,901 | 560,191 | 486,507 |
| Income before income taxes | Millions of Yen | 58,574 | 69,618 | 116,343 | 171,270 | 78,170 |
| Net income attributable to owners of the parent | Millions of Yen | 53,532 | 69,787 | 87,301 | 130,400 | 62,290 |
| Comprehensive income attributable to owners of the parent | Millions of Yen | 47,729 | 75,757 | 107,286 | 146,882 | 84,441 |
| Equity attributable to owners of the parent | Millions of Yen | 231,452 | 280,369 | 294,621 | 368,694 | 431,178 |
| Total assets | Millions of Yen | 355,777 | 422,641 | 494,696 | 600,224 | 671,229 |
| Equity attributable to owners of the parent per share | Yen | 1,166.51 | 1,427.29 | 1,551.72 | 500.61 | 584.25 |
| Basic earnings per share | Yen | 270.12 | 353.87 | 449.56 | 174.35 | 84.45 |
| Diluted earnings per share | Yen | 268.96 | 351.82 | 447.26 | 173.68 | 84.16 |
| Ratio of equity attributable to owners of the parent | % | 65.1 | 66.3 | 59.6 | 61.4 | 64.2 |
| Return on equity attributable to owners of the parent | % | 24.9 | 27.3 | 30.4 | 39.3 | 15.6 |
| Price-earnings ratio | Times | 16.07 | 27.35 | 21.51 | 17.44 | 80.75 |
| Cash flows from operating activities | Millions of Yen | 66,475 | 67,830 | 78,889 | 70,224 | 32,668 |
| Cash flows from investing activities | Millions of Yen | (38,819) | (16,831) | (46,907) | (26,706) | (27,940) |
| Cash flows from financing activities | Millions of Yen | (17,916) | (30,415) | (68,736) | (77,434) | 10,760 |
| Cash and cash equivalents at end of year | Millions of Yen | 127,703 | 149,164 | 116,582 | 85,537 | 106,702 |
| Employees<br>(Average number of temporary employees) | Persons | 5,048<br>(381) | 5,261<br>(475) | 5,941<br>(509) | 6,544<br>(548) | 6,766<br>(583) |

(Notes) 1. Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as the "IFRS").

2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. "Equity attributable to owners of the parent per share," "Basic earnings per share" and "Diluted earnings per share" are calculated based on the assumption that the share split was implemented at the beginning of the 81st business term.

**(2) Non-Consolidated Management Indicators**

| Business Term | | JGAAP * | | | | |
|---|---|---|---|---|---|---|
| | | 78th | 79th | 80th | 81st | 82nd |
| Year ended | | March. 2020 | March. 2021 | March. 2022 | March. 2023 | March. 2024 |
| Net sales | Millions of Yen | 253,795 | 271,875 | 355,575 | 482,576 | 394,694 |
| Ordinary income | Millions of Yen | 59,096 | 54,736 | 93,667 | 150,368 | 58,068 |
| Net income | Millions of Yen | 55,066 | 53,031 | 70,814 | 115,834 | 49,394 |
| Common stock | Millions of Yen | 32,363 | 32,363 | 32,363 | 32,363 | 32,363 |
| (Total number of issued shares) | Thousand Shares | (199,567) | (199,567) | (199,542) | (191,542) | (766,141) |
| Net assets | Millions of Yen | 260,243 | 285,409 | 262,918 | 305,989 | 332,607 |
| Total assets | Millions of Yen | 372,821 | 414,128 | 459,809 | 533,860 | 586,204 |
| Net assets per share | Yen | 1,308.66 | 1,449.74 | 1,380.85 | 414.65 | 450.14 |
| Dividend per share | Yen | 82.00 | 118.00 | 120.00 | 135.00 | — |
| (Interim dividend per share) | Yen | (41.00) | (38.00) | (50.00) | (65.00) | (65.00) |
| Net income per share-basic | Yen | 277.86 | 268.91 | 364.61 | 154.81 | 66.93 |
| Net income per share-diluted | Yen | 276.78 | 267.89 | 363.54 | 154.45 | 66.80 |
| Equity-to-assets ratio | % | 69.6 | 68.8 | 57.0 | 57.2 | 56.7 |
| Rate of return on equity | % | 23.0 | 19.5 | 25.9 | 40.8 | 15.5 |
| Price-earnings ratio | Times | 15.62 | 36.00 | 26.52 | 19.64 | 101.88 |
| Payout ratio | % | 29.51 | 43.88 | 32.91 | 21.80 | 51.17 |
| Number of employees | Persons | 2,021 | 2,025 | 1,986 | 1,988 | 2,011 |
| (Average number of temporary employees) | Persons | (251) | (306) | (364) | (408) | (435) |
| Total shareholder return | % | 171.9 | 384.0 | 388.3 | 490.3 | 1,083.1 |
| (Comparison: Dividend-included TOPIX) | % | (90.5) | (128.6) | (131.2) | (138.8) | (196.2) |
| Highest share price | Yen | 6,640 | 9,880 | 11,550 | 12,460 | 7,456<br>(29,824) |
| Lowest share price | Yen | 2,471 | 3,785 | 7,770 | 6,600 | 2,555<br>(10,220) |

(Notes) 1. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. "Net assets per share," "Net income per share-basic" and "Net income per share-diluted" are calculated based on the assumption that the share split was implemented at the beginning of the 81st business term.

2. "Dividend per share" for the 82nd business term is not presented considering the share split. In addition, "Dividend per share" for the 82nd business term before and after the share split is (Y) 137.00 and (Y) 34.25, respectively.

3. 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. In addition, highest and lowest share prices for the 82nd business term indicate the prices after the share split that calculated based on the assumption that the share split was implemented at the beginning of the term, and the highest and lowest share prices before share split are shown in parentheses.

* 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 Takeda Systems, Inc. (Currently Advantest America Inc.) in the U.S. |
| Feb, 1983 | Listed on the Second Section of the Tokyo Stock Exchange |
| Jun, 1983 | Established a subsidiary Takeda Riken GmbH (Currently Advantest Europe GmbH) in 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, 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 Taiwan |
| 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 in Yahata-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. |
| 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.

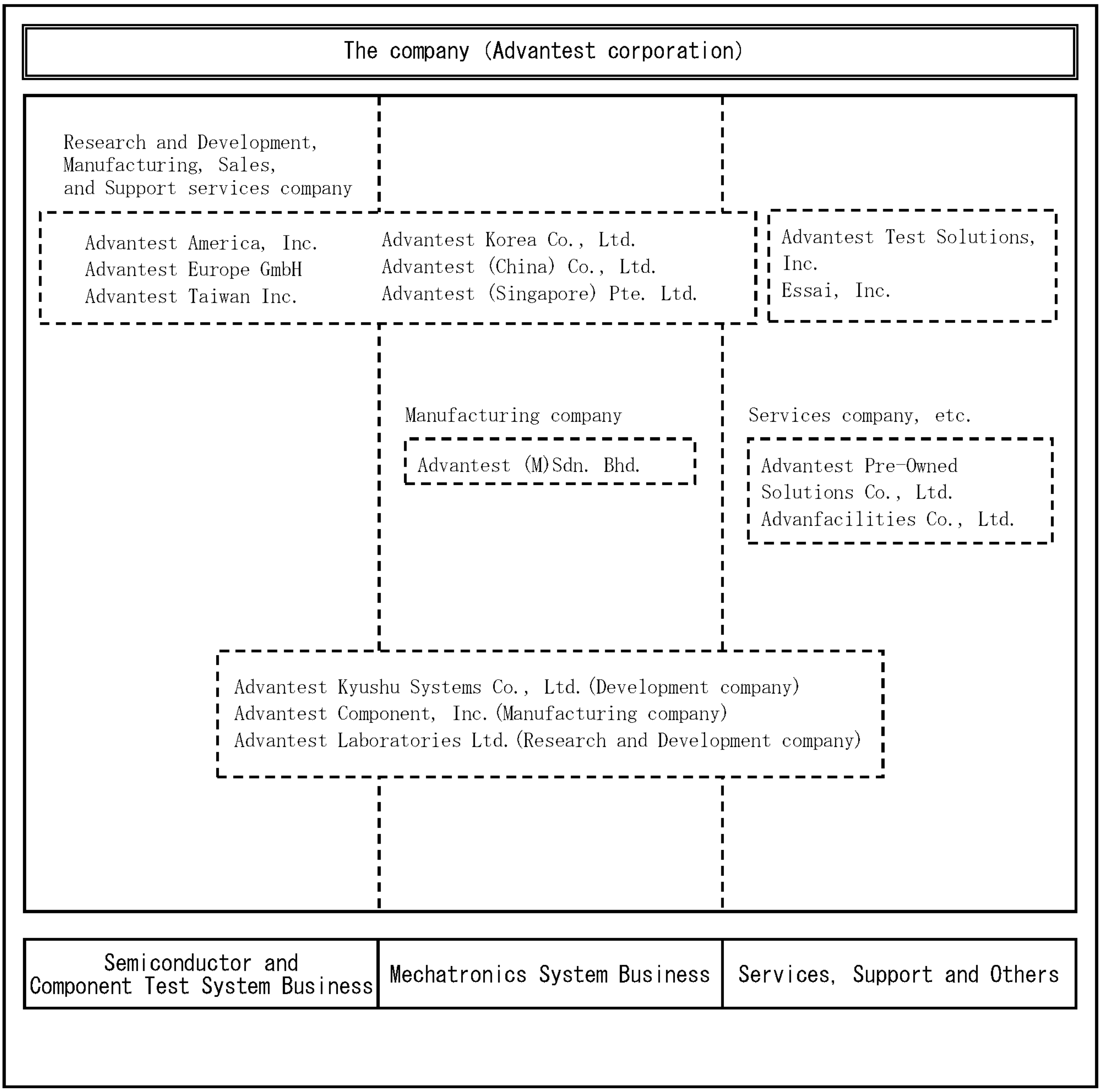
Development activities are mainly conducted by the Company.

(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 26 consolidated subsidiaries.

Consolidated subsidiaries (Domestic 7, Overseas 33, Total 40)

## 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 | No | 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 26 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., Advantest Taiwan Inc. and Advantest Korea Co., Ltd. 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. | 101,210 | 8,619 | 8,105 | 114,384 | 198,410 |
| Advantest Taiwan Inc. | 97,958 | 3,814 | 3,035 | 10,496 | 32,658 |
| Advantest Korea Co., Ltd. | 58,065 | 7,981 | 6,241 | 26,594 | 35,613 |

4. Percentage of voting rights includes indirectly held shares.

## 5. Status of Employee

(1) Status of Consolidated Companies

As of March 31, 2024

| Segment | Number of employees (Person) |
|---|---|
| Semiconductor and Component Test System | 3,503 (310) |
| Mechatronics System | 682 (79) |
| Services, Support and Others | 2,353 (147) |
| Corporate (Common) | 228 (47) |
| Total | 6,766 (583) |

(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.

(2) Status of Filing Company (The Company)

As of March 31, 2024

| Number of employees (Person) | Average age (Years old) | Average length of service (Years) | Average annual salary (Yen) |
|---|---|---|---|
| 2,011 (435) | 46.05 | 20.44 | 10,053,648 |

| Segment | Number of employees (Person) |
|---|---|
| Semiconductor and Component Test System | 1,255 (271) |
| Mechatronics System | 356 (77) |
| Services, Support and Others | 206 (45) |
| Corporate (Common) | 194 (42) |
| Total | 2,011 (435) |

(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

<table>
<tr><td colspan="5">Fiscal year ended March 31, 2024</td></tr>
<tr><td rowspan="2">Female managers ratio<br>(%)<br>(Note 1)</td><td rowspan="2">Exercise rate of childcare leave by males<br>(%)<br>(Note 2)</td><td colspan="3">Differences in wages between male and female workers<br>(%)<br>(Note 3)</td></tr>
<tr><td>All workers</td><td>Regular workers</td><td>Non-regular workers</td></tr>
<tr><td>3.7</td><td>34.0</td><td>72.0</td><td>70.8</td><td>87.7</td></tr>
</table>

(Notes) 1. (1) This is calculated based on "The Act on Promotion of Women's Participation and Advancement in the Workplace" (Act 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" (Act No. 76 of 1991).

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

(3) This does not include employees taking special paid leave of up to 5 days for the birth of a child.

(Reference) Acquisition rate of childcare leave or special paid leave for male employees in FY2023: 82%.
Average length of childcare leave taken by male employees in FY2023: 64 days.

3. (1) This is calculated based on "The Act on Promotion of Women's Participation and Advancement in the Workplace" (Act 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.

(8) The background to the differences in wages between male and female includes the low ratio of female in management positions compared to the ratio of female among all workers, the large number of female among workers who choose to work shorter hours for childcare, and the wage of workers rehired after retirement for non-regular workers is in line with the wage at retirement, which is affected by the difference in wages for regular workers.

4. Other metrics related to human capital including female managers ratio of Advantest are included in "Item 2. Business Overview 2. Sustainability Approach and Initiatives (1) Sustainability in general 5) Metrics and Goals".

(Reference) Advantest’s Initiatives to increase female managers ratio and exercise rate of childcare leave by males

Advantest always accepts diverse values and is promoting the creation of a corporate culture where everyone can work regardless of race, gender, age, and nationality. As of March 31, 2024, the percentage of female employees to total employees is 21.8% (21.2% in the previous fiscal year), and the percentage of female managers to total managers is 9.4% (9.0% in the previous fiscal year). Increasing the number of female employees and managers still remains an urgent task.

Advantest has been recruiting a high percentage of male students with a technical/engineering background, and conventional recruiting activities have not been able to motivate female students to apply to Advantest. In light of these circumstances, Advantest has been strengthening public relations activities for women with a focus on conveying the attraction of Advantest to female students, particularly those with a technical/engineering background. Information on active female employees in the workforce has been disseminated through corporate websites and recruitment brochures, and at recruitment events, Advantest has explained about programs and career plans for women and introduced how our female employees are working at Advantest.

In addition, recognizing that employees undergo various life stage changes, we are focusing on work-life balance initiatives to allow employees to work flexibly according to their individual circumstances.

In addition to utilizing telework as needed, we have established a 100% paid pregnancy hospital visit and pregnancy disability leave system, a childcare leave system that exceeds legal standards, a nursing care leave system, and a shortened working hour system as support systems for balancing work with childcare and nursing care.

We are also working on support for childcare participation for fathers, which includes the provision of personal consultations for male employees with children and their supervisors, guidance for childcare-related systems, and support for using childcare leave. In addition, starting in FY2022, we have institutionalized a childcare leave subsidy of up to four weeks for employees who take childcare leave within eight weeks of the birth of their child.

For more details, please see Advantest’s Integrated Annual Report and Sustainability Data Book, both available on our website.

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

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

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" (Act 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" (Act 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, 2024.

**(1) Advantest’s Basic Management Policy**

<The Advantest Way>

Advantest’s corporate purpose & mission is “Enabling Leading-Edge Technologies”. Advantest has consistently contributed to the development of society by constantly striving to improve themselves in order to provide products and services that satisfy its customers worldwide and Advantest believes that continued pursuit of this mission will expand the significance of its existence in society.

In addition to that, as a result of past efforts to expand business, Advantest has become an organization that encompasses diverse cultures, languages, customs, and values. We realize that  is important to cultivate shared values and common code of conduct as a foundation to conduct business activities in line with its purpose and mission.

Taking all of the foregoing into consideration, in 2019, Advantest developed its existing corporate philosophy system, “The Advantest Way,” and revised it to encompass the direction that Advantest should take in the future and the values that should be emphasized. Currently, all of the Advantest’s medium- to long-term management strategies and business activities are conducted in accordance with this revised version of “The Advantest Way”. By continuing to implement activities in line with “The Advantest Way”, Advantest will strive to maximize the value it provides to customers and society, and to earn greater trust from each stakeholder.

“The Advantest Way” consists of the following six elements.

(1) Purpose & Mission: Enabling Leading-Edge Technologies
(2) Vision: Be the Most Trusted and Valued Test Solution Company in the Semiconductor Value Chain
(3) Core Values: INTEGRITY
(4) Sustainability Policy
(5) Guiding Principle: Quest for the Essence
(6) Ethical Standards


Items (1) to (3) stipulate what the Advantest Group aims to be and what the Group should do in order to create value and contribute to the common good over the medium- to long-term. Items (4) to (6) define the basic mindset required of Advantest's executives and employees for a desired relationship with our stakeholders.

It is noted that Advantest has updated its vision statement and sustainability basic policy since FY2024. For the vision statement, please refer to below (2) Mid- to Long-term Management Policy: the “Grand Design.” For the latest basic policies regarding sustainability, please refer to “2. Sustainability Approach to and Initiatives (1) Sustainability in General”.

**(2) Mid- to Long-term Management Policy: the “Grand Design”**

<Review of management policy until FY2023>

In FY2018, Advantest formulated a 10-year medium- to long-term management policy (FY2018-FY2027), the “Grand Design,” which defined the commitments and strategies needed for Advantest to fully strive as a company that embodies its corporate mission & purpose of “Enabling Leading-edge Technologies.” Since then, in order to embody the vision described in the “Grand Design”, Advantest has executed on two mid-term management plans: the first mid-term management plan (MTP1, FY2018-FY2020), and the second mid-term management plan (MTP2, FY2021-FY2023) .

Under these two mid-term management plans, Advantest has strived to enhance its business volume by both strengthening its existing business domain of semiconductor mass production testing systems and expanding to adjacent business areas, including semiconductor design / evaluation process and product / system level test processes, which are performed before and after semiconductor mass production processes. As a result of the expansion, Advantest's business and product portfolios have been enhanced, which has led to an increase in customers' positive perceptions, combined with the timely launch of new products and the growth of the semiconductor market, enabling Advantest to expand its business beyond its expectations.

The semiconductor market and the semiconductor test market are generally moving in the direction Advantest anticipated in 2018, when the "Grand Design" was formulated. However, if we look to the future, as reflected by the current rapid spread of generative AI, the semiconductor and electronics-related industries continue to evolve dynamically. In addition, the sustainability-related issues to which Advantest must respond will require additional focus and effort at a more rapid pace than Advantest has assumed in the past.

Accordingly, Advantest has determined that our management policy based on a longer-term perspective is necessary to achieve further growth in the future. For this reason, Advantest has extended the time frame of the "Grand Design" and updated it in June 2024 to reflect the changes in our management structure and business initiatives to date, and the latest long-term business environment outlook.

**<Grand Design (Refreshed in FY2024)>**

Advantest has reviewed how we can continue to be of greatest value to our customers and society, based on our latest long-term business environment forecast. As a result of this review, Advantest has renewed its vision statement, which describes what Advantest wants to be in the future. In addition, Advantest has further defined the economic and social values that it should represent to its major stakeholders, and has decided to pursue enhancing those values as its long-term management goal.

[Vision Statement]

"Be the most trusted and valued test solution company in the semiconductor value chain."

By expanding the economic and social benefits it provides, Advantest aims to become the most trusted and valued test solution company in the semiconductor value chain for all its stakeholders.

[View on long-term business environment and issues to be addressed]

Future uncertainties in the macro business environment are expected to remain high. Today, the issues surrounding the world with climate change, geopolitics, demographics change, etc. are becoming more consequential. The complexity of solving problems from those issues, as such on scarcity of energy and human capital, and re-distribution of supply chains, are increasing dramatically.

While such issues remain, innovations, represented by AI, continues in various industries in order to solve those social issues. For semiconductors, the foundation that support these innovations, Advantest expects to see greater inter-company or inter-regional collaboration to further improve performance and ensure economic rationality, and to strengthen the supply chain within the region. Along with these trends, Advantest assumes that the semiconductor value chain will continue to evolve over the medium- to long-term, while further increasing its complexity.

Furthermore, when looking ahead at technological trends in semiconductor testing, technological advancements to achieve higher semiconductor performance and energy efficiency, such as further miniaturization, adoption of new architectures, and adoption of advanced packaging, are expected to continue to raise the complexity of semiconductor testing, including design validation and performance test in the future. In particular, Advantest expects that test complexity to become more significant in AI- and HPC (high performance computing)-related semiconductors, which are expected to be the biggest growth drivers of the semiconductor market.

With this increasing complexity as a key trend in the industry, Advantest anticipates that the semiconductor test-related market to grow over the medium- to long-term as customers invest in increasing their testing capacity. In addition, future test solutions are expected to be more highly automated to improve efficiency in the semiconductor quality assurance process, i.e., to reduce man-hours and workloads across the entire semiconductor value chain. Under these trends, Advantest believes that in addition to the development and sale of products with superior performance, the provision of new solutions and services that harmoniously develop and integrate these products will be a further medium- to long-term growth opportunity, and Advantest intends to make the realization of such opportunities the cornerstone of its future growth strategies. In addition, as the entire industry becomes increasingly complex, efficiency will also be important for Advantest. Therefore, Advantest will strive to improve efficiency in a variety of ways across all aspects of management and operations.

[Long-term management goals]

Semiconductors will be essential for the realization of a sustainable society and the development of various industries. In fact, almost all of Advantest's businesses are related to the realization and diffusion of semiconductors with superior performance. Therefore, Advantest believes that developing business activities based on its purpose & mission and contributing to the development and diffusion of semiconductors with superior performance will continue directly contributes to a "safer, more secure and more comfortable" society while realizing its own sustainable growth.

Reflecting these ideas and based on the medium- to long-term management policy of the "Grand Design", Advantest will strive to expand its economic and social value by promoting initiatives that lead to a sustainable society while focusing on solving customer issues including the aforementioned increasing complexity in semiconductor testing. Through these efforts, Advantest aims to expand the economic and social value it provides to each stakeholders in a multifaceted and well-balanced manner.

For details on Advantest's major stakeholders and the value it intends to provide to them, please refer to 2 [Sustainability Approach and Initiatives] (1) Sustainability in General.

**(3) Mid-term management plan**

<Review of the second mid-term management plan [MTP2, FY2021-FY2023] >

Advantest positioned MTP2 period as "the three years to strengthen the foundation for the growth of Advantest in the semiconductor market, which is expected to expand further in the mid- to long-term", and promoted efforts to strengthen its business through growth investment and provide shareholder returns. The following is the summary of the results of targeted management metrics, key achievements, and the results of growth investments and shareholder returns.

[Targeted management metrics]

In May 2021, Advantest initially announced the outlook of financial metrics calculated based on the medium-term forecast of market trends at the beginning of FY2021. Subsequently, in July 2022, targets were revised upward to reflect a larger than originally expected size of the semiconductor test-related market.

However, due to the weakness of the semiconductor market from the latter half of MTP2 period, demand for semiconductor testers for cornerstone consumer electronics products declined significantly in FY2023, compared with FY2022. As a result, although Advantest was able to achieve all of the targets as originally set in MTP2, it failed to achieve the revised targets except for sales.

| | MTP2 (FY2021-FY2023) Targets (Average) | | MTP2 (FY2021-FY2023) Results *3 (Average) |
|---|---|---|---|
| | Published in May 2021 *1 | Published in July 2022 *2 | |
| Sales | ¥350-380B | ¥480-520B | ¥487.9B |
| Operating Margin | 23-25% | 27-30% | 24.7% |
| Net Income | ¥62-70B | ¥98-120B | ¥93.3B |
| ROE | 20% or more | 30-35% | 28.4% |
| EPS*4 | ¥80-93 | ¥128-158 | ¥124 |

*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 for the FY2021-FY2023 (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; Actual exchange rates for FY2023 were 1 USD = 143 JPY and 1 Euro = 155 JPY.

*4: The Company enacted a 4-for-1 stock split of shares of common stock, effective October 1, 2023. EPS is calculated based on the assumption that the stock split was implemented at the beginning of FY2021.

[Key Achievements in MTP2]

Through effective product, customer, and regional strategies that anticipate changes in the semiconductor market and testing demand, Advantest has increased sales of its flagship SoC test system, the V93000, memory test platforms, and other products, and gained market share in the semiconductor test market. In particular, Advantest believes that achieving a majority market share in the semiconductor test market is a key achievement for further growth. In addition, based on its medium- to long-term semiconductor market and technology forecast, Advantest aggressively implemented R&D investments and marketing initiatives for emerging growth areas, such as advanced packaging.

In parallel with these efforts for organic growth, Advantest also vigorously searched for investment opportunities for non-organic growth as part of its strategy to further leap forward. As a result, over the past three years Advantest acquired Italy-based CREA - Collaudi Elettronici Automatizzati S.r.l., a leading provider of test equipment for power semiconductors; and R&D Altanova, Inc. in the US and Shin Puu Technology Co., Ltd. in Taiwan, both of which have established reputations for test interface PCBs.

These efforts have enabled Advantest to further strengthen its growth foundation, and Advantest expects that the results of these efforts will become apparent in its business performance as the semiconductor market evolves and expands.

In terms of ESG initiatives, Advantest has strengthened its global management structure by implementing the CxO system and have improved its ESG evaluation by external institutions through deepening its sustainability-related activities and enriching disclosures. Please refer to the Sustainability Data Book (https://www.advantest.com/sustainability/report/) for the detailed information on major external evaluations.

[Results of growth investments and shareholder returns in MTP2]

Cumulative results of growth investments and shareholder returns during MTP2 are as follows.

| | MTP1 (FY2018-FY2020) Results | MTP2 (FY2021-FY2023) Results |
|---|---|---|
| R&D expense | ¥120.6B | ¥174.0B |
| Capital expenditure | ¥30.2B | ¥63.9B |
| Strategic investments including M&As | ¥47.7B | ¥40.7B |
| Shareholder returns (Dividend + Share repurchase) | ¥61.7B | ¥193.4B |
| Total return ratio* | 39% | 69% |

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

<Overview of the third mid-term management plan [MTP3, FY2024-FY2026] >

Advantest expects that the semiconductor test-related market to continue to grow in the medium- to long-term, while factoring in short-term down cycles, and its cyclical growth structure will persist during MTP3 period. Although the current adjustment in the semiconductor test-related market is not yet complete, Advantest expects that the market to return to a “cyclically-up” trend from FY2024 onwards. In addition, as aforementioned, Advantest believes that its business opportunities will expand over the medium- to long-term as the semiconductor market expands and the industry faces the structural challenges of dealing with the complexity of semiconductors. In such an industry landscape, Advantest will strive to expand the value it provides to stakeholders over the medium- to long-term by pursuing the following four strategies in line with the updated vision statement.

[Strategies]

1. Outpace the growth in our core market

In line with its growth strategy, Advantest has expanded its business domains year by year. As a result, in the past, the semiconductor tester (ATE) market has overwhelmingly been the main market that Advantest focused on. However, from MTP3 onwards, while ATE will remain the central axis, Advantest will aim for further growth based on a larger footprint enabled by past efforts it has made related to that axis. In this expanded core market, Advantest expects future growth opportunities to arise from increased semiconductor production volume, higher performance semiconductors, and the increasing complexity of semiconductors. To address these opportunities, Advantest will not only improve the performance of individual test solutions, but also create new value for its customers through “Automation of Test,” - specifically, by improving the efficiency of semiconductor testing, by organically integrating its diverse portfolio of products and solutions, and by collaborating with external partners. Through these efforts, Advantest will continue to grow faster than its core market.

2. Expand adjacently / new businesses

As semiconductors continue to become more high-performance and complex, there is a demand for broader and more integrated test solutions. Advantest has been expanding its business into system level test and test peripherals, and will continue this initiative to further increase the value it provides to customers. More specifically, Advantest will work to leverage its installed base of products to promote its field services and Advantest Cloud SolutionsTM and Applied Research & venture Team to create business opportunities.

3. Drive operational excellence

Advantest has already transitioned to a CxO structure in which the CxOs, including the Chief Technology Officer, are in charge of all operations in the entire group. Advantest will continue to solve testing issues in the semiconductor industry by leveraging in-house technology on a cross-functional basis under the strong ownership of each CxO. In addition to the above, to become a company that is valuable to all of the stakeholders, Advantest believes that it needs to improve not only the excellence of its products and technologies, but also the efficiency and effectiveness of all of its operations. To this end, Advantest is committed to accelerating internal operation and streamlining manpower by using DX (digital transformation) , building a resilient supply chain, strengthening our human capital through recruiting competent talents and expanding employee training, and improving internal productivity through the use of AI and data analytics.

4. Enhance Sustainability

Advantest's long-term management goal is to enhance the value it provides to its stakeholders in a well-balanced and multifaceted manner. Advantest will further strengthen its foundation for enhancing corporate value through proactive and positive action on sustainability issues such as climate change and human rights, the execution of responsible business activities, including legal compliance and adherence to ethical business practices, and the reinforcement of risk management and enhancement of corporate governance, to earn greater trust from each stakeholder. Ultimately, Advantest hope to contribute to sustainability, i.e., to meet the needs of the present without compromising the ability of future generations to meet their own needs. Advantest will also strive to cultivate and instill a common culture and shared values within the company, as these are the starting point for promoting initiatives related to sustainability.

[Targeted management metrics]

In MTP3, Advantest will strive to enhance its corporate value by increasing sales, improving profitability, and improving capital efficiency through the above four strategies. Given this framework, the management metrics that are emphasized in MTP3 are sales, operating profit margin, net income, return on invested capital (ROIC), and EPS. Advantest has been endeavoring to grow all these numbers. In order to evaluate the progress of the plan from a medium- to long-term perspective, Advantest use three-year averages to level the impact of industry cycles.

| | MTP2 results (FY2021-23 Avg.) | MTP3 targets*1 (FY2024-26 Avg.) |
|---|---:|---:|
| Sales | ¥487.9B | ¥560-700B |
| Operating profit margin | 24.7% | 22-28% |
| Net income | ¥93.3B | ¥93-147B |
| Return on Invested Capital*2 (ROIC) | 21.2% | 18-28% |
| EPS | ¥124 | ¥127-202 |

*1 MTP3 financial targets are based on exchange rate assumptions of 140 yen to the US dollar and 155 yen to the Euro

*2 Return on Invested Capital = NOPAT / Invested capital (average at beginning and end of period). NOPAT = Operating income x (1 - tax ratio 25%). Invested Capital = Borrowings + Corporate bonds + Total equity, with excluding Lease liabilities.

[Cost / Profit Structure]

Advantest will work to improve its gross profit margin through measures such as increasing sales of superior test solutions and optimizing supply chain management and manufacturing operations. Advantest will also actively invest in areas that will be the source of sustainable value creation, for instance by means of R&D investment and investment in human capital. At the same time, we will strive to continuously improve our profit structure by implementing measures to increase management efficiency and operational productivity, such as DX. On the other hand, there is a high degree of future uncertainties in the global economy and market conditions. Advantest will strive to achieve these management goals by carrying out flexible financial management in line with changes in the business environment.

[Capital Policy & Shareholder Returns]

Advantest has set its capital policy to prioritize business investment for growth such as R&D, facility enhancements, and M&A. In order to strengthen the company's ability to generate cash in the future in line with the long-term semiconductor market expansion and further semiconductor performance gains, Advantest will allocate cumulative operating cash flow (before deducting R&D expenses) of ¥600 billion or more, expected during MTP3 period, to investments in organic and non-organic growth in its core businesses and the acceleration of business expansion into adjacent markets. Advantest will also be flexible in utilization of liabilities (debt) from the viewpoint of balance sheet management that considers both capital efficiency and capital cost. In addition, Advantest ensures an appropriate capital structure with maintaining financial soundness in order to strengthen its business position and enhance its corporate value.

The shareholder return that is in congruence with MTP3 for the three years starting from April 1,2024, under the premise of stable business environment, is set to make stable and continuous dividend with a minimum amount of ¥30 per share for annual. In addition to dividends, Advantest has set a target to achieve a cumulative total return ratio* of 50% or more, including share repurchase, over the three years of MTP3.

Advantest estimates that its cash on hand will range between ¥100-120 billion in normal times. When surplus cash arises beyond that which is needed for investments and cash for working capital, Advantest will return it to shareholders via dividend and share repurchase.

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

**(4) Business Environment and Key Measures for FY2024**

Looking at Advantest's market environment going forward, in CY2024, the semiconductor market is expected to pick up in the second half of the calendar year, as the supply-demand balance for semiconductors is expected to improve and investments related to generative AI are expected to become more active. In tandem with an increase in demand of semiconductors for generative AI, the tester market that is related to such devices is likely to experience an increase in demand. Specifically, strength in tester demand for high-performance DRAM is expected to continue throughout the year, and tester demand for SoC semiconductors is expected to gradually pick up in the second half of the calendar year and beyond. On the other hand, in the automotive and industrial equipment related market, investment in semiconductor testers appear to be taking a pause. In addition, the recovery of the smartphone market continues to be uncertain. Therefore, recovery of semiconductor tester demand of related devices is likely to take some time. As a result, Advantest expects a turnaround in the semiconductor tester market in CY2024 compared to the previous year. Meanwhile, a bird's-eye view of the global economy shows that concerns about recession in the U.S. and elsewhere have not been dispelled. In addition, the situation remains highly uncertain due to factors such as the expansion of geopolitical risks and the risk of sharp exchange rate fluctuations.

In the mid/long-term, as semiconductors serve as social infrastructure which touches every corner of society, the requirement for higher production volume, higher performance, higher quality and reliability is expected to rise even further. In addition, energy efficiency improvement in semiconductor technology is becoming increasingly important against the backdrop of climate change countermeasures as a societal requirement. While semiconductor manufacturers are working daily to solve these societal issues through their technology development, the technical challenges in design and manufacturing are increasing every year, especially for leading-edge semiconductors, as we are entering an era of complexity.

Under such circumstances, Advantest will steadfastly carry out its purpose and mission of "Enabling leading-edge technologies." By supporting our customers solve their challenges with our leading-edge test solutions, Advantest will contribute to the realization of a better society while supporting semiconductor innovation. Advantest will continue to make sincere efforts to fulfill our responsibilities to all our stakeholders.

< Key Measures for FY2024 >

• Focus on complexity-driven high growth areas with our value-added solutions and expanded supply structure
  - Expand supply of testers for high growth devices such as HBM, to meet rapidly growing demand
  - Accelerate our development of integrated test solutions, to enable our leading customers to overcome challenges in developing cutting-edge technology
  - Create customer value through "Automation" initiatives for end-to-end test processes ranging from complex semiconductor design to system level test to data analytics

• Pursue profitability improvement initiatives
  - Maintain our advantage in high-performance devices such as HPC/AI and leading-edge memory
  - Upgrade supply chain management to keep up with future demand fluctuations and enhance our production structure

## 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 Advantest as of March 31, 2024.

**(1) Sustainability in general**

**1) Basic Concept**

Our corporate purpose & mission is "Enabling Leading-Edge Technologies". Hitherto, we have consistently contributed to the development of society by constantly striving to improve ourselves in order to provide products and services that satisfy our customers worldwide and by supporting the development of leading-edge electronics technology with our measurement technology.

In fact, almost all of our businesses are related to semiconductors, which are indispensable for the future development of various industries and for the realization of a more sustainable future society. Therefore, we believe that developing business activities based on our corporate purpose & mission and contributing to the realization and diffusion of semiconductors with superior performance will continue to be an action that directly contributes to both contributing to a "safe, secure and comfortable" society and realizing our own growth.

Based on these ideas, our medium- to long-term management policy "Grand Design" sets out our vision statement as "Be the most trusted and valued test solution company in the semiconductor value chain". In order to be a company that embodies this vision, we will promote various initiatives that lead to the realization of a sustainable society in an integrated manner, while focusing on solving customer issues. Simultaneously, by appropriately reflecting the expectations and demands of our stakeholders in our business activities, we aim to expand the significance of our raison d'être and the value we provide in a balanced and multifaceted way, both economically and socially.

**<Stakeholders>**

In view of our management philosophy and the importance on our business in the medium to long term, we have positioned our shareholders and capital markets, employees, customers, suppliers, partners and the global environment as important stakeholders.

**< Value Proposition to Stakeholders>**

Advantest has analyzed the key value propositions to our stakeholders as follows. Advantest will provide these values to our stakeholders and also work to ensure that events that negatively impact them do not occur so that we strive to earn further trust from our stakeholders.

| Stakeholders | Value Propositions (Outcomes) |
|---|---|
| Shareholders and Capital Markets | - Medium- and long-term enhancement of corporate value |
| Employees | - Increase in employee satisfaction |
| Customers | - Contributing to customer business growth by solving customer issues<br>- Contributing to improving customers' environmental issues |
| Suppliers | - Expanding business growth opportunities<br>- Co-creation of sustainable social value |
| Partners | - Ecosystem/business partners: Solving industrial issues through collaboration with partners and fostering mutual business growth opportunities<br>- Local community: Contributing to creating a society where people can live more prosperous lives |
| Global Environment | - Contributing to a sustainable global environment |

Furthermore, Advantest believes that in order to achieve both a contribution to the realization of a sustainable society and its own growth, it is recognized that, in addition to creating stakeholder value through our business activities, it is essential to further strengthen Group governance, which is the foundation for enhancing corporate value. In line with this view, Advantest promotes initiatives such as responsible business activities, including thorough legal compliance and corporate ethics, the upgrading of corporate governance and the strengthening of risk management.

**2) Strategy**

Advantest promotes management in line with its corporate philosophy system, “The Advantest Way”, and its medium- to long-term management policy, “Grand Design”. With regard to sustainability, Advantest has established the Sustainability Basic Policy as a component of The Advantest Way from the perspective of expanding the Advantest's contribution to society and further creating value for stakeholders, and is striving to promote sustainable management on this basis.

Furthermore, Advantest has positioned "Enhance sustainability initiatives" as one of the strategies in its medium-term management plan. In the process of considering and deliberating on the medium-term management plan in the Executive Management Committee, medium- to long-term risk analysis and issues related to sustainability are also set as individual targets and aspirations as a medium-term action plan, thereby integrally promoting business growth strategies and initiatives to resolve social issues.

Specifically, these include issues related to value creation in business, such as increasing customer value; strengthening business foundations, such as enhancement of human capital; strengthening management foundations, such as reviewing the management execution system; addressing social and environmental regulations and risks; and trends in global sustainability disclosure standards, the issues identified as important from the perspective of both stakeholders and the company are organized into the Sustainability Action Plan, which is a subordinate plan of the Medium-Term Management Plan. Furthermore, Advantest strategically promotes activities to achieve the targets set for each issue in the Sustainability Action Plan. The action items and targets in the Sustainability Action Plan are regularly reviewed in accordance with changes in their importance to Advantest.

For information on the activities and targets in the Sustainability Action Plan for the Third Medium-Term Management Plan (MTP3) starting in 2024, please refer to 5) Metrics and Goals.

**3) Sustainability Promotion System and Governance**

<Promotion System>

Based on the Sustainability Basic Policy, which sets medium-term targets, Advantest promotes overall activities while assigning each CxO, including the Group CEO, to be responsible for individual issues. Furthermore, by incorporating the Sustainability Action Plan into specific annual business plans for each unit, Advantest strives to make steady progress in our overall initiatives.

In addition, in order to promote sustainability-related initiatives in a flexible manner throughout the company, Advantest established the Sustainable Management Working Group (SMWG) in 2020, an organization directly linked to the Executive Management Committee, to promote both the growth of our own businesses and our contribution to social issues. This is a company-wide committee comprising the leaders of all business, functional and regional units, and is headed by the Group CEO. This committee regularly updates and discusses sustainability issues that need to be addressed across the company, based on analyses of the significance of ESG issues in each unit and other information, in order to further promote and deepen sustainable management.

The overall progress of sustainability initiatives in Advantest is regularly reported to the Executive Management Committee and corrective measures are discussed as necessary.

<Governance>

Sustainability initiatives in Advantest are promoted with the involvement of the Board of Directors, with individual reports to and supervision from the Board of Directors depending on the importance of the matter. The Sustainability Action Plan 2024-2026, which was formulated in synchronization with the third Medium-Term Management Plan (MTP3) starting in FY2024, was also reported to the Executive Management Committee and the Board of Directors on its content and targets. The contents and targets of the plan were discussed and decided by the Executive Management Committee and reported to the Board of Directors.

In addition to this, in order to clarify management-level responsibility for sustainability initiatives, an external rating on sustainability has been adopted as one of the evaluation indicators for performance-based stock remuneration for executive officers for the period 2021-2023. For details on the remuneration system, please refer to “Item 4 Status of the Company 4 Corporate Governance (4) Compensation for Members of the Board of Directors.”

Sustainability Promotion System as of the filing date


CSO: Chief Strategy Officer, CHO: Chief Human Capital Officer, Group COO: Group Chief Operating Officer

**4) Risk Management**

<Advantest’s Risk Management Structure>

Advantest discusses the risks and opportunities of sustainability issues at the Executive Management Committee.

The details of our risk management process are as described in “3 [Risk Factors] (1) Risk Management Structure.” Important risk factors related to Sustainability are managed under the same system as other business risks through regular identification of issues at Executive Management Committee and SMWG's support of the policy planning and activities of each unit.

In addition, for climate change, the SMWG sets scenarios, analyses and assesses climate-related risks and opportunities in accordance with the TCFD.

Management of climate change-related risks and opportunities is described in (2) Climate Change Initiatives 1) Governance.

**5) Metrics and Goals**

Advantest strives to disclose information on sustainability areas and issues that Advantest identifies as important, as well as their indicators and targets, to its stakeholders in a timely and appropriate manner through Integrated Reports and Sustainability Data Book. As part of this, third-party assurance is obtained for key indicators.

<Achievements of the ESG Action Plan 2021-2023>

During the second mid-term management plan period ended in FY2023, Advantest formulated the "ESG Action Plan 2021-2023" and has been working to achieve it. The actual results for FY2023 as of the filling date are as follows. Indicators in the process of obtaining third-party assurance will be posted on Advantest's website aiming by October 2024.

| ESG | Key Issue | Goal | KPI | FY2023 Target | FY2023 Result |
|---|---|---|---|---|---|
| E (Environment) | Climate Change (Scope1+2) | Reduce GHG emissions from business activities by 60% by 2030 (vs. FY2018) | GHG emissions reduction amount/ rate | 40% | 53% Estimated value as of the filing date |
| | | Raise renewable energy usage to 70% by2030, Group-wide | Coverage rate by renewable energy | 55% | 66% Estimated value as of the filing date |
| | | Reduce production times 30% through production process reviews (vs. FY2020) | Production time reduction rate for target models (vs. FY2020) | 30% | 28% |
| | Value Chain (Scope3) | Promote the use of renewable energy by suppliers and contractors | Number of suppliers who have introduced renewable energy | 40 companies | 40 companies |

| ESG | Key Issue | Goal | KPI | FY2023 Target | FY2023 Result |
|---|---|---|---|---|---|
| E (Environment) | Value Chain (Scope3) | Reduce CO2 - equivalent emissions (basic unit) per test by 50% by 2030 | Reduction rate in basic units (vs. FY2018) | 20% | Goals under review*1 |
| | Green Products | Develop products that are free from polluting substances: Announce release plan | Total elimination of PFAS in coolant | Announce release plan | Release date undisclosed Considering Release date |
| | Resource Recycling | Improve in-house recycling rate by promoting the 3Rs 3R:Reduce/Reuse/Recycle | Waste recycling rate (Japan/overseas) | JPN:90% Other regions: 73% or more | JPN:95% Other regions:65% Estimated value as of the filing date |
| | | Maintain Group-wide water usage at FY2016 levels | Water resource usage | 288,000 $m^3$/year | 271,755$m^3$/year Estimated value as of the filing date |
| | Biodiversity | Promote nature conservation activities (protection of endangered species in biotope, tree planting, beach cleanup, etc.) | Planning and implementation rate of nature conservation activities | 18 activities planned, 80% implemented | 18 activities planned, 89% implemented |
| S (Social) | ESG management at Supply Chain | Share and solve/mitigate ESG issues (risk management, human rights/occupational safety, environment, fair trade, compliance, etc.) | Due diligence implementation rate for major suppliers | 100% | 100% |
| | Diversity, protection, and respect for human rights | Fair treatment in gender | Female manager ratio | 10.5% | 9.4% |
| | | Edification and practice of human rights | Participation rate of educational training | 100% | 100% |
| | | Work-life balance | Return-to-work rate after maternity leave (JPN)*2 | 100% | 100% |
| | | | Exercise rate of childcare leave by males (JPN)*2 | 25% | 34% |
| | | Conflict minerals elimination | Percentage of suppliers confirmed to be free of conflict minerals | 100% | 60% |
| | Customer satisfaction, employee engagement | Raise customer satisfaction under New Normal circumstances | Ranking of TechInsights customer satisfaction survey | 1st | 1st |
| | | Edification and improvement of attractive corporate culture | Score of Gallup survey | 3.8 | Survey not conducted (Implemented once every 3 years) |
| | Investing in human resources | Maintaining and enhancing occupational safety and health | Occupational accident rate (frequency rate) | 0.0 | 1.03 |

| ESG | Key Issue | Goal | KPI | FY2023 Target | FY2023 Result |
|---|---|---|---|---|---|
| S (Social) | Investing in human resources | Promotion of health management | To be selected in White 500 (JPN)*3 | Selected | Selected |
| | | Employee capacity building | Education and training expenses | 0,6 (Billions of yen) | 0.55 (Billions of yen) |
| G (Governance) | Board Effectiveness | Provide outside directors with updates on business and management issues | 3 times/year | 3 times/year | 3 times/year |
| | | Intensify discussion through Off-site meetings by board members | 2 times/year | 2 times/year | 1 time/year |
| | | Succession planning | Policy/process making, planning, updates | Discussion at Nomination and Compensation Committee and report to the Board of Directors | Discussion at Nomination and Compensation Committee and report to the Board of Directors Decided to transition to new organization from April 2024 |
| | | Diversity of board members | Outside directors must include female representation (≧40%) | At least 40% outside directors and 1 female | Outside directors 56%, 2 females |
| | | Add ESG performance assessment to compensation | Start from FY2021 | ESG linked performance assessment | Implemented |
| | Corporate culture and Code of Conduct, compliance, risk management | Work shop/training for all employees (The Advantest Way, Law, Regulations, Information securities, etc.) | Participation rate for e-learning (100%) | 100% | 100% |
| | | Strengthening Internal Control | Regularly discuss internal control issues | Regular discussion | 2 times/year |
| | Promotion & support of ESG management (Sustainable Management Working Group) | Support & Report group-wide Policy, Strategy, Plan and implementation | Report to Executive Management Committee and Board of Directors (2 times/year) | 2 times/year | 2 times/year |
| | | Timely and appropriate disclosure (Integrated Annual Report, Sustainability Data Book) | Issuance every year | Publication of Integrated Report, Sustainability Data Book, etc. | Published |

(Notes) 1. It is difficult to calculate the reduction rate in basic unit, so we are reviewing the goal.
2. Figures are on a non-consolidated basis due to differences in personnel systems between the Company and its subsidiaries.
3. As the White 500 is a certification system in Japan, the Company and its subsidiaries in Japan are subject to certification.

<Key Achievement and Review of ESG Action Plan 2021-2023>.

Advantest has worked to promote its sustainability initiatives through the use of the aforementioned SMWG and by strengthening cooperation with external stakeholders. As a result, more than 90% of the initiatives set forth in the "ESG Action Plan" met or exceeded their targets for FY2023. However, some initiatives, such as thorough validation to eliminate conflict minerals, fell short of their targets. Advantest will closely scrutinize the causes of these shortfalls and continue our efforts to promote and deepen sustainable management.

<Sustainability Action Plan 2024-2026>

The overall picture of Advantest's medium-term sustainability initiatives and their respective medium-term targets for FY2024 and beyond are as follows.

In formulating a new medium-term action plan for sustainability, we have completely reorganized the themes to be addressed to be linked to the medium- to long-term management policy "Grand Design" and the Third Mid-Term Management Plan (MTP3) from the perspective of expanding the values provided to stakeholders. In addition, we have set new medium-term targets for each of these themes. In addition, Advantest has changed the name of the respective action plans to better reflect the content and scope of future initiatives.

| Stakeholders | Priority Themes | Target | Executive in charge*1 | KPIs | KPI Target (FY2026) |
|---|---|---|---|---|---|
| Shareholders and capital market | Mid-/long-term and sustainable enhancement of corporate value | Aiming further sales growth, improved profitability, and more efficient use of capital | CFO | In accordance with MTP3 Management Indicator | In accordance with MTP3 Management Indicator |
| | Enhancement of sustainability information disclosure | Timely and appropriate disclosure of financial and non-financial information | CFO | ESG evaluation by rating agencies | Maintaining and improving evaluations by major ESG evaluation by rating agencies |
| Employees | Respect for diversity | Promoting gender diversity | CHO | Ratio of female managers*2 | 11% |
| | | | CHO | Ratio of female employees among candidates (Level6) for executive and managerial positions*3 | 16% |
| | Employee Engagement | Fostering and instilling an attractive corporate culture | CHO | Turnover rate | Below semiconductor industry average |
| | | | CHO | Gallup Survey Scores*4 | 3.8 |
| | | | CHO | INTEGRITY Award nominations/year *5 | 400 |
| | Investment in human capital | Promoting health and wellbeing management and work-life balance | CHO | Japan: White 500 Certified (Japan) Global: To be decided during FY2024*6 | Japan: Certified as White 500 |

| Stakeholders | Priority Themes | Target | Executive in charge*1 | KPIs | KPI Target (FY2026) |
|---|---|---|---|---|---|
| Employees | Investment in human capital | Promoting human capital development based on the Advantest Development Framework | CHO | Education and training expenses | 0.8 (Billions of yen) |
| Customers | Providing superior solutions | Provision of new products and integrated solutions that solve customer issues | CTO | Market position | Maintaining 'No.1 position in the focus markets' |
| Customers | Customer satisfaction and trust | Provision of more value added and comprehensive customer support quickly and accurately | CCRO | Market position | Maintaining 'No.1 position in the focus markets' |
| Customers | Climate change countermeasures and reduction of environmental impact | Improving the environmental performance of our products | CTO | Development of "power optimized products" | To be decided during FY2024 |
| Customers | Climate change countermeasures and reduction of environmental impact | Improving the environmental performance of our products | CCRO | Promotion of products with excellent environmental performance | To be decided during FY2024 |
| Customers | Climate change countermeasures and reduction of environmental impact | Improving the environmental performance of our products | CSO | Enhanced Product Life Cycle Assessment | Expansion of the life cycle assessment management scope and data refinement |
| Suppliers | Respect for human rights and fair deals in the supply chain | Responsible Mineral Procurement | CSCO | Supplier response rate to conflict minerals survey | 99% |
| Suppliers | Respect for human rights and fair deals in the supply chain | Penetrating Sustainability in the Supply Chain | CSCO | Due diligence implementation rate for designated business partners *7 | 100% |
| Suppliers | Respect for human rights and fair deals in the supply chain | Penetrating Sustainability in the Supply Chain | CSCO | Number of designated business partners *7 | 50 suppliers (Designated business partners 42 suppliers in FY2023) *7 |
| Suppliers | Greenhouse Gas Emission Reduction (Scope 3) | Supply chain decarbonization | CSCO | Percentage of main business partners that have introduced renewable energy sources *8 | 60% |

| Stakeholders | Priority Themes | Target | Executive in charge*1 | KPIs | KPI Target (FY2026) |
|---|---|---|---|---|---|
| Partners | Creation of innovation and contribution to local communities and global society | Implementation of activities related to innovation and social good | CSO | The number of strategic partnerships | Maintain the same level as FY2023 |
| | | | CCO | The number of employees' activities contributing to local communities (both inside and outside of work) | 180 (FY2024-FY2026 Cumulative Total) |
| Global Environment | Greenhouse gas emission reductions (Scope 1+2) | Reducing GHG emissions from Scope 1+2 | CSO | GHG emissions reduction rate | 65% (vs. FY2018) |
| | | Raising renewable energy usage | CSO | Renewable energy coverage rate | 80% |
| | | Reducing energy consumption by shortening the production period of major products | CSCO | Reduction of production period by reviewing production processes | Reducing production period by 20% (vs. FY2020) |
| | Contribution to the Circular Economy | Improvement of recycling rate through promotion of 3Rs (Reduce, Reuse and Recycle) | CSO | Waste recycling rate (Japan and overseas) | Japan:90% or more Other regions:73% or more |
| | | Maintaining company-wide water consumption at FY2016 levels | CSO | Water resource usage | Less than 288,000 $m^3$/year |
| | Conservation of biodiversity and natural capital | Preservation of biodiversity, promotion of nature conservation activities (protection of endangered species in biotopes, tree planting, beach cleanups, etc.) | CSO | Total number of participants in social contribution activities related to natural capital | 600 (FY2024-FY2026 Cumulative Total) |
| ＼ | Priority Themes | Target | Executive in charge*1 | KPIs | KPI Target (FY2026) |
| Governance | Promoting ethical management and business | Compliance with international/industry standards | CSO | Compliance with business codes of conduct and management system standards | Maintain and recertify ISO certification and pass RBA audit |
| | | Implementation of Global Compliance Education Program (GCEP) *e-learning for all employees | CCO | e-learning participation rate | 100% |

| ＼ | Priority Themes | Target | Executive in charge*1 | KPIs | KPI Target (FY2026) |
|---|---|---|---|---|---|
| Governance | Promoting ethical management and business | Fair and Transparent Workplace | CCO | Aiming to obtain third-party certification for whistleblowing system | Obtaining third-party certification for whistleblowing system |
| | | Maintaining and improving occupational health and safety | CHO | Incidence of serious occupational accidents which result in absence from work (LTIR: Lost Time Incident Rate) | 0% |
| | | Fostering internal understanding of sustainability | CSO | Implementation of measures for different levels of the organization to promote understanding of sustainability | Implementation of the measures for different levels |
| | Continued enhancement of Corporate Governance structure | Enhancement of board structure and governance to increase effectiveness of corporate governance | COO | Ensuring the effectiveness of the Board of Directors | Enhancement of disclosure of effectiveness evaluation results |
| | | | COO | The board composition that satisfies the skill set required in line with management strategy and the business environment, and also ensures diversity | Periodic review by the Board of Directors and review and revision as necessary |
| | Enhancing risk management | Strengthening internal control | CCO | Risk clarification and response based on twice-yearly risk reviews | Implementation of risk review twice-yearly |

(Notes) 1. List of Executive in charge is described in “Item4 Status of the Company 4. Corporate Governance (2) Directors 1) List of Directors,”
2. 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. Advantest's qualification system is a 10-level system which is globally standardized, with Level 6 being the highest level of qualification for general employees.
4. A group-wide survey is conducted every three years.
5. This award system honors employees who embody INTEGRITY through nominations from other employees.
6. As the White 500 is a certification system in Japan, the Company and its subsidiaries in Japan are subject to certification.
7. Tier 1 suppliers, which represent the top 85% of suppliers in terms of transaction value, and Tier 2 suppliers, which are the main suppliers of the Tier 1 suppliers, are subject to due diligence. These suppliers are defined as designated business partners.
8. The top 85% of suppliers by transaction value are defined as main business partners.

**(2) Climate Change Initiatives**

**< 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.

**1) Governance**

Advantest's environmental management system, which includes climate change-related matters, is led by the global lead of the SMWG. The SMWG is headed by the Group CEO, and consists of members representing all business units, functional units and regional units.

Advantest's environmental goals are established through the formulation and review of the "Sustainability Action Plan," which is formulated through discussion and approval by the Executive Committee. The climate-related targets in the action plan are reviewed annually, taking into account the trends of environmental consortia in industry associations, as well as frameworks such as IFRS S1, S2 and TCFD.

The SMWG reports on initiatives and progress towards the sustainability action plan, which sets out sustainability-related targets, including climate-related targets, at the Global Sustainability Meeting, and receives confirmation and approval from the management. In addition, the analysis of climate-related risks and opportunities based on the TCFD is reported to the CSO, who then approves the results of the analysis.

The Board of Directors receives reports on climate-related risks and opportunities, holds discussions based on the content of the reports, and oversees whether appropriate responses are being made to related regulations.

**2) Strategy**

Advantest is promoting climate change countermeasures as one of the key themes in its environmental activities. Since collaboration with external stakeholders such as customers and suppliers is essential in promoting climate change countermeasures 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. Advantest has established unified task forces (TFs) that work with internal and external to promote responsible efforts to address climate-related issues.

TF1 focuses on $CO_2$ reduction in product development and TF3 targets $CO_2$ 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 $CO_2$ emissions through collaboration with business partners to address Scope 3 Category 1 through collaboration with suppliers, and TF4 aims for reduction of $CO_2$ emissions through business activities with the introduction of energy-saving equipment and renewable energy to address Scope 1+2, which is direct emissions from our own production processes. All four TFs are implementing activities related to their goals.

Task Forces to promote $CO_2$ reduction

| Task Force | Approach | Specific Activities |
|---|---|---|
| TF1 | Scope 3 C11 (Use of sold products) | Development of optimal test solutions for semiconductors, which are becoming increasingly complex |
| TF2 | Scope 3 C1 (Purchased products and services) | $CO_2$ emissions reduction through cooperation with our business partners |
| TF3 | Scope 3 C11 (Use of sold products) | $CO_2$ emission reduction through cooperation with customers |
| TF4 | Scope 1+2 (Direct emissions from our own industrial processes, such as purchased electricity) | Reduction of $CO_2$ emissions from business activities through the introduction of energy-saving equipment and renewable energy |

**< Climate change risks and opportunities>**

Advantest assesses and regularly reviews climate change risks and opportunities in accordance with the TCFD classification in order to understand the risks and opportunities brought about by climate change and work to improve its own resilience. These risks and opportunities were assessed according to their priority and impact and were classified into time frames for short (until 2027), medium (until 2030), and long term (until 2050).

In the context of scenario analysis, the following time horizons are considered for both 1.5°C/2°C and 4°C scenarios.

・The scenarios related to transition risks and opportunities are set for the year 2030 in order to accurately reflect policy trends.

・The scenarios related to the physical risks are presented for the years 2030 and 2050, respectively, based on the assumption that the physical impacts of climate change have already begun to manifest themselves and that they will intensify in severity and frequency if global temperatures continue to rise in the future.

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 1.5/2-degrees Celsius scenario

(2) "Risks related to the physical effects of climate change," which occurs in the 4-degrees Celsius scenario in which global $CO_2$ emissions reduction goals are not achieved

Regarding physical risks, we have estimated the impact of flood damage at our own production sites in 2030 and 2050. As a result of the risk assessment, it has been determined that there is a risk of flooding at three of our production sites: the Gunma Factory, the Saitama R&D Center and Essai, Inc. (Chandler, Arizona, U.S.A.). At the Gunma Factory, the construction to raise the level of the extra-high voltage substation was carried out when it was renewed and flood prevention measures such as the installation of waterproof panels have been taken. Flood prevention measures are also being considered at the Saitama R&D Center. Essai, Inc.'s Chandler plant has installed a drainage system to cope with heavy rainfall during the monsoon season. Additionally, through all-hazards approaches in business continuity management initiatives, Advantest is taking measures to be able to respond to all kinds of disasters including those caused by climate change which will contribute to improving our resilience.

Well below 1.5/2-degrees Celsius scenario: Risks related to the transition to a decarbonized society

| Category | Major risks | Response/Strategy | Time frame |
|---|---|---|---|
| Policies and regulations | Increased business costs resulting from compliance with climate change-related regulations (carbon tax, legal compliance costs, parts procurement costs, etc.) | - Promoting the introduction of renewable energy at our company sites<br>- Supporting supplier decarbonization | Short term |
| Technology and market | - Increase in R&D costs due to the accelerated implementation of measures to reduce environmental impact and intensified competition in areas related to decarbonization (carbon footprint, etc.)<br>- Decrease in sales resulting from changes in customer evaluations and lost sales opportunities due to inability to meet customer needs for low-carbon technologies | - Enhancing the value of our products by optimizing power performance and improving test performance<br>- Promoting products with excellent environmental performance<br>- Developing human resources to respond to next-generation energy waving research and development | Short to medium term |
| Reputation | Deterioration in the competitive environment and changes in investor evaluations due to a decline in reputation for our efforts on climate change issues | - Promote sustainability management, including climate change initiatives (achieve the goals of the Sustainability Action Plan 2024-2026)<br>- Appropriate disclosure of climate change-related data and initiatives | Short to medium term |

Well below 4-degrees Celsius scenario: Risks related to the physical effects of climate change

| Category | Major risks | Response/Strategy | Time frame |
| --- | --- | --- | --- |
| Acute events | Major typhoons and increased rainfall may result in<br>- Recovery costs incurred and sales decline due to damage to our production facilities<br>- Sales decline due to supply chain disruptions | - Planning and implementation of flood prevention measures<br>- Promoting an all-hazards approach in business continuity management | Short to long term |

Climate change opportunities

Semiconductors will contribute significantly to the achievement of Decarbonization, 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 the Decarbonization movement to be an opportunity created by climate change. We will make investments to achieve the necessary technological advancements, such R&D costs and human capital development for next-generation technologies, as a part of our efforts to contribute to Decarbonization 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 frame |
| --- | --- | --- | --- |
| Product & services/market | Increased test demand due to strong market growth in semiconductors for AI/HPC, including high-end SoC and HBM | - Introduction of power optimized products alongside improvements in testing performance<br>- Developing new testing methods and testing devices | Short to medium term |
| | Expansion of the test business for power semiconductors in line with the EV transition and growing demand for SiC/GaN semiconductors for power conversion efficiency | - Developing new testing methods and testing devices<br>- Providing solutions to increasingly sophisticated testing needs and optimizing test efficiency | Short to medium term |
| | Maintaining competitive advantage and business growth through improved customer reliability through the development of products with superior environmental performance | - Steady implementation of the introduction of power optimized products based on the Sustainability Action Plan 2024-2026 | Short to medium term |

**3) 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 risks and anticipated risks posed by climate change and implements countermeasures to avoid and mitigate those risks within the company-wide risk management system.

**4) Metrics and Targets**

Climate change related metrics and targets are listed in “(1) Sustainability in general 5) Metrics and Targets”.

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. For more details, please see our website. Furthermore, Advantest has established Scope 3 GHG emissions reduction targets for FY 2030. However, in light of changes in the business environment, we are currently reviewing our Scope 3 targets and considering specific measures to achieve these targets.

The GHG emissions for FY2023, as outlined below, are estimates as of the filing date. As with other major performance figures, they will undergo third-party assurance by Ernst & Young ShinNihon LLC and be published on our group website (scheduled for release in October 2024).

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

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

GHG emissions (Scope 1+2) (Note 1)

Unit: 1,000 t-$CO_2$e

| Boundary | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 (Note 2) |
|---|---|---|---|---|---|---|
| Japan | 19.68 | 19.14 | 16.25 | 11.83 | 11.04 | 9.22 |
| Overseas | 18.45 | 14.71 | 11.93 | 13.21 | 9.43 | 8.89 |
| Total | 38.13 | 33.85 | 28.18 | 25.04 | 20.47 | 18.10 |

GHG emissions (Scope 3)

Unit: 1,000 t-$CO_2$e

| Boundary | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 (Note 2) |
|---|---|---|---|---|---|---|
| Category 1 | 489.53 | 400.46 | 482.02 | 671.61 | 966.74 | 881.84 |
| Category 11 | 1,175.02 | 855.01 | 1,151.98 | 1,319.35 | 1,991.31 | 1,519.50 |
| Others (Note 3) | 28.62 | 35.37 | 49.40 | 61.95 | 80.26 | Currently aggregating the data |
| Total | 1,693.16 | 1,290.84 | 1,683.41 | 2,052.92 | 3,038.31 | Currently aggregating the data |

(Notes) 1. The Scope 2 calculations are based on the market-based method.

2. GHG emissions for fiscal year 2023 are estimated values as of the filing date.

3. Advantest does not conduct activities that fall under the following categories: 10 (Processing of sold products), 13 (Downstream leased assets), 14 (Franchises), or 15 (Investments). Therefore, these categories are not included in the calculation.

**(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 an increase on 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 that 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

Metrics related to human capital are included in " (1) Sustainability in general 5) Metrics and Goals.

## 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 tracked by the Chief Compliance Officer (CCO). In addition, certain types of risk information are reported directly to the Board of Directors and the Executive Management Committee.

A Risk Management Group, headed by the Group COO, 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 Management Committee into its own priority measures.

The Internal Control Committee defines the factors (risks) 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 supports and reviews the risk analyses of individual units and promotes 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.

Risks regarding Compliance-related risk are tracked by the CCO. The CCO then reports regularly to the Board of Directors and the Executive Management Committee. In the event of a compliance-related incident, the CCO promptly instructs the relevant unit to take actions and reports the status of the response to the Board of Directors 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, 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 Advantest as of the end of the fiscal year ended March 31, 2024.

Risk Map

| Degree of impact | Low | Middle | High |
|---|---|---|---|
| Major | (1) - e Catastrophic loss (Disaster)<br>(2) - b Life cycle<br>(4) - a Concentration<br>(4) - b Cash flow<br>(5) - a Succession planning<br>(6) - a Image and branding<br>(7) - a Infrastructure<br>(8) - c Intellectual property | (1) - d Competitors<br>(2) - a Investment valuation / evaluation(M&A/Alliance)<br>(7) - b Information Security<br>(8) - a Sourcing | (1) - a Industry<br>(1) - b Sensitivity<br>(1) - c Regulatory<br>(3) - a Currency |
| Middle | (2) - d Investment valuation/ evaluation (CAPEX)<br>(2) - e Product development | (2) - c Business portfolio<br>(2) - f Product/Service pricing<br>(8) - b Human capital | |
| Minor | | | |
| | Probability of occurrence | | |

| Classification | Risk Items | | Probability of occurrence | Degree of impact |
|---|---|---|---|---|
| External environment | (1) - a | Industry | High | Major |
| | (1) - b | Sensitivity | High | Major |
| | (1) - c | Regulatory | High | Major |
| | (1) - d | Competitors | Middle | Major |
| | (1) - e | Catastrophic loss (Disaster) | Low | Major |
| Decision-making | (2) - a | Investment valuation / evaluation(M&A/Alliance) | Middle | Major |
| | (2) - b | Life cycle | Low | Major |
| | (2) - c | Business portfolio | Middle | Middle |
| | (2) - d | Investment valuation / evaluation (CAPEX) | Low | Middle |
| | (2) - e | Product development | Low | Middle |
| | (2) - f | Product/Service pricing | Middle | Middle |
| Financial price | (3) - a | Currency | High | Major |
| Financial liquidity | (4) - a | Concentration | Low | Major |
| | (4) - b | Cash flow | Low | Major |
| Governance | (5) - a | Succession planning | Low | Major |
| Reputation | (6) - a | Image and branding | Low | Major |
| Information technology | (7) - a | Infrastructure | Low | Major |
| | (7) - b | Information Security | Middle | Major |
| Operations | (8) - a | Sourcing | Middle | Major |
| | (8) - b | Human capital | Middle | Middle |
| | (8) - c | Intellectual property | Low | Major |

(Note) Symbols in the chart are risk types and serial numbers, which correspond to the classification of each risk as described below.

**(1) External environment**

**(1) - a Industry**

| ***Advantest's business and results of operations are subject to significant demand volatility in the semiconductor industry*** | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| 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;
・trends in the high performance semiconductor market by expanding AI/Artificial Intelligence, image recognition and speech recognition services using neural networks;
・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;

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  Sensitivity**

| *Advantest's business is subject to economic, political and other risks associated with international operations and sales* | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| 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 FY2023, 84.6% 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 3.6% 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 the trade war between the United States of America and China and economic security implications;
・risks with respect to social and political crises, including issues arising from deteriorating political and economic relationships, power struggles, terrorism, war, or other conflicts between countries;
・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;
・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; and
・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  Regulatory

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

(1) - d  Competitors

| *Advantest faces fierce competition in its businesses, and if Advantest is not able to maintain or expand its market share, its business may suffer* | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| Middle | Major |
| Advantest faces stiff competition throughout the world. Advantest's primary competitors in the semiconductor and component test system market include, among others, Teradyne, Inc., Cohu, Inc., YC Corp., UniTest Co., Ltd., EXICON Ltd., Hangzhou Changchuan Technology Co., Ltd.(CCTech) and Beijing Huafeng Test & Control Technology Co., Ltd.(Accotest). In the mechatronics system related market, Advantest also competes with Cohu, Inc., TechWing, Inc., Hon. Precision, Inc. and Hangzhou Changchuan Technology Co., Ltd.(CCTech) in test handler devices, and with TSE Co., Ltd., ISC. Ltd. and BeLINK Co., Ltd. in device interfaces. Some of these competitors have greater financial and other resources than Advantest.<br>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.<br>To compete effectively and maintain and expand its market share, Advantest must continue to enhance its business processes to lower the cost of its products or introduce enhancements that lower overall testing costs. Advantest also expects its competitors to continue to introduce new products with improvements in price and performance, as well as increasing their customer service and support offerings, and expects new market participants to launch low-price testers. Significant increases in competition may weaken Advantest's earnings. | |
| To reduce this risk, Advantest strives to maintain product competitiveness by understanding its customer needs, analyzing the competitive landscape, and provide unique technologies as well as value-added solutions. | |

**(1) - e Catastrophic loss (Disaster)**

<table>
<tr><td colspan="2">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><td>Probability of occurrence</td><td>Degree of impact</td></tr>
<tr><td>Low</td><td>Major</td></tr>
<tr><td colspan="2">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.<br><br>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 suffer catastrophic damage from events such as earthquakes or floods, this could significantly disrupt operations, delay production and shipments, reduce revenue, and incur substantial repair or replacement costs. 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 suffer catastrophic damage.<br><br>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="2">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 Investment valuation/evaluation (M&A/Alliance)**

<table>
<tr><td colspan="2">Goodwill and intangible assets resulting from Advantest business acquisitions could have a material adverse effect on Advantest's financial condition and results of operations due to significant impairment losses</td></tr>
<tr><td>Probability of occurrence</td><td>Degree of impact</td></tr>
<tr><td>Middle</td><td>Major</td></tr>
<tr><td colspan="2">If there is any indication of impairment for property, plant and equipment, goodwill and intangible assets, the assets are tested for impairment. Goodwill is also tested for impairment on an annual basis, whether there is any indication of impairment.<br><br>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.</td></tr>
<tr><td colspan="2">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 Life cycle**

<table>
<tr><td colspan="2">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>Probability of occurrence</td><td>Degree of impact</td></tr>
<tr><td>Low</td><td>Major</td></tr>
<tr><td colspan="2">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:<br><br>・test solutions of SoC semiconductors that incorporate more advanced memory semiconductors, logic, analog and sensor circuits;<br>・test solutions of power semiconductors that control small and large motor drives;<br>・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;<br>・solutions of parametric test for measuring and verifying electrical and timing characteristics for the characterization and monitoring of leading-edge semiconductor wafers;<br>・mechatronics-related products which transport devices and silicon die faster, more accurately and more stably;<br>・test solutions of testing technologies that employ self test-circuit designs incorporated into semiconductor chips;<br>・test solutions of testing technologies that employ test circuit designs for device under test (DUT);<br>・test solutions of system level testing that guarantee performance of the final products;<br>・test solutions of testing temperatures for dynamic and delicate control of the test environment;<br>・prompt response and quick repair in the event of system failure;<br>・total solutions that allow customers to reduce their testing costs;<br>・solution by electron-beam metrology to enable reliable pattern critical dimension measurement or defect review on a leading-edge photomask; and<br>・jigs and tools that meet the customer's latest device under test and test specifications.<br><br>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.<br><br>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.</td></tr>
<tr><td colspan="2">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.</td></tr>
</table>

**(2) - c　Business portfolio**

<table>
<tr><td colspan="2">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>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>Middle</td><td>Middle</td></tr>
<tr><td colspan="2">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="2">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　Investment valuation/evaluation (CAPEX)**

<table>
<tr><td colspan="2">Advantest may not be able to recover its capital expenditures</td></tr>
<tr><th>Probability of occurrence</th><th>Degree of impact</th></tr>
<tr><td>Low</td><td>Middle</td></tr>
<tr><td colspan="2">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="2">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 Product development**

| *Advantest may not recoup costs incurred in the development of new products* | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| 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 Product/Service pricing**

| *Advantest's product lines are facing price pressure* | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| Middle | Middle |
| 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 Currency

<table>
<tr><td colspan="2">Fluctuations in exchange rates could reduce Advantest’s profitability</td></tr>
<tr><td>Probability of occurrence</td><td>Degree of impact</td></tr>
<tr><td>High</td><td>Major</td></tr>
<tr><td colspan="2">The majority of Advantest’s net sales are derived from products sold to customers located outside of Japan. Of Advantest’s FY2023 net sales, 95.9% were from products sold to overseas customers. Approximately 72% of Advantest’s net sales in FY2023 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.<br><br>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.<br><br>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="2">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 Concentration

<table>
<tr><td colspan="2">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</td></tr>
<tr><td>Probability of occurrence</td><td>Degree of impact</td></tr>
<tr><td>Low</td><td>Major</td></tr>
<tr><td colspan="2">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 28% for FY2022 and approximately 29% for FY2023. 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.</td></tr>
<tr><td colspan="2">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.</td></tr>
</table>

**(4) - b Cash flow**

| *Advantest is at risk of not being able to raise funds when necessary* | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| Low | Major |
| 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.<br>Furthermore, Advantest maintains a good relationship with several financial institutions to enable immediate financing when necessary. | |

**(5) Governance**

**(5) - a Succession planning**

| *Advantest may not ensure management stability and sustainability if a succession plans of the Group CEO and executives do not function* | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| Low | Major |
| 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. | |
| 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. Advantest announced that Mr. Douglas Lefever has succeeded from Mr. Yoshiaki Yoshida as Group CEO, effective April 1, 2024. The same process will be followed for future succession planning. 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. | |

**(6) Reputation**

**(6) - a Image and branding**

| *Advantest's financial position and business performance may be adversely affected by damage to its brand power or loss of trust* | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| Low | Major |
| Advantest is at risk of damaging its brand power or losing credibility due to actions that violate laws or social ethics, or due to a decline in safety, reliability, and product performance, including product liability. As a result, Advantest may face social measures such as suspension of transactions or sanctions.<br>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. | |
| To reduce this risk, Advantest established the Compliance Department and have been carried out company-wide activities to raise awareness of legal compliance for the preservation of its credibility. Advantest also operates project management methods such as the State Gate System and conduct regular development reviews, including quality reviews, at each phase to provide safe and reliable products. Furthermore, in addition to various quality checks during the production process, Advantest strive to stabilize quality through cross-checks by Quality Assurance Department. | |

**(7) Information technology**

**(7) - a Infrastructure**

| *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* | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| Low | Major |
| Digital Transformation is an initiative to increase the competitiveness of companies with data and digital technologies. There are high expectations for digital transformation in a wide range of fields, including the utilization using IoT and artificial intelligence to revolutionize manufacturing floor, the creation of new value through the sharing of data between production facilities and logistics, and the response to changes in the business environment brought about by the COVID-19.<br>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. | |
| To reduce this risk, Advantest reviews IT systems and promotes applications continuity and alternatives to new market technologies. Advantest is also working to expand the Digital Workplace (Workplaces created by digital technologies) concept worldwide and connect it to opportunities for organizations to innovate. | |

**(7) - b Information Security**

<table>
<tr><td colspan="2">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><td>Probability of occurrence</td><td>Degree of impact</td></tr>
<tr><td>Middle</td><td>Major</td></tr>
<tr><td colspan="2">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="2">To reduce this risk, Advantest constantly monitors cyber-attacks to enhance their detection and strives to improve employee awareness through regular information security education. In addition, Advantest formed the Advantest CSIRT* to reinforce initial response systems for information security incidents.<br>*CSIRT (Computer Security Incident Response Team)</td></tr>
</table>

**(8) Operations**

**(8) - a Sourcing**

| ***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*** | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| Middle | Major |

Advantest relies on suppliers to perform some of the assembly requirements for its products. In addition, many of the components used in Advantest's semiconductor and component test systems and mechatronics systems are produced by suppliers based on Advantest's specifications. Advantest's reliance on these suppliers may give it less control over the manufacturing process and exposes it to significant risks, especially inadequate manufacturing capacity, late delivery, substandard quality, lack of labor availability and high costs. In addition, Advantest depends on a sole source or a limited number of suppliers for a portion of its components and parts and purchases most parts and components on individual orders without entering into long-term supply agreements.

If a supplier becomes unable to provide components or parts in the volumes needed and at acceptable prices, or if a supplier withdraws from business thereby stopping production or sales of custom or general components and parts that Advantest uses or will use in the future, or a large-scale natural disaster or electricity shortage occurs, Advantest would have to identify and procure acceptable replacements. Advantest may lose its capacity to supply test systems if it becomes unable to procure acceptable replacements.

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.

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.

**(8) - b　Human capital**

| ***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*** | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| Middle | Middle |

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.

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, introducing retention RSUs (Restricted Stock Units) for some key engineers, investing in employee development and creating a system for transmission on knowledge and skills.

**(8) - c　Intellectual property**

| ***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.*** | |
|---|---|
| **Probability of occurrence** | **Degree of impact** |
| Low | Major |

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.

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.

## 4. Management's Discussion and Analysis

### (1) Analysis of Results of Operations

#### 1) Statement of Operations

| | Fiscal year ended March 31, 2023 (Millions of Yen) | Fiscal year ended March 31, 2024 (Millions of Yen) | Change (Millions of Yen) | Change (%) |
|---|---|---|---|---|
| Net sales | 560,191 | 486,507 | (73,684) | (13.2) |
| Cost of sales | (241,130) | (240,477) | 653 | (0.3) |
| Selling, general and administrative expenses | (152,042) | (158,963) | (6,921) | 4.6 |
| Other income (expenses), net | 668 | (5,439) | (6,107) | — |
| Operating income | 167,687 | 81,628 | (86,059) | (51.3) |
| Operating income ratio | 29.9% | 16.8% | (13.1%) | — |
| Financial income (expenses), net | 3,583 | (3,458) | (7,041) | — |
| Income before income taxes | 171,270 | 78,170 | (93,100) | (54.4) |
| Income taxes | (40,870) | (15,880) | 24,990 | (61.1) |
| Net income | 130,400 | 62,290 | (68,110) | (52.2) |
| Net income attributable to: | | | | |
| Owners of the parent | 130,400 | 62,290 | (68,110) | (52.2) |

During Advantest's fiscal year ended March 31, 2024, despite the post-COVID normalization, the global economy experienced further deceleration due to factors such as monetary tightening mainly in the U.S. and Europe and slowing growth in the Chinese economy.

Under such global economic situation, due to deceleration in investments in data centers in addition to slowdown in demand for semiconductors used in cornerstone consumer electronics products such as smartphones, personal computers, and televisions, the semiconductor market experienced a decline in demand for related semiconductors. While demand for some semiconductors, such as those related to generative AI, has been increasing and semiconductor sales turned around to an increase in the second half of the year, on a full-year basis, they were in line with the previous fiscal year.

In Advantest's semiconductor test equipment business, investment by customers over the last three years had been robust. However, the weakening of the semiconductor market conditions led to excess capacity among many customers' supply chains, causing demand for our products to decline significantly compared to the previous fiscal year.

Average currency exchange rates in the consolidated fiscal year were 1 USD to 143 JPY (134 JPY in the previous fiscal year) and 1 EUR to 155 JPY (140 JPY in the previous fiscal year).

***Net sales***

Advantest faced a decline in demand for our products due to low utilization of our customers' equipment resulting from an elevated level of tester deliveries over the past three years up to FY2022, combined with soft market conditions. By business segment, although sales for SoC testers for mature process devices such as automotive and industrial was solid, sales for advanced process devices for major consumer applications such as smartphones and PCs and for data center-related applications declined.

As a result of above, net sales for FY2023 decreased by ¥73,684 million, or 13.2%, from the previous fiscal year to ¥486,507 million.

***Cost of sales***

In FY2023, cost of sales decreased by ¥653 million, or 0.3%, compared to FY2022 to ¥240,477 million due to the decrease of net sales. Cost of sales to net sales ratio was 49.4%, an increase of 6.4 percentage points from FY2022 due to factors including a change in product mix and an increase in raw material cost.

***Selling, general and administrative expenses***

Selling, general and administrative expenses for FY2023 increased by ¥6,921 million, or 4.6%, from the previous fiscal year to ¥158,963 million.

***Other income (expenses), net***

In FY2023, other income (expenses) deteriorated by ¥6,107 million compared to an income of ¥668 million for FY2022 to a loss of ¥5,439 million due to an impairment loss for a portion of goodwill of ¥8,998 million in the fourth quarter.

***Operating income***

As a result of the above, in FY2023, Advantest's operating income decreased by ¥86,059 million, or 51.3%, compared to FY2022, resulting in operating income of ¥81,628 million. Operating income to net sales ratio was 16.8%, a decrease of 13.1 percentage points from FY2022.

***Financial income (expenses), net***

In FY2023, net financial income deteriorated by ¥7,041 million compared to an income of ¥3,583 million for FY2022 to a loss of ¥3,458 million. This was mainly due to an increase in financial expenses caused by foreign exchange losses.

***Income before income taxes***

As a result of the above, income before income taxes decreased by ¥93,100 million, or 54.4%, compared to FY2022, resulting in income before income taxes of ¥78,170 million in FY2023.

***Income taxes***

In FY2023, Advantest's effective tax rate was 20.3%, while the effective income tax rate for FY2022 was 23.9% as deferred tax assets of approximately ¥3.8 billion, which are likely to be realized in Japan within a certain period in the future, were recognized in the fourth quarter of FY2023. For more details on income taxes of Advantest in FY2023 and FY2022, see note 15 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 FY2023, Advantest's net income attributable to owners of the parent decreased by ¥68,110 million, or 52.2%, compared to FY2022, resulting in an income of ¥62,290 million. Net income attributable to owners of the parent to net sales ratio was 12.8%, a decrease of 10.5 percentage points from FY2022.

**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, 2024 by segment are as follows.

| | Amount (Millions of Yen) | Change (%) |
|---|---|---|
| Semiconductor and Component Test System Segment | 331,542 | (18.0) |
| Mechatronics System Segment | 52,695 | (12.0) |
| Services, Support and Others Segment | 102,270 | 6.4 |
| Elimination | — | — |
| Total | 486,507 | (13.2) |

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

2. Sales by major counterparties and total sales ratio for the fiscal year ended March 31, 2024 are as follows.

| Customer | Amount (Millions of Yen) | % |
|---|---|---|
| Samsung Electronics Co., Ltd. | 55,325 | 11.4 |

(Notes) There was no counterparty that accounted for 10% or more of the net sales for the fiscal year ended March 31, 2023.

**3) Operations by Segment**

***Semiconductor and Component Test System Segment***

In FY2023, net sales of Advantest's Semiconductor and Component Test System Segment accounted for 68.1% of total net sales.

In this segment, sales of SoC semiconductor test equipment for legacy semiconductors such as those for automotive and industrial equipment-related applications were solid. However, slow market conditions for smartphones and a deceleration in server investment led to a decline in sales of high-performance semiconductors related to these devices. Sales of memory semiconductor test equipment exceeded the previous fiscal year's level, driven by robust tester demand for high-performance DRAM and an increase in sales to Chinese memory customers. In terms of profit, profitability in this segment declined as a result of lower sales as well as a change in product mix and an increase in raw material cost.

As a result, net sales of Advantest's Semiconductor and Component Test System Segment for FY2023 decreased by ¥72,710 million, or 18.0%, compared to FY2022 to ¥331,542 million, and segment income decreased by ¥71,270 million, or 43.7%, compared to FY2022 to ¥91,916 million.

***Mechatronics System Segment***

In FY2023, net sales of Advantest's Mechatronics System Segment accounted for 10.8% of total net sales.

In this segment, sales of device interface products and test handlers decreased due to a decline in demand for semiconductor test equipment.

As a result, net sales of Advantest's Mechatronics System Segment for FY2023 decreased by ¥7,179 million, or 12.0%, compared to FY2022 to ¥52,695 million, and segment income decreased by ¥5,793 million, or 38.7%, compared to FY2022 to ¥9,171 million.

*Services, Support and Others Segment*

In FY2023, net sales of Advantest's Services, Support and Others Segment accounted for 21.0% of total net sales.

In this segment, maintenance services sales increased as Advantest's installed base grew. However, in our system-level test (SLT) business, Advantest's ongoing investments in reinforcing SLT production capabilities in anticipation of mid/long-term business growth resulted in an increase in costs. Moreover, an impairment loss of ¥8,998 million was recorded for a portion of goodwill, as sales forecast related to test sockets for a large-volume customer of Essai, Inc. is weaker than originally expected, causing future cash flow projections to deteriorate. As a result, profit in this segment fell significantly year-on-year. The segment loss in the consolidated fiscal year includes ¥3,179 million in settlement income mainly related to a dispute with the counterparty.

As a result, net sales of the Services, Support and Others Segment for FY2023 increased by ¥6,166 million, or 6.4%, compared to FY2022 to ¥102,270 million, and segment loss deteriorated by ¥10,457 million compared to an income of ¥7,629 million for FY2022 to ¥2,828 million.

**4) Sales by Geographic Markets**

Advantest's overseas sales as a percentage of total sales was 95.9% for FY2023 (96.3% in FY2022).

*Japan*

Net sales in Japan decreased by ¥799 million, or 3.9%, compared to FY2022 to ¥19,723 million in FY2023.

*Asia (excluding Japan)*

Net sales in Asia (excluding Japan) decreased by ¥67,939 million, or 14.2%, compared to FY2022 to ¥411,520 million in FY2023. This was mainly due to weak sales of test systems for SoC semiconductors in both Taiwan and Korea.

*Americas*

Net sales in the Americas decreased by ¥5,261 million, or 12.3%, compared to FY2022 to ¥37,621 million in FY2023.

*Europe*

Net sales in Europe increased by ¥315 million, or 1.8%, compared to FY2022 to ¥17,643 million in FY2023.

**(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 increased by ¥21,165 million to ¥106,702 million as of March 31, 2024.

*Cash flows from operating activities*

Net cash provided by operating activities was ¥32,668 million, a decrease of ¥37,556 million yen compared to FY2022. This amount was primarily attributable to income taxes paid of ¥45,984 million, an increase of ¥30,923 million in inventories, a decrease of ¥17,400 million in trade and other receivables, a decrease of ¥16,857 million in trade and other payables and adjustments of non-cash items such as depreciation and amortization in addition to the income before income taxes of ¥78,170 million.

*Cash flows from investing activities*

In FY2023, expenditure was ¥27,940 million, an increase of ¥1,234 million compared to the previous consolidated fiscal year. This amount was primarily attributable to purchase of property, plant and equipment of ¥19,592 million and acquisition of subsidiaries of ¥8,260 million.

***Cash flows from financing activities***

Net cash provided by financing activities was ¥10,760 million, an increase of ¥88,194 million compared to the previous consolidated fiscal year. This amount was primarily attributable to an increase of ¥54,665 million in long-term borrowings, dividends paid of ¥24,881 million and repayments of long-term borrowings of ¥14,667 million.

**3) Assets, Liabilities and Equity**

Total assets as of March 31, 2024 amounted to ¥671,229 million, an increase of ¥71,005 million compared to March 31, 2023. This was primarily due to the increases of ¥35,307 million in inventories, ¥21,165 million in cash and cash equivalents and ¥14,838 million in property, plant and equipment.

Liabilities increased by ¥8,521 million from the end of FY2022 to ¥240,051 million as of March 31, 2024. This was mainly due to an increase of ¥41,786 million in borrowings, offset by decreases of ¥20,373 million in income taxes payable and ¥12,339 million in trade and other payables.

The amount of total equity or equity attributable to owners of the parent as of March 31, 2024 was ¥431,178 million, an increase of ¥62,484 million compared to March 31, 2023. Equity attributable to owners of the parent to assets ratio was 64.2% as of March 31, 2024, an increase of 2.8 percentage points from March 31, 2023.

**(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. However, given their nature, actual results may differ from those estimates and assumptions.

Advantest's material accounting policies and significant accounting 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

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 ¥60.1 billion in FY2022 and approximately ¥65.5 billion in FY2023. The number of employees in its research and development division is approximately 30% of Advantest group workforce.

The contents and achievements for FY2023 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 algorithm 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 test equipment for handling silicon die required for the latest chiplet devices;
- 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, magnetism and sonic waves 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 ¥20.8 billion (including property, plant and equipment and intangible assets) during the fiscal year ended March 31, 2024, 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 ¥9.3 billion were made in the semiconductor and component test system business segment, ¥1.2 billion in the mechatronics system business segment and ¥9.5 billion in the services, support and others segment, respectively.

### 2. Status of Major Facilities

The Company

As of March 31, 2024

| 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 m²) | 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 | 2,924 | 4,069 (195,617.84) | 2,697 | 9,690 | 1,210 |
| Saitama R&D Center (Shin-tone, Kazo-shi, Saitama) | Mechatronics System Business | Development equipment | 220 | 1,388 (56,977.77) | 401 | 2,009 | 159 |
| Kitakyushu R&D Center (Yahatahigashi-ku, Kitakyushu-shi, Fukuoka) | Semiconductor and Component Test System Business | Development equipment | 502 | 560 (5,460.60) | 73 | 1,135 | 2 |
| Sendai Laboratory (Aoba-ku, Sendai-shi, Miyagi) | Semiconductor and Component Test System Business, Basic Research | Manufacturing equipment and Research and development equipment | 616 | 469 (29,728.19) | 1,314 | 2,399 | 7 |
| Gunma Factory (Ora-machi, Ora-gun, Gunma) | Semiconductor and Component Test System Business, Mechatronics System Business, Services, Support and Others | Manufacturing equipment | 887 | 1,593 (88,512.16) | 2,675 | 5,155 | 365 |

Overseas Subsidiaries

As of March 31, 2024

| 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 m²) | Others | Total | |
| Advantest Korea Co., Ltd. (Cheonan, South Korea) | Semiconductor and Component Test System Business, Mechatronics System Business, Services, Support and Others | Manufacturing equipment | 4,004 | 2,112 (39,605) | 982 | 7,098 | 258 |
| Essai, Inc. (Note) (California, U.S.A.) | Services, Support and Others | Manufacturing equipment | 1,979 | 2,109 (60,195) | 9,307 | 13,395 | 257 |

(Note) "Others" of Essai, Inc. includes construction in progress resulting from delays in the completion of buildings and others that were listed as important plans of facilities investment in the fiscal year ended March 31, 2023.

### 3. Plans for New Facilities Installation, Retirement

No particular matters to be noted.

# Item4. Status of the Company

## 1. Status of Shares

### (1) Total Number of Shares

#### 1) Total Number of Shares

| Class | Total number of shares authorized to be issued (shares) |
|---|---|
| Common shares | 1,760,000,000 |
| Total | 1,760,000,000 |

#### 2) Total Number of Issued Shares

| Class | Number of issued shares as of the end of the current fiscal year (shares) (March 31, 2024) | Number of issued shares as of the filing date (shares) (June 26, 2024) | Stock exchange on which the Company is listed | Description |
|---|---|---|---|---|
| Common shares | 766,141,256 | 766,141,256 | Tokyo Stock Exchange Prime Market | One unit of shares constitutes 100 shares |
| Total | 766,141,256 | 766,141,256 | — | — |

(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, 2024 and such filing date.

**(2) Status of Stock Acquisition Rights**

**1) Stock Acquisition Rights**

| Resolution date at the Board of Directors' Meeting | June 26, 2019 | 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<br>Total: 24 members | Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) and executive officers<br>Total: 24 members |
| Number of stock acquisition rights* | 620<br>[620] | 820<br>[820] |
| Class, details, and number of shares to be issued upon exercise of stock acquisition rights* | (Note 2)<br>Common shares<br>247,380<br>[247,380] | (Note 2)<br>Common shares<br>327,180<br>[327,180] |
| Unit Exercise price to be paid upon exercise of each stock acquisition right* | ¥773 per share (Note 1, 2) | ¥1,748 per share (Note 1, 2) |
| Exercise period of the stock acquisition rights* | Between July 13, 2021<br>to July 12, 2024 | Between July 14, 2022<br>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: ¥773<br>Amount to be included in capital: ¥483 | Issue price: ¥1,748<br>Amount to be included in capital: ¥1,133 |
| 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, 2024. The contents as of the end of the month prior to the filing date (May 31, 2024) are shown in [ ] for items that have changed since the end of the fiscal year ended March 31,2024 to the end of the month prior to the filing date (May 31, 2024). Other matters remain unchanged from the end of the fiscal year ended March 31, 2024.

(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

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

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

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

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

2. When the 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.

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

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

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

4. (1) Acquisition of the stock acquisition rights by transfer shall require approval by the Board of Directors' meeting. Provided, however, if it is the Company acquiring the stock acquisition rights by transfer, such transfer shall be deemed to be approved by the Board of Directors' meeting.
   (2) The stock acquisition rights held by its holder (a "Stock Option Holder") shall be transferred to the Company for no consideration if any of the following events occurs:
      (a) the general meeting of shareholders resolves to approve (if approval by the shareholders' meeting is not legally required, then the Board of Directors' meeting may approve) (i) any merger agreement pursuant to which the Company shall dissolve, (ii) any agreement or a plan pursuant to which the Company shall split all or part of its business or (iii) any 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 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).
5. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. Accordingly, regarding the stock acquisition rights resolved in 2019 and 2020, "Class, details, and number of shares to be issued upon exercise of stock acquisition rights," "Unit Exercise price to be paid upon exercise of each stock acquisition right" and "The amount of capital and the additional paid-in capital increased by the issuance of shares upon exercise of the stock acquisition rights" are adjusted to the numbers that reflect the share split.

**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 1) | (24,505) | 199,542,265 | — | 32,363 | — | 32,973 |
| September 9, 2022 (Note 1) | (8,000,000) | 191,542,265 | — | 32,363 | — | 32,973 |
| September 8,2023 (Note 1) | (6,951) | 191,535,314 | — | 32,363 | — | 32,973 |
| October 1, 2023 (Note 2) | 574,605,942 | 766,141,256 | — | 32,363 | — | 32,973 |

(Notes) 1. The decrease is due to the cancellation of treasury shares.

2. Due to the share split (4-for-1).

**(5) Shareholding by Shareholder Category**

As of March 31, 2024

| 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 | — | 75 | 63 | 784 | 998 | 177 | 73,942 | 76,039 | — |
| Number of shares held (units) | — | 3,481,571 | 216,835 | 62,483 | 3,038,027 | 838 | 858,316 | 7,658,070 | 334,256 |
| Percentage of shares held (%) | — | 45.46 | 2.83 | 0.82 | 39,67 | 0.01 | 11.21 | 100.00 | — |

(Notes) 1. 27,729,675 shares of treasury shares are included as 277,296 units in the item of "Individuals and others" and as 75 shares in the item of "Status of shares less than one unit."

2. The columns of "Other corporations" and "Status of shares less than one unit" include 137 units and 84 shares in the name of Japan Securities Depository Center, respectively.

**(6) Major Shareholders**

As of March 31, 2024

| 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) | 1-8-1 Akasaka, Minato-ku, Tokyo | 223,054 | 30.20 |
| Custody Bank of Japan, Ltd. (Trust Account) | 1-8-12 Harumi, Chuo-ku, Tokyo | 101,314 | 13.72 |
| 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) | 20,401 | 2.76 |
| MOXLEY & CO LLC (Standing proxy: Mizuho Bank, Ltd) | 270 PARK AVE., NEW YORK, NY 10017, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo) | 17,368 | 2.35 |
| 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) | 15,752 | 2.13 |
| BBH FOR UMB BANK, NA - WCM FOCUSED INTERNATIONAL GROWTH FUND (Standing proxy: MUFG Bank, Ltd.) | 235 W GALENA ST MILWAUKEE WISCONSIN 53212 U.S.A. (2-7-1, Marunouchi, Chiyoda-ku, Tokyo) | 10,412 | 1.41 |
| JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd.) | 25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1, Konan, Minato-ku, Tokyo) | 10,229 | 1.38 |
| BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: MUFG Bank, Ltd.) | PETERBOROUGH COURT 133 FLEET STREET LONDON EC4A 2BB UNITED KINGDOM (2-7-1, Marunouchi, Chiyoda-ku, Tokyo) | 8,812 | 1.19 |
| JPMorgan Securities Japan Co., Ltd. | 2-7-3, Marunouchi, Chiyoda-ku, Tokyo | 8,802 | 1.19 |
| SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch) | ONE CONGRESS STREET, SUITE 1, BOSTON MASSACHUSETTS (3-11-1, Nihonbashi, Chuo-ku, Tokyo) | 7,932 | 1.07 |
| Total | — | 424,081 | 57.43 |

(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.
The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023, but the following number of shares held shows the number of shares before the share split.

| | |
|---|---|
| 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 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.
The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023, but the following number of shares held shows the number of shares before the share split.

| | |
|---|---|
| Large Shareholders "Co-Owners" | BlackRock Japan Co., Ltd. and 9 other companies |
| Number of shares held | 15,459,133 shares |
| Shareholding ratio | 7.75% |

4. According to the large shareholding report "change report" made available for public inspection on December 4, 2023, the following large shareholders are stated to jointly hold the following shares as of November 28, 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 | 70,635,400 shares |
| Shareholding ratio | 9.22% |

5. According to the large shareholding report "change report" made available for public inspection on December 4, 2023, the following large shareholder is stated to jointly hold the following shares as of November 27, 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 Shareholder "Co-Owners" | Nomura Asset Management CO., Ltd. |
| Number of shares held | 94,513,840 shares |
| Shareholding ratio | 12.34% |

6. According to the large shareholding report "change report" made available for public inspection on April 1, 2024, the following large shareholders are stated to jointly hold the following shares as of March 25, 2024, 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 | 46,475,410 shares |
| Shareholding ratio | 6.07% |

### (7) Status of Voting Rights

#### 1) Issued Shares

As of March 31, 2024

| 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 | 27,729,600 | — | — |
| Shares with full voting rights (others) | Common shares | 738,077,400 | 7,380,774 | — |
| Less than one unit shares | Common shares | 334,256 | — | — |
| Total number of issued shares | | 766,141,256 | — | — |
| Total voting rights held by all shareholders | | — | 7,380,774 | — |

(Note) In the column of "Shares with full voting rights (others)," there are 13,700 shares in the name of Japan Securities Depository Center (137 voting rights) and in the column of "Less than one unit Shares," 84 shares in the name of Japan Securities Depository Center.

#### 2) Treasury Shares

As of March 31, 2024

| 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 | 27,729,600 | — | 27,729,600 | 3.61 |
| Total | — | 27,729,600 | — | 27,729,600 | 3.61 |

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

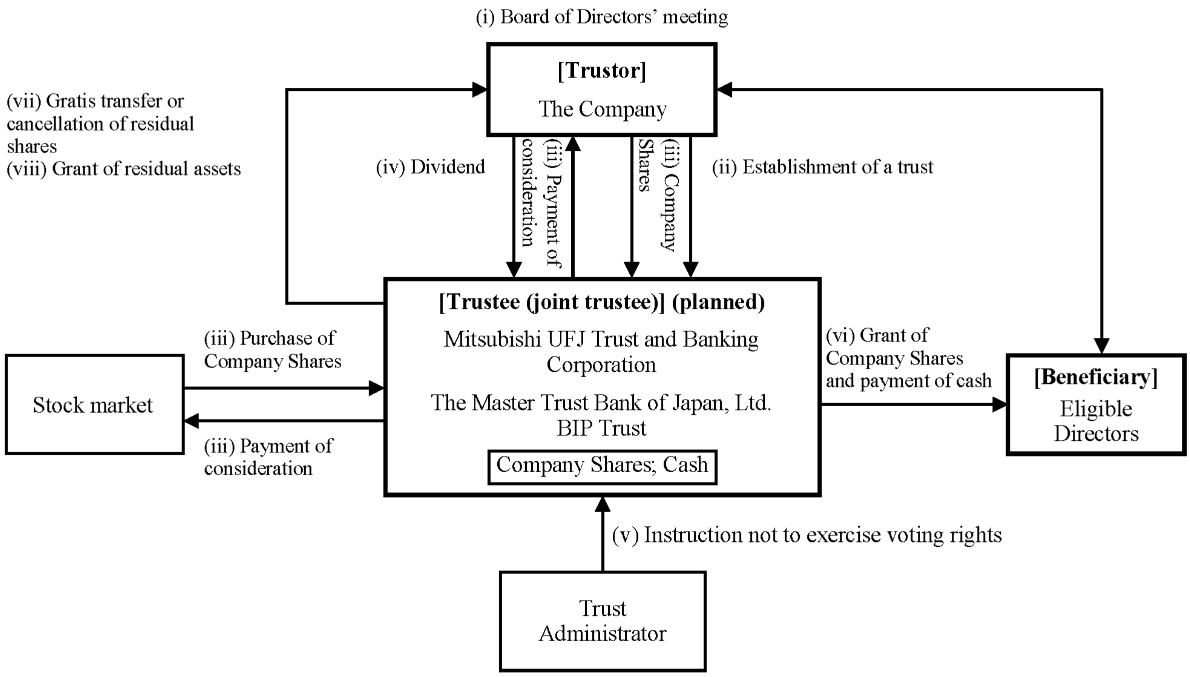
Since the Company has replaced the existing stock option plans and performance-based stock remuneration plans (the “Plan”) with a new share-based compensation plan consisting of a restricted stock compensation plan and a performance share unit plan, no additional establishment of trusts with regard to 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 24 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.

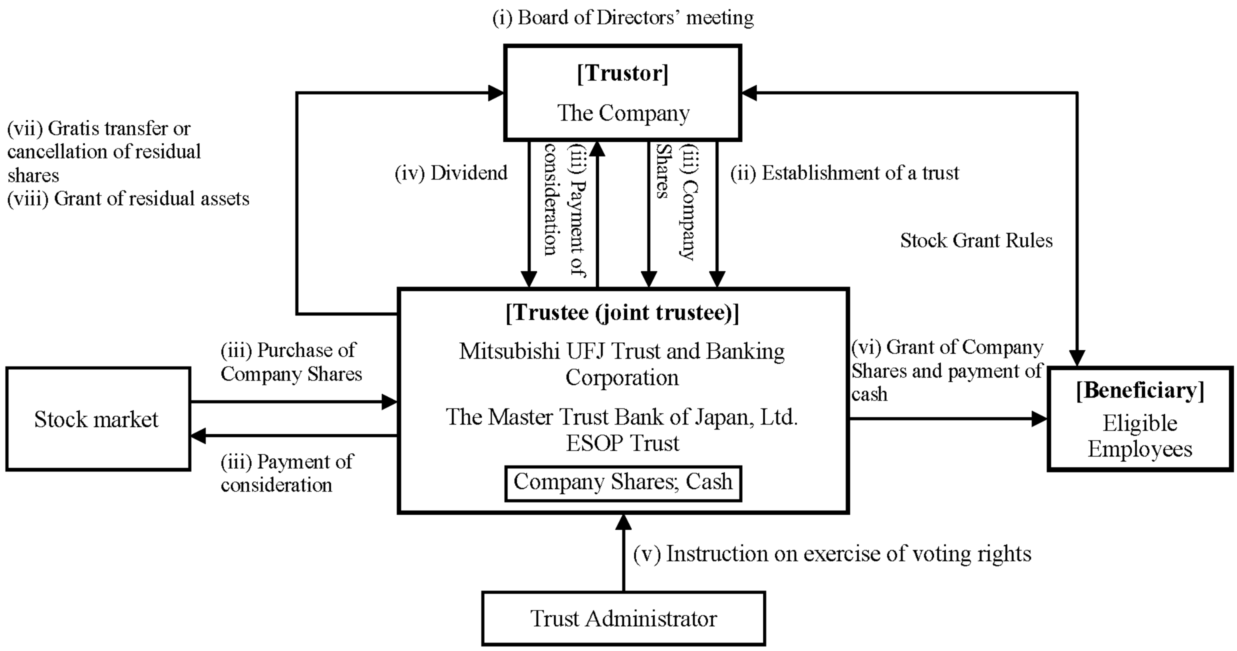
**4) Outline of ESOP Plan**

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 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

Not applicable.

### (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, 2024 | 1,710 | 16,753,835 |
| Treasury shares acquired during the current period | 376 | 2,108,824 |

(Notes) 1. The number of treasury shares acquired during the current period does not include the number of shares acquired from June 1, 2024 to the date of filing of this Annual Securities Report.

2.The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The breakdown of treasury shares acquired during this fiscal year ended March 31, 2024 consists of 667 shares acquired before the share split and 1,043 shares acquired after the share split, respectively.

### (4) Disposals or holding of Acquired Treasury Shares

| Category | Fiscal year ended March 31, 2024 | | 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 | 6,951 | 35,679,545 | — | — |
| Acquired treasury shares transferred in association with a merger, equity swap, or company split | — | — | — | — |
| Others | | | | |
| (Transfer by exercising stock acquisition rights) | 426,290 | 1,737,806,280 | — | — |
| (Disposal of treasury shares as restricted stock compensation) | 21,193 | 168,245,536 | — | — |
| (Sales through requests to purchase shares of less than one unit) | 120 | 243,840 | — | — |
| Treasury shares held | 27,729,675 | — | 27,730,051 | — |

(Notes) 1. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023.

2. The breakdown of "Transfer by exercising stock acquisition rights" during this fiscal year ended March 31, 2024 consists of 143,000 shares transferred before the share split and 283,290 shares transferred after the share split, respectively.

3. The breakdown of "Disposal of treasury shares as restricted stock compensation" during this fiscal year ended March 31, 2024 consists of 20,535 shares disposed before the share split and 658 shares disposed after the share split, respectively.

4. The breakdown of "Sales through requests to purchase shares of less than one unit" during this fiscal year ended March 31, 2024 consists of 0 shares sold before the share split and 120 shares sold after the share split, respectively.

5. "Treasury shares held" includes an increase of 21,009,525 shares due to the share split.

6. 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, sales through requests to purchase shares of less than one unit from June 1, 2024 through the filing date of this Annual Securities Report.

## 3. Dividend Policy

The Company has revised its dividend policy in formulating the third mid-term management plan for the fiscal years from 2024 to 2026 as follows.

| |
|---|
| 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.<br>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.<br>The shareholder return that is in congruence with the third mid-term management plan for the three years starting from April 1, 2024, under the premise of stable business environment, is set to make stable and continuous dividend with a minimum amount of ¥30 per share for annual.<br>In addition to dividends, the Company has set a target to achieve a cumulative total return ratio (*) of 50% or more, including share repurchase, over the three years of the third mid-term management plan. 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.<br>(*) 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 31, 2023 | 11,995 | 65 |
| Board of Directors' meeting held on May 21, 2024 | 13,291 | 18 |

(Note) The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. "Dividend per share," which was resolved at the Board of Directors' meeting held on October 31, 2023, presents the amount prior to the share split. "Dividend per share," which was resolved at the Board of Directors' meeting held on May 21, 2024, presents the amount after the share split.

## 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 our mission, vision, and core values in the form of "The Advantest Way" and thoroughly promotes it to ensure awareness that it is the foundation of activities for all Directors, Executive Officers, and employees of Advantest. 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 having a majority of its directors be outside directors.

・Structure

The Board of Directors of the Company as of the filing date of this Annual Securities Report (June 26, 2024) consists of a total of 9 directors (including Directors who are Audit and Supervisory Committee members) including 2 executive directors (inside directors), 2 non-executive director (inside director) and 5 non-executive directors (outside directors), of which 2 are non-Japanese nationals (U.S. citizens) and 2 are female directors. The Chairperson of the Board of Directors is Mr. Yoshiaki Yoshida, non-executive director, and Chairperson of the Board. 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<br>（13times held）</th><th>The Nomination and Compensation Committee<br>（14times held）</th></tr>
<tr><td rowspan="4">Inside director</td><td rowspan="2">Executive directors</td><td>Douglas Lefever</td><td>100%（13times）</td><td>-</td></tr>
<tr><td>Koichi Tsukui</td><td>100%（13times）</td><td>-</td></tr>
<tr><td rowspan="7">Non-executive directors</td><td>Yoshiaki Yoshida</td><td>100%（13times）</td><td>100%（14times）</td></tr>
<tr><td>Yuichi Kurita</td><td>100%（13times）</td><td>-</td></tr>
<tr><td rowspan="5">Outside directors</td><td>Toshimitsu Urabe</td><td>100%（13times）</td><td>100%（14times）</td></tr>
<tr><td>Nicholas Benes</td><td>100%（13times）</td><td>-</td></tr>
<tr><td>Naoto Nishida</td><td>100%（10times）</td><td>-</td></tr>
<tr><td>Sayaka Sumida</td><td>100%（13times）</td><td>100%（14times）</td></tr>
<tr><td>Tomoko Nakada</td><td>100%（10times）</td><td>-</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 1 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 28, 2024. When the proposals for the election of the Board of Directors are approved by the Ordinary General Meeting of Shareholders as proposed by the Company, there will be no change in the composition of the Board of Directors. 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 28, 2024.

・Status of activities

Regular Board of Directors' meetings are held once a month and last about 3 to 5 hours so that members can discuss important matters. In addition, the board holds offsite meetings where board members discuss medium- and long-term issues that cannot be discussed within the regular meetings. To ensure that the discussions of the Board of Directors are reflected in the operations of the executive side, issues and advice raised by outside directors are clarified, and the status of the executive side's response to these issues is reported at the following month's meeting of the Board of Directors. 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 13 times and off site meeting met 1 time in FY2023, 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 FY2023, the main discussion and reporting items of the Board of Directors were as follows.

- With Advantest's next mid-term management plan starting in FY2024, the Company has resolved to appoint Mr. Douglas Lefever as Group CEO and Mr. Koichi Tsukui as the Group COO and President of the Company effective April 1, 2024, in order to deliver even greater progress for the Advantest Group in the rapidly changing, fast-growing semiconductor industry.
- The Board of Directors was informed of the efforts undertaken during the current fiscal year, the final year of the 2nd Mid-Term Management Plan (MTP2), and of the status of progress on management indicators and strategic measures during the entire period of MTP2.
- Discussions were held on the revision of the mid/long-term management policy "Grand Design" and the formulation of the 3rd Mid-Term Management Plan (MTP3). The Board of Directors held in-depth discussions on what Advantest wants to be, which is one of the core themes of the plan.
- With the purpose of creating a more investment-friendly environment and expanding the investor base by reducing the Company's stock price per investment unit, the Company has resolved to enact a 4-for-1 share split of its common share with an effective date of October 1, 2023.
- A review of PMI for M&As conducted as growth investments was reported, and lessons learned for future M&As were discussed.
- An IR report on the status of communication with investors and shareholder ownership was presented to the Board of Directors.
- Reports were made to the Board of Directors on the progress of the ESG Action Plan 2021-2023. The next Sustainability Action Plan and responses to various laws and regulations were discussed.
- Monthly reports were made to the Board of Directors on the current status of sales, profits, cash flow, etc. In response to the increase in the inventory balance, the Board of Directors discussed issues in the overall operations.
- Compliance reports were made four times a year, and internal audit reports were made twice a year, informing the Board of Directors about compliance incidents including reports made through a helpline, and about the internal audit system and items pointed out by internal audits.

<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 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 28, 2024.

・Status of activities

In FY2023, 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 FY2023, 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.

- Succession Plan for Group CEO

  The Company announced that Mr. Douglas Lefever will take over from Mr. Yoshiaki Yoshida as Group CEO, effective April 1, 2024. The process leading to this decision was as follows.

  The Company began a full-scale consideration of succession planning around 2020, four years after Mr. Yoshiaki Yoshida was appointed as CEO in January 2017. Led by the Nomination and Compensation Committee, evaluations of the CEO and senior executive officers, and the business and human resources issues bearing on our next change of top management were shared with the outside directors and CEO, and reported to the Board of Directors. From 2022, outside experts were appointed to analyze these issues from an objective perspective, and the requirements for the next CEO and management team were discussed and reaffirmed by the Nomination and Compensation Committee and Board of Directors. Both internal and external candidates were considered and assessed by external experts. As a result, the Nomination and Compensation Committee reported to the Board of Directors in the fall of 2022 that it had reached the conclusion that a top management structure led by Mr. Douglas Lefever and Mr. Koichi Tsukui would be most appropriate for the next generation. In line with this conclusion, Mr. Douglas Lefever and Mr. Koichi Tsukui were both appointed to the position of Representative Director and Corporate Vice President in January 2023, after this preparation period, the Company reconfirmed the suitability of both individuals and their effectiveness in combination, and announced its transition to the new structure, to take place in April 2024 in conjunction with the launch of MTP3. Under the new structure, Mr. Douglas Lefever has became the Chief Executive Officer of the entire Advantest Group as Representative Director, Senior Executive Officer, and Group CEO. Mr. Koichi Tsukui have taken responsibility for Advantest's Japanese business operations and now assists the Group CEO as Representative Director, Senior Executive Officer and President, Group COO. Mr. Yoshiaki Yoshida now serves as Director and Chairperson of the Board. The same process will be followed for future succession planning.

- Candidates for Directors and Executive Officers and the Management Structure

  Under the structure of directors and managing executive officers after June 2023, the Nomination and Compensation 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.

  Regarding the organizational structure for directors and managing executive officers after June 2024, the Nomination and Compensation Committee considered appropriate candidates and an optimal management structure, as well as the best management structure following the change of Group CEO, and proposed its conclusions 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

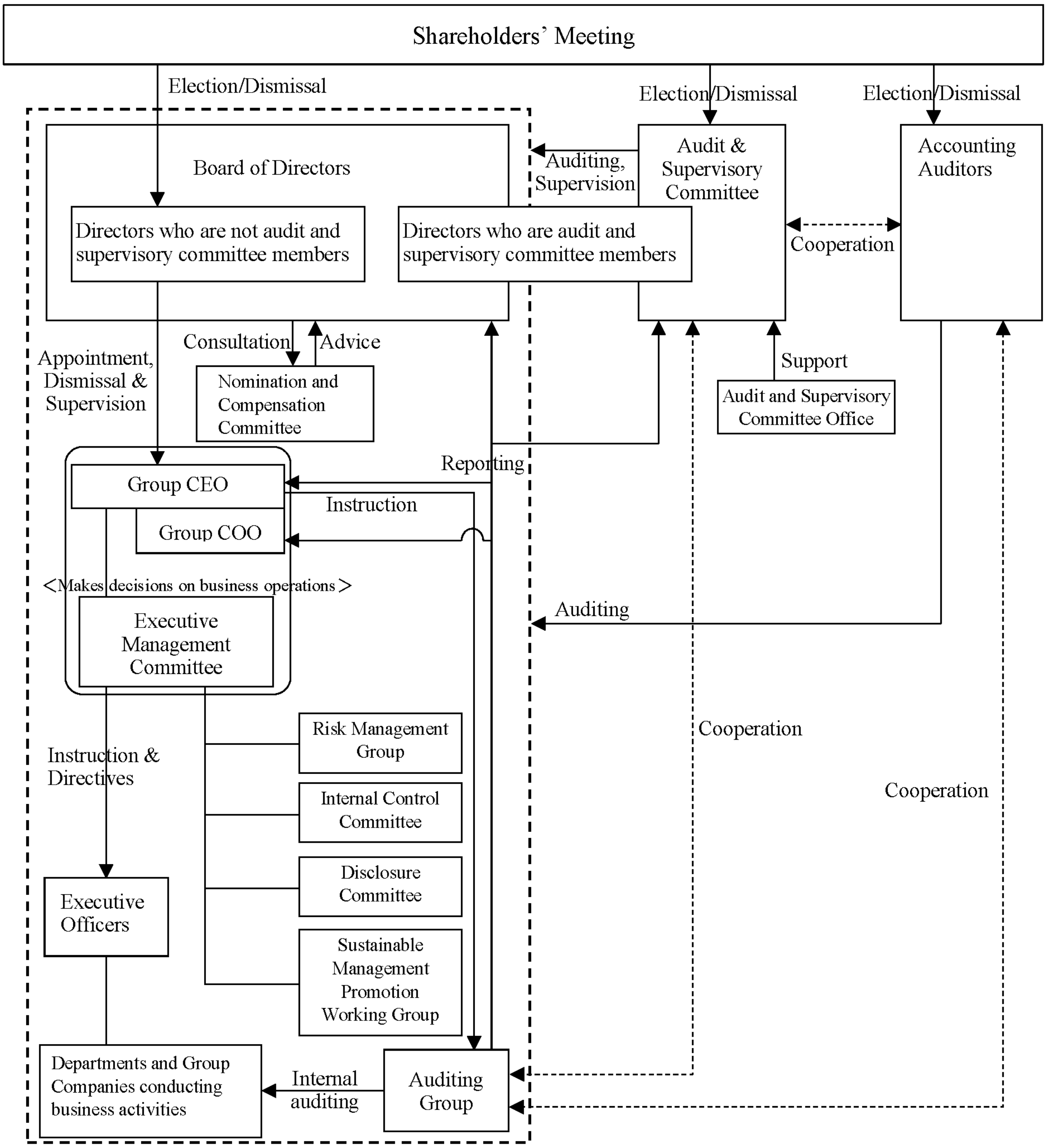
  Evaluating the performance of each director/officer against pre-defined roles and expected results, individual evaluations of executive bonuses for FY2022 were discussed and finalized.

The Committee discussed and proposed to the Board of Directors the fixed compensation, performance indicators for performance-linked bonuses and stock compensation for FY2023.
In light of the changes in the management structure and the new mid-term management plan, etc., the Nomination and Compensation Committee discussed a partial revision of the executive compensation system and proposed it to the Board of Directors.

<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. From among the executive officers, those suitable to lead Group management are appointed as Executive Management Committee Meeting members. Details of the members of the Executive Management Committee are as described in “(2) Status of Directors” below. As for the Chairperson of the Executive Management Committee, following Mr. Yoshiaki Yoshida’s resignation as Representative Director, President, and Group CEO at the end of March 2024, Mr. Douglas Lefever has been chairing the Committee since April 2024. Mr. Douglas Lefever will continue to serve as Chairperson after the extraordinary meeting of the Board of Directors to be held on June 28, 2024.

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 1 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 28, 2024. 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 continue to 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 supervision in accordance with Regulations of the Board of Directors and Executive Officers and employees execute business in accordance with the Global Organization and Authorization Rules. In conjunction with the June 2023 review of the CxO role and structure, the Global Organization and Authorization Rules were revised in November 2023 (effective December 2023) to simplify, clarify, and concise processes and operations while promoting the delegation of authority from the Executive Management Committee to the CxOs and unit leaders and maintaining appropriate internal controls.

・ The Executive Management Committee is positioned as a decision-making body for important business matters of Advantest. Among Executive Officers, those who are deemed capable of leading the group management are nominated as Senior Executive Officers who serve as members of the Executive Management Committee. The Executive Management Committee has largely delegated authority to unit leaders to realize speedy management.

・ As Advantest starts the next mid-term management plan from FY 2024, the Company have appointed Mr. Douglas Lefever as Group CEO and Mr. Koichi Tsukui as Group COO and President of the Company as of April 1, 2024, in order to realize even greater progress for the rapidly changing, fast-growing semiconductor industry.

・ Advantest is promoting initiatives with the aim of materializing INTEGRITY in our daily operations and making INTEGRITY our true corporate culture. Specifically, Advantest launched the “INTEGRITY award” to recognize and express appreciation for employees who have demonstrated INTEGRITY by recommendation from peer employees from FY2022. In order to ensure that INTEGRITY is integrated into the corporate culture, Advantest have established a system in which "INTEGRITY Ambassadors" are appointed from each unit worldwide and supported by a "Culture Council" headed by the Group CEO, instead of the conventional short-term project in FY 2022. Advantest aims to spread INTEGRITY by promoting specific activities throughout Advantest and at each unit.

・ Advantest has established internal and external helplines. The Company has also transitioned the external helpline to more highly-confidential system since March 2023. The Company ensures that all officers and employees around the world are aware of the role of the helpline, and has established an appropriate reporting system. In FY 2023, Advantest launched the GCEP (Group-wide Compliance Education Program) to deliver basic education to all Advantest employees with the aim of raising compliance awareness and acquainting them with the minimum rules. Eleven e-learning courses, including "The Advantest Way," "Fair Disclosure/Insider Trading," "Information Security," and "Export Control," are available in 16 languages (with some exceptions).

<Status of development of Risk management systems>

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

・ The Company has established the Risk Management Group headed by the representative director to respond to emergency disasters, such as flooding and pandemics. In FY 2023, Business Continuity Management (BCM) at major domestic business sites was restructured into three phases: (1) initial response (ERP*1), (2) review and instructions by the head office and local task force (CMP*2), and (3) business continuity and recovery (BCP*3). The previous BCP was limited to earthquakes and river flooding, but a new BCP not limited to such events has been created in an ISO-compliant format. In addition, drills have been conducted based on the new BCP. Such scheme will be expanded to other domestic offices and major overseas locations in FY2024.

*1 ERP: Emergency Response Plan

*2 CMP: Crisis Management Plan

*3 BCP: Business Continuity (Recovery) Plan.

・ 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. In addition, in order to implement the Company-wide Basic Policy on Information Security, the existing Information Security Committee was renamed the Global Information Security Committee in August 2023 and reorganized to include members from overseas subsidiaries. The Committee meets once a quarter to share security incidents and take measures to prevent recurrence, protect personal information and prevent leakage of confidential information, and maintain and improve the security of IT systems.

- In this current fiscal year, the Company conducted a simulation drill for dealing with cyberattacks and alerted all employees whenever phishing emails were received.
- In 2021, the Company began to obtain ISO 27001 certification for its information security management system. In August 2021, the Company acquired the certification in Japan, followed by our subsidiary in Germany obtained in May 2022 and our subsidiary in the U.S. obtained in May 2023.

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

- The Company establishes important business processes for Advantest as a whole, and by providing guidance on risk analysis and appropriate responses to such risks, the Company's subsidiaries establish and operates the same internal control system. The Internal Control Committee monitors the status of internal controls of each company based on the CSA (Control Self-Evaluation) of each unit conducted by the internal audit division. It also monitors the status through audits by the internal audit division and gives instructions so that each group company can operate in accordance with the policy for building internal control systems. The Internal Control Committee reports to the Board of Directors if important matters concerning internal control of each group company are discovered.
- The internal audit division reports the audit results to the President and CEO and the Audit and Supervisory Committee, and also to the Board of Directors.
- 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. Mr. Yoshiaki Yoshida will become a non-executive director, and the Company intends to enter into a new agreement with him confirming this status, if he is elected as proposed at the Annual General Meeting of Shareholders to be held on June 28, 2024.

・Overview of the contents of indemnification agreements

The Company has concluded indemnification agreements with all directors 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 26, 2024 (As of the filing date of this Annual Securities Report) are shown as below.

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, Senior Executive Officer, Group CEO (Corporate Strategy, Business Promotion, Technology in charge) | Douglas Lefever | December 10, 1970 | June 1998<br>August 2014<br>September 2014<br><br>June 2017<br><br>June 2020<br>June 2021<br><br>January 2023<br><br>June 2023<br><br><br><br><br><br>April 2024 | Joined Advantest America, Inc.<br>Executive Officer, Advantest Corporation<br>Director, President and CEO, Advantest America, Inc.<br>Managing Executive Officer, Advantest Corporation<br>Director, Managing Executive Officer<br>Director, Senior Executive Officer<br>CSO (Note 6)<br>Representative Director, Corporate Vice President & Group COO (Note7)<br>Representative Director, Corporate Vice President<br>Group COO (Corporate Strategy, Business Promotion, Technology in charge) (Note 7)<br>Chairman, Advantest America, Inc. (present position)<br>Representative Director, Senior Executive Officer, Group CEO (Corporate Strategy, Business Promotion, Technology in charge) (present position) | (Notes) 2 | - |
| Representative Director, Senior Executive Officer and President, Group COO (Administration, Production, Business Process Innovation in charge) (Note7) | Koichi Tsukui | December 11, 1964 | April 1987<br>June 2014<br>June 2015<br>June 2020<br>June 2021<br><br>January 2023<br><br>June 2023<br><br><br><br>April 2024 | Joined Advantest Corporation<br>Executive Officer<br>Managing Executive Officer<br>Director, Managing Executive Officer<br>Director, Senior Executive Officer<br>CTO (Note 8)<br>Representative Director, Corporate Vice President & Group Co-COO (Note 9)<br>Representative Director, Corporate Vice President<br>Group Co-COO (Production, Business Process Innovation in charge) (Note 9)<br>Representative Director, Senior Executive Officer and President, Group COO (Administration, Production, Business Process Innovation in charge)<br>(present position) (Note 7) | (Notes) 2 | 533 |

| Title | Name | Date of Birth | Brief biography | | Term of office | Share ownership (unit:100 shares) |
|---|---|---|---|---|---|---|
| Director, Chairperson of the Board | Yoshiaki Yoshida | February 8, 1958 | April 1999<br>June 2006<br>June 2009<br>June 2013<br>June 2016<br>January 2017<br>January 2023<br><br>June 2023<br><br><br>April 2024 | Joined Advantest Corporation<br>Executive Officer<br>Managing Executive Officer<br>Director, Managing Executive Officer<br>Director, Senior Executive Officer<br>Representative Director, President and CEO<br>Representative Director, President & Group CEO<br>Representative Director, President<br>Group CEO (Administration, New Area Business Development Initiative in charge)<br>Director, Chairperson of the Board (present position) | (Notes) 2 | 2,682 |
| Director | Toshimitsu Urabe | October 2, 1954 | April 1978<br>April 2009<br><br><br><br>April 2011<br><br><br>April 2013<br><br><br>April 2017<br>June 2017<br><br><br><br>June 2019<br><br>April 2021 | Joined Mitsubishi Corporation<br>Senior Vice President and Deputy<br>Chief Representative for China of Mitsubishi Corporation, and President for Mitsubishi Corporation (Hong Kong) Ltd.<br>Senior Vice President and Senior Assistant to Senior Executive Vice President, Human Resources of Mitsubishi Corporation<br>Executive Vice President, Group CEO, Business Service Group of Mitsubishi Corporation<br>Advisor, Mitsubishi Corporation<br>Deputy President and Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.)<br>Director of Advantest Corporation (present position)<br>Outside Director of Japan Business Systems, Inc. (present position) | (Notes) 2 | 41 |
| Director | Nicholas Benes | April 16, 1956 | September 1983<br><br><br>November 1983<br>October 1984<br>May 1994<br><br>April 1997<br>March 2000<br>December 2006<br><br>March 2007<br>November 2009<br><br>June 2016<br><br>June 2019 | Joined Morgan Guaranty Trust Company of New York (currently JPMorgan Chase & Co.)<br>Joined California State Bar Association<br>Joined New York State Bar Association<br>Senior Managing Director, Kamakura Corporation<br>President and Founder, JTP Corporation<br>Outside Director, Alps Mapping Co., Ltd.<br>Outside Director, Livedoor Holdings Co., Ltd.<br>Outside Director, Cecile Co., Ltd.<br>Representative Director, The Board Director Training Institute of Japan (present position)<br>Outside Director, Imagica Robot Holdings Inc. (currently IMAGICA GROUP Inc.)<br>Director of Advantest Corporation (present position) | (Notes) 2 | 24 |

<table>
<tr><th>Title</th><th>Name</th><th>Date of Birth</th><th>Brief biography</th><th>Term of office</th><th>Share ownership (unit:100 shares)</th></tr>
<tr><td>Director</td><td>Naoto Nishida</td><td>February 11, 1954</td><td>April 1978 Joined Toshiba Corporation<br>June 2007 Director, Production Engineering Center, Toshiba<br>April 2009 General Manager, Productivity Planning Division, Toshiba Corporation<br>April 2011 General Manager, Technology Planning Division, Toshiba Corporation<br>June 2012 Executive Officer, Corporate Vice President (General Manager, Technology Planning Division), Toshiba Corporation<br>June 2013 Executive Officer, Corporate Senior Vice President (In charge of Procurement & Logistics Group, In charge of Production Control Group), Toshiba Corporation<br>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<br>September 2015 Executive Officer, Corporate Executive Vice President (In charge of Research & Development Management Dept.), Toshiba Corporation<br>April 2016 Executive Officer, Corporate Executive Vice President (In charge of Technology Management Dept.), Toshiba Corporation<br>November 2017 Special Commission, Toshiba Corporation (present position)<br>June 2023 Director of Advantest Corporation (present position)</td><td>(Notes) 2</td><td>5</td></tr>
<tr><td>Director, Standing Audit and Supervisory Committee Member</td><td>Yuichi Kurita</td><td>July 28, 1949</td><td>April 1973 Joined Fujitsu Limited<br>March 2001 Joined Advantest Corporation<br>June 2003 Executive Officer<br>June 2007 Director, Managing Executive Officer<br>June 2009 Corporate Planning and Administration<br>June 2010 Director, Senior Executive Officer<br>June 2012 Standing Corporate Auditor<br>June 2015 Director, Standing Audit and Supervisory Committee Member (present position)</td><td>(Notes) 3</td><td>201</td></tr>
</table>

| 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<br>May 1988<br>May 2006<br>August 2007<br>July 2010<br>January 2015<br>February 2017<br>June 2020<br><br><br>June 2024 | Joined Asahi Accounting Company (currently KPMG AZSA LLC)<br>Registered as a Certified Public Accountant<br>Partner, KPMG Azsa & CO., (currently KPMG AZSA LLC)<br>Chairperson of Audit Standards Committee, The Japanese Institute of Certified Public Accountants<br>Executive Board Member (in charge of Quality Control Standards and Audit Standards), The Japanese Institute of Certified Public Accountants<br>Board Member, International Auditing and Assurance Standards Board (IAASB), International Federation of Accountants (IFAC)<br>Member, Business Accounting Council in the Financial Services Agency<br>Outside Audit and Supervisory Board Member, Furukawa Electric Co., Ltd. (present position)<br>Outside Audit and Supervisory Board Member, Nisshin OilliO Group, Ltd. (present position)<br>Director, Audit and Supervisory Committee Member (present position)<br>Outside Director, Audit Committee Member, Japan Exchange Group, Inc. (present position) | (Notes) 2 | 32 |
| Director, Audit and Supervisory Committee Member | Tomoko Nakada | January 20, 1972 | April 1995<br>April 1997<br>June 2000<br><br>September 2001<br>August 2002<br>March 2015<br>April 2017<br>December 2020<br>June 2021<br>June 2023 | Entered Legal Training and Research Institute<br>Assistant Judge, Tokyo District Court<br>Attorney-at-law Registration in Japan<br>Takahashi Norikatsu Law Office (currently, Hokusei Law Office, P.C.)<br>Visiting Research Fellow, Harvard Law School<br>Attorney-at-law Registration in New York State<br>International Fellow, The American College of Trust and Estate Counsel (ACTEC) (present position)<br>Academician, The International Academy of Estate and Trust Law (TIAETL) (present position)<br>Founder and Representative, Tokyo Heritage Law Firm (present position)<br>Outside Director, Audit and Supervisory Committee Member, TS Tech Co., Ltd. (present position)<br>Director, Audit and Supervisory Committee Member (present position) | (Notes) 3 | 5 |
| Total | | | | | | 3,523 |

(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 24 persons (including those who serve as Director), as follows:

| | |
|---|---|
| Representative Director, Senior Executive Officer, Group CEO | Douglas Lefever |
| Representative Director, Senior Executive Officer and President, Group COO (Note 7) | Koichi Tsukui |
| Senior Executive Officer: | Soichi Tsukakoshi, CPO (Note 10) |
| | Keith Hardwick, CHO & CCO (Note 11, 12) |
| | Yasuo Mihashi, CFO & CSO (Note 13, 6) |
| | Juergen Serrer, CTO & ATE Business Group Leader (Note 8) |
| | Makoto Nakahara, CCRO (Note 14) |
| | Sanjeev Mohan, Co-CCRO (Note 15) |
| | Richard Junger, CDO & CIO (Note 16, 17) |
| | 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 18, 19) |
| | 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. CSO: Chief Strategy Officer
7. Group COO: Group Chief Operating Officer
8. CTO: Chief Technology Officer
9. Group Co-COO: Group Co-Chief Operating Officer
10. CPO: Chief Production Officer
11. CHO: Chief Human Capital Officer
12. CCO: Chief Compliance Officer
13. CFO: Chief Financial Officer
14. CCRO: Chief Customer Relations Officer
15. Co-CCRO: Co-Chief Customer Relations Officer

16. CDO: Chief Digital Officer
17. CIO: Chief Information Technology Officer
18. Co-CHO: Co-Chief Human Capital Officer
19. Co-CCO: Co-Chief Compliance 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 1 Director who is an Audit and Supervisory Committee member” will be resolved at the Ordinary General Meeting of Shareholders to be held on June 28, 2024. The titles and positions are as of July 1, 2024. The changes from June 26, 2024 (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, Senior Executive Officer, Group CEO (Corporate Strategy, Business Promotion, Technology in charge) | Douglas Lefever | December 10, 1970 | June 1998<br>August 2014<br>September 2014<br><br>June 2017<br><br>June 2020<br>June 2021<br><br>January 2023<br><br>June 2023<br><br><br><br><br><br>April 2024 | Joined Advantest America, Inc.<br>Executive Officer, Advantest Corporation<br>Director, President and CEO, Advantest America, Inc.<br>Managing Executive Officer, Advantest Corporation<br>Director, Managing Executive Officer<br>Director, Senior Executive Officer<br>CSO (Note 6)<br>Representative Director, Corporate Vice President & Group COO (Note 7)<br>Representative Director, Corporate Vice President<br>Group COO (Corporate Strategy, Business Promotion, Technology in charge) (Note 7)<br>Chairman, Advantest America, Inc. (present position)<br>Representative Director, Senior Executive Officer, Group CEO (Corporate Strategy, Business Promotion, Technology in charge) (present position) | (Notes) 2 | - |
| Representative Director, Senior Executive Officer and President, Group COO (Administration, Supply Chain, Business Process Innovation in charge) (Note 7) | Koichi Tsukui | December 11, 1964 | April 1987<br>June 2014<br>June 2015<br>June 2020<br>June 2021<br><br>January 2023<br><br>June 2023<br><br><br><br>April 2024<br><br><br><br>June 2024 | Joined Advantest Corporation<br>Executive Officer<br>Managing Executive Officer<br>Director, Managing Executive Officer<br>Director, Senior Executive Officer<br>CTO (Note 8)<br>Representative Director, Corporate Vice President & Group Co-COO (Note 9)<br>Representative Director, Corporate Vice President<br>Group Co-COO (Production, Business Process Innovation in charge) (Note 9)<br>Representative Director, Senior Executive Officer and President, Group COO (Administration, Production, Business Process Innovation in charge) (Note 7)<br>Representative Director, Senior Executive Officer and President, Group COO (Administration, Supply Chain, Business Process Innovation in charge) (present position) (Note 7) | (Notes) 2 | 533 |

| Title | Name | Date of Birth | Brief biography | | Term of office | Share ownership (unit:100 shares) |
|---|---|---|---|---|---|---|
| Director, Chairperson of the Board | Yoshiaki Yoshida | February 8, 1958 | April 1999<br>June 2006<br>June 2009<br>June 2013<br>June 2016<br>January 2017<br>January 2023<br><br>June 2023<br><br><br>April 2024 | Joined Advantest Corporation<br>Executive Officer<br>Managing Executive Officer<br>Director, Managing Executive Officer<br>Director, Senior Executive Officer<br>Representative Director, President and CEO<br>Representative Director, President & Group CEO<br>Representative Director, President<br>Group CEO (Administration, New Area Business Development Initiative in charge)<br>Director, Chairperson of the Board (present position) | (Notes) 2 | 2,682 |
| Director | Toshimitsu Urabe | October 2, 1954 | April 1978<br>April 2009<br><br><br><br>April 2011<br><br><br>April 2013<br><br><br>April 2017<br>June 2017<br><br><br><br>June 2019<br><br>April 2021 | Joined Mitsubishi Corporation<br>Senior Vice President and Deputy<br>Chief Representative for China of Mitsubishi Corporation, and President for Mitsubishi Corporation (Hong Kong) Ltd.<br>Senior Vice President and Senior Assistant to Senior Executive Vice President, Human Resources of Mitsubishi Corporation<br>Executive Vice President, Group CEO, Business Service Group of Mitsubishi Corporation<br>Advisor, Mitsubishi Corporation<br>Deputy President and Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.)<br>Director of Advantest Corporation (present position)<br>Outside Director of Japan Business Systems, Inc. (present position) | (Notes) 2 | 41 |
| Director | Nicholas Benes | April 16, 1956 | September 1983<br><br><br>November 1983<br>October 1984<br>May 1994<br><br>April 1997<br>March 2000<br>December 2006<br><br>March 2007<br>November 2009<br><br>June 2016<br><br>June 2019 | Joined Morgan Guaranty Trust Company of New York (currently JPMorgan Chase & Co.)<br>Joined California State Bar Association<br>Joined New York State Bar Association<br>Senior Managing Director, Kamakura Corporation<br>President and Founder, JTP Corporation<br>Outside Director, Alps Mapping Co., Ltd.<br>Outside Director, Livedoor Holdings Co., Ltd.<br>Outside Director, Cecile Co., Ltd.<br>Representative Director, The Board Director Training Institute of Japan (present position)<br>Outside Director, Imagica Robot Holdings Inc. (currently IMAGICA GROUP Inc.)<br>Director of Advantest Corporation (present position) | (Notes) 2 | 24 |

| Title | Name | Date of Birth | Brief biography | | Term of office | Share ownership (unit:100 shares) |
|---|---|---|---|---|---|---|
| Director | Naoto Nishida | February 11, 1954 | April 1978<br>Jun 2007<br><br>April 2009<br><br>April 2011<br><br>June 2012<br><br><br>June 2013<br><br><br><br>June 2014<br><br><br><br><br><br>September 2015<br><br><br><br>April 2016<br><br><br>November 2017<br><br>June 2023 | Joined Toshiba Corporation<br>Director, Production Engineering Center, Toshiba<br>General Manager, Productivity Planning Division, Toshiba Corporation<br>General Manager, Technology Planning Division, Toshiba Corporation<br>Executive Officer, Corporate Vice President (General Manager, Technology Planning Division), Toshiba Corporation<br>Executive Officer, Corporate Senior Vice President (In charge of Procurement & Logistics Group, In charge of Production Control Group), Toshiba Corporation<br>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<br>Executive Officer, Corporate Executive Vice President (In charge of Research & Development Management Dept.), Toshiba Corporation<br>Executive Officer, Corporate Executive Vice President (In charge of Technology Management Dept.), Toshiba Corporation<br>Special Commission, Toshiba Corporation (present position)<br>Director of Advantest Corporation (present position) | (Notes) 2 | 5 |
| Director, Standing Audit and Supervisory Committee Member | Yuichi Kurita | July 28, 1949 | April 1973<br>March 2001<br>June 2003<br>June 2007<br>June 2009<br>June 2010<br>June 2012<br>June 2015 | Joined Fujitsu Limited<br>Joined Advantest Corporation<br>Executive Officer<br>Director, Managing Executive Officer<br>Corporate Planning and Administration<br>Director, Senior Executive Officer<br>Standing Corporate Auditor<br>Director, Standing Audit and Supervisory Committee Member (present position) | (Notes) 2 | 201 |

| 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 Joined Asahi Accounting Company (currently KPMG AZSA LLC)<br>May 1988 Registered as a Certified Public Accountant<br>May 2006 Partner, KPMG Azsa & CO., (currently KPMG AZSA LLC)<br>August 2007 Chairperson of Audit Standards Committee, The Japanese Institute of Certified Public Accountants<br>July 2010 Executive Board Member (in charge of Quality Control Standards and Audit Standards), The Japanese Institute of Certified Public Accountants<br>January 2015 Board Member, International Auditing and Assurance Standards Board (IAASB), International Federation of Accountants (IFAC)<br>February 2017 Member, Business Accounting Council in the Financial Services Agency<br>June 2020 Outside Audit and Supervisory Board Member, Furukawa Electric Co., Ltd. (present position)<br>Outside Audit and Supervisory Board Member, Nisshin OilliO Group, Ltd.<br>Director, Audit and Supervisory Committee Member (present position)<br>June 2024 Outside Director, Audit Committee Member, Japan Exchange Group, Inc. (present position) | (Notes) 3 | 32 |
| Director, Audit and Supervisory Committee Member | Tomoko Nakada | January 20, 1972 | April 1995 Entered Legal Training and Research Institute<br>April 1997 Assistant Judge, Tokyo District Court<br>June 2000 Attorney-at-law Registration in Japan<br>Takahashi Norikatsu Law Office (currently, Hokusei Law Office, P.C.)<br>September 2001 Visiting Research Fellow, Harvard Law School<br>August 2002 Attorney-at-law Registration in New York State<br>March 2015 International Fellow, The American College of Trust and Estate Counsel (ACTEC) (present position)<br>April 2017 Academician, The International Academy of Estate and Trust Law (TIAETL) (present position)<br>December 2020 Founder and Representative, Tokyo Heritage Law Firm (present position)<br>June 2021 Outside Director, Audit and Supervisory Committee Member, TS Tech Co., Ltd. (present position)<br>June 2023 Director, Audit and Supervisory Committee Member (present position) | (Notes) 2 | 5 |
| Total | | | | | 3,523 |

(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 2025.
3. Term of office will expire upon the closing of the Ordinary General Meeting of Shareholders to be held in June 2026.
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 26 persons (including those who serve as Director), as follows:

| | |
|---|---|
| Representative Director, Senior Executive Officer, Group CEO | Douglas Lefever |
| Representative Director, Senior Executive Officer and President, Group COO (Note 7) | Koichi Tsukui |
| Senior Executive Officer: | Keith Hardwick, CHO & CCO (Note 10, 11) |
| | Yasuo Mihashi, CFO & CSO (Note 12, 6) |
| | Juergen Serrer, CTO & ATE Business Group Leader (Note 8) |
| | Makoto Nakahara, CCRO (Note 13) |
| | Sanjeev Mohan, Co-CCRO (Note 14) |
| | Richard Junger, CSCO, CDO & CIO (Note 19, 15, 16) |
| | Yong Xu, China Business Strategy |
| | Toshiaki Adachi, Sub-leader, ATE Business Group |
| Executive Officer: | 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 |
| | 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 17, 18) |
| | 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 |
| | Kazuyuki Yamashita, Senior Vice President, DH Business Group |
| | Steven Hsieh, Senior Vice President (Officer) (Asia), Sales Group |
| | Jintie Li, EVP, Customer Relations, Advantest (China) Co., Ltd. |
| | Masaki Arai, Executive Vice President, Global Production Unit, Corporate Supply Chain (CSC) Group |

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

13. CCRO: Chief Customer Relations Officer
14. Co-CCRO: Co-Chief Customer Relations Officer
15. CDO: Chief Digital Officer
16. CIO: Chief Information Technology Officer
17. Co-CHO: Co-Chief Human Capital Officer
18. Co-CCO: Co-Chief Compliance Officer
19. CSCO: Chief Supply Chain Officer

**2) Outside Directors**

The Company is enhancing the supervisory and oversight functions of the Board of Directors by having a majority of its directors be outside directors, and also is enhancing 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 26, 2024) 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 |
|---|---|---|
| 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.<br>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 FY2023 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.<br>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 FY2023 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. |

| 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.<br>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 FY2023 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. |
| Sayaka Sumida | Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd.<br><br>Outside Audit & Supervisory Board Member, The Nisshin OilliO Group, Ltd.<br><br>Outside Director (Audit Committee Member), Japan Exchange Group, Inc. | 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.<br>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 FY2023 is less than 1% of the total of the Company's consolidated cost of sales and selling, general and administrative expenses. Ms. Sayaka Sumida will retire from the position of Outside Audit and Supervisory Board Member of the Nisshin OilliO Group Ltd. in June 2024. Ms. Sayaka Sumida become an Outside Director (an audit committee member) of Japan Exchange Group, Inc. in June 2024, but the amount of transactions between Japan Exchange Group, Inc. and the Company in FY2023 is less than 1% of the Company's consolidated cost of sales and selling, general, and administrative expenses. Therefore, the Company judges that Furukawa Electric Co., Ltd., and Japan Exchange Group, Inc. are 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. |
| Tomoko Nakada | 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.<br>The Company has no special transactions with Ms. Tomoko Nakada or the law firm of which she is the representative, or TS Tech Co., Ltd. where she has been serving as an outside director, audit and supervisory committee member. 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. |

The Company has proposed the “Election of 6 directors” (excluding the Audit and Supervisory Committee members) and “Election of 1 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 28, 2024. 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.<br>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 FY2023 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.<br>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 FY2023 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. |

| 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.<br>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 FY2023 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. |
| Sayaka Sumida | Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd.<br><br>Outside Director (Audit Committee Member), Japan Exchange Group, Inc. | 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.<br>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 FY2023 is less than 1% of the total of the Company's consolidated cost of sales and selling, general and administrative expenses. Ms. Sayaka Sumida become an Outside Director (an audit committee member) of Japan Exchange Group, Inc. in June 2024, but the amount of transactions between Japan Exchange Group, Inc. and the Company in FY2023 is less than 1% of the Company's consolidated cost of sales and selling, general, and administrative expenses. Therefore, the Company judges that Furukawa Electric Co., Ltd., and Japan Exchange Group, Inc. are 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. |
| Tomoko Nakada | 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.<br>The Company has no special transactions with Ms. Tomoko Nakada or the law firm of which she is the representative, or TS Tech Co., Ltd. where she has been serving as an outside director, audit and supervisory committee member. 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 the Audit and Supervisory Committee

a. Organization of the Audit and Supervisory Committee

As of the filing date of this Annual Securities Report, the Audit and Supervisory Committee is comprised of one inside director and two outside directors. The Audit and Supervisory Committee appoints the inside director a standing Audit and Supervisory Committee member. The Company has proposed "Election of one Director who is member 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 28, 2024. 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, Ms. Tomoko Nakada, an outside director and a member of the Audit and Supervisory Committee, has experience as a lawyer and abundant knowledge of legal affairs and compliance.

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 FY2023, the Audit and Supervisory Committee held 13 meetings, and the attendance rate of each member was as follows.

| Job title | Name | Attendance |
| --- | --- | --- |
| Chairperson of the Audit and Supervisory Committee (*1)<br>（Independent outside director） | Kouichi Nanba | 100% (3 times) |
| The Audit and Supervisory Committee member,<br>Chairperson of the Audit and Supervisory Committee (*2)<br>(Independent outside director) | Sayaka Sumida | 100% (13 times) |
| The Audit and Supervisory Committee member (*2)<br>（Independent outside director） | Tomoko Nakada | 100% (10 times) |
| The standing Audit and Supervisory Committee member<br>（Inside director） | Yuichi Kurita | 100% (13 times) |

(Notes) *1. Until June 27, 2023

*2. On and after June 27, 2023

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, audit plan, priority audit items, and the assignment of duties established by the Audit and Supervisory Committee. The average duration of each of the Audit and Supervisory Committee meeting was approximately one hour and 50 minutes.

The main activities of the Audit and Supervisory Committee during FY2023 were as follows.

| Activities | | Standing | Outside |
| --- | --- | --- | --- |
| The Audit and Supervisory Committee | - The Audit and Supervisory Committee's meeting (13 times) | ○ | ○ |
| Attendance at important meetings | - The Board of Directors' meeting (13 times) | ○ | ○ |
| | - Internal Control Committee's meeting (twice) | ○ | ○ |
| | - Executive Management Committee's meeting (twice a month), Business Plan Meeting (twice), Executive Mid-term Strategy Meeting (10 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, Executive Directors (7 times), and Executive Officers | ○ | (Notes) 1 |
| Audits of major units and subsidiaries | - Audits of units and major domestic and overseas consolidated subsidiaries selected in the audit plan (domestic :5 companies, overseas: 8 companies)<br>- Inspection of the status of operations and assets of the head office and major domestic and overseas consolidated subsidiaries | ○<br>○ | (Notes) 1<br>(Notes) 1 |
| Inspection of important documents | - Inspection of important approval documents<br>- Monthly reports from domestic and overseas consolidated subsidiaries | ○<br>○ | －<br>－ |
| Collaboration with outside directors and subsidiary auditors | - Attendance at meetings (exchange of opinions with Senior Executive Officers, etc.) of outside directors (7 times)<br>- Periodic discussions with auditors of domestic and overseas consolidated subsidiaries (twice)<br>- Exchange of opinions as needed | ○<br>○<br>○ | ○<br>○<br>(Notes) 1 |
| Cooperation with the Auditing Group | - Periodic reports from the Auditing Group (internal audit division) (5 times)<br>- Exchange of opinions as needed | ○<br>○ | ○<br>(Notes) 1 |
| Cooperation with the independent auditor | - Periodic exchanges of opinions on audit plans, status of quarterly reviews and year-end audits, and audit focus areas including Key Audit Matters (KAM) with the independent auditor (8 times)<br>- Meetings with the global audit team, including the audit teams of overseas consolidated subsidiaries (once)<br>- On-site meetings with teams of independent auditor of overseas consolidated subsidiaries<br>- Exchange of opinions as needed | ○<br>○<br>○<br>○ | ○<br>－<br>－<br>(Notes) 2 |

(Notes) 1. Independent outside Audit and Supervisory Committee members participate in meetings to the extent possible, including the use of Web conferencing.
2. Independent outside Audit and Supervisory Committee members participate, depending on the agenda.

The Audit and Supervisory Committee basically conducted on-site, inspections and in-person interviews at major domestic and overseas consolidated subsidiaries and offices to the extent possible, and when it was difficult to do so, the Audit and Supervisory Committee conducted inspections and interviews via web conference. Information obtained through on-site inspections by the standing member of the Audit and Supervisory Committee, attendance at important meetings such as the Executive Management Committee and Business Plan Meetings, and hearing business reports from executive divisions is shared with the entire Audit and Supervisory Committee. As a result of these audit activities, the Audit and Supervisory Committee communicated its opinions or recommendations to the directors and unit leaders involved when necessary.

(Specific considerations by the Audit and Supervisory Committee)

In light of business acquisitions and rapid personnel increases overseas in recent years for the medium- and long-term growth of our group, the Audit and Supervisory Committee, continuing from the previous year, conducted the audit from the perspective of global management, paying attention to the following points.

・Whether Advantest's business operations are properly executed in accordance with the Grand Design, the second mid-term management plan, and various measures for mid/long-term enhancement of corporate value based on them. And whether the third mid-term management plan is being prepared to enhance corporate value.
・Whether measures to disseminate The Advantest Way and to ensure its effectiveness are appropriately implemented.
・Whether the Executive Management Committee, the highest decision-making body for business execution, is appropriately operating in accordance with the Global Organization and Authorization Rules and holding substantive

discussions.

・Whether a prompt and efficient business execution system has been established through the transfer of authority in line with the launch of the CxO structure.
・Whether Advantest is taking concrete measures to deal with issues to be addressed and risks surrounding the Advantest, based on an understanding of the current situation and in relation to management policies and strategies, etc.
・Whether the policies of the Board of Directors are thoroughly communicated to executive officers or other front-line employees.
・Whether problems in the field are reported to executive officers and directors, and whether important matters are reported to the Board of Directors.

The Audit and Supervisory Committee also exchanges opinions on agenda items that are (or have been) brought before the Board of Directors and on the status of compliance, including the Group's risk assessment at the Internal Control Committee meetings and whistleblower system.

In addition, since the current fiscal year, in accordance with the revised Code of Ethics of the Japanese Institute of Certified Public Accountants, prior concurrence of the Audit and Supervisory Committee is required with respect to non-assurance services from the independent auditor, Ernst & Young ShinNihon LLC, and its network firms. Therefore, the Audit and Supervisory Committee has established a group-wide policy regarding the non-assurance services in consultation with the CFO and relevant departments. Based on this policy, the Audit and Supervisory Committee discusses and decides whether or not to request non-assurance services to independent auditors prior to commencing such services. In addition, the Chairperson of the Audit and Supervisory Committee, Ms. Sayaka Sumida, also serves as a member of the Nomination and Compensation Committee. The Audit and Supervisory Committee discusses and exchanges opinions on the status of the succession plan and revisions to the director's compensation system, which are mainly discussed by the Nomination and Compensation Committee, 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 subsidiaries 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.

Regarding Key Audit Matters (KAM), the Audit and Supervisory Committee exchanged opinions with the independent auditor on items that could be KAM from the early stage of the audit, considering changes in the business environment during the fiscal year. During the year-end audit, the Audit and Supervisory Committee confirmed that the status of changes in KAM items from the previous fiscal year is consistent with the risk perception of the Audit and Supervisory Committee. Regarding the "valuation of goodwill and intangible assets," which continues to be included from the previous fiscal year as a KAM, the Audit and Supervisory Committee exchanged opinions on the details of impairment testing, including the situation of a sub-subsidiary that incurred a partial impairment in the current fiscal year, and the impact of the progress of future business plans from the time of acquisition on the headroom for goodwill. With respect to the "valuation of inventories," which was newly added to the KAM in the current fiscal year due to its increased materiality as a percentage of total assets and other reasons, the Audit and Supervisory Committee obtained an explanation from the Accounting department on the details of the simulation of the expected future use of inventories and discussed with independent auditor their views on the simulation method etc. and the procedures performed by the independent auditor.

**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 Group CEO, and has a total of 16 employees in charge of internal audit, including 6 from the Auditing Group of Company and 10 from overseas Group companies (the U.S., Singapore, South Korea, and Germany), to conduct internal audit within the Group. In line with the increase in the expansion of business in Europe, the Company established an internal audit team in Germany during the fiscal year. The internal audit is staffed with personnel with specialized qualifications such as CIA (Certified Internal Auditor), CPA (Certified Public Accountant), CISA (Certified Information Systems Auditor), and CFE (Certified Fraud Examiner).

b. Purpose of Internal Audit

The purpose of internal audits is defined in the Internal Audit Charter as "to improve the Company's operations and contribute to the achievement of the Company's goals by assessing and improving the effectiveness of the Company's compliance, risk management, internal control and governance processes in an organized and professional manner." The Internal Audit provides assurances regarding the compliance with the applicable laws, regulations, and internal rules, the effectiveness and efficiency of operations, and provides advice for improvement of operations from an independent and objective standpoint.

c. 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: Status of development of internal control basis, 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.

・ Effectiveness and efficiency of operation: 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 evaluates and reports on internal control over financial reporting based on the Financial Instruments and Exchange Act in Japan.

d. Initiatives to Ensure the Effectiveness of Internal Audit

The Internal Audit has established a system to report directly not only to the 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 20, 2023<br>December 21, 2023 | 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 25, 2023<br>July 26, 2023<br>October 31, 2023<br>January 31, 2024 | 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 18, 2023 | Evaluation status of internal control over financial reporting in the previous fiscal year. |

e. Cooperation between Internal Audit, Audit and Supervisory Committee and Independent 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 Audit and Supervisory Committee members each time an audit 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 Independent 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 Independent Auditors, holds meetings and exchanges opinions as necessary, and holds regular quarterly meetings with the Independent 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 2023 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, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|
| | 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) | 155 | 13 | 164 | 13 |
| The Company’s consolidated subsidiaries | — | — | — | — |
| Total | 155 | 13 | 164 | 13 |

(Fiscal year ended March 31, 2023)

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

(Fiscal year ended March 31, 2024)

The details of fees for non-audit services for the Company mainly consisted of third-party assurance services for non-financial information and 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, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|
| | 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) | — | 113 | — | 23 |
| The Company’s consolidated subsidiaries | 185 | 277 | 218 | 177 |
| Total | 185 | 390 | 218 | 200 |

(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 advisory and human resources consulting services.

(Fiscal year ended March 31, 2024)

The details of fees for non-audit services for the Company mainly consisted of tax advisory services. The details of fees for non-audit services for the Company’s consolidated subsidiaries mainly consisted of tax advisory 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 | Restricted stock compensation | Performance-based stock remuneration | |
| Directors (excluding Audit and Supervisory Committee members) (excluding Outside Directors) | Advantest Corporation (The Company) | 618 | 205 | 99 | 143 | 171 | 5 |
| | The consolidated subsidiaries | 19 | 19 | — | — | — | |
| Directors (Audit and Supervisory Committee members) (excluding Outside Directors) | Advantest Corporation (The Company) | 45 | 45 | — | — | — | 1 |
| Outside Directors (excluding Audit and Supervisory Committee members) | Advantest Corporation (The Company) | 46 | 46 | — | — | — | 4 |
| Outside Directors (Audit and Supervisory Committee members) | Advantest Corporation (The Company) | 34 | 34 | — | — | — | 3 |

(Notes) 1. As of March 31, 2024, the number of directors (excluding outside directors and directors who are Audit and Supervisory Committee members) and outside directors were three and five, respectively.
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. Restricted stock compensation and performance-based stock remuneration are recorded as expenses in accordance with IFRS for FY2023.

#### 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 | Restricted stock compensation | Performance-based stock remuneration |
| Yoshiaki Yoshida | 162 | Director | Advantest Corporation (The Company) | 64 | 29 | 31 | 38 |
| Douglas Lefever | 329 | Director | Advantest Corporation (The Company) | 80 | 50 | 85 | 95 |
| | | | The consolidated subsidiaries | 19 | — | — | — |
| Koichi Tsukui | 107 | Director | Advantest Corporation (The Company) | 42 | 20 | 19 | 26 |

(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. Restricted stock compensation and performance-based stock remuneration are recorded as expenses in accordance with IFRS for FY2023.

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

(Policies and Procedures for Determining Compensation for Directors and Executive Officers)
(Note) This is the policy at the time the compensation for the fiscal year ended March 31, 2024 was determined, and the positions in the policy are those in the management structure for the fiscal year ended March 31, 2024.

1. Basic Policy

Based on the Company's corporate mission and vision, the Company aims 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.

(Note) This information was determined and paid in accordance with the "Policies and Procedures for Determining Compensation for Directors and Executive Officers", which was applied for the fiscal year ended March 31, 2024. The revised "Policies and Procedures" were resolved at the Board of Directors meeting held on May 21, 2024, subject to the condition that all proposals from Agenda Item No. 4 to No. 8 are resolved at the 82nd Ordinary General Meeting of Shareholders to be held on June 28. The details of the revised policies and procedures are as follows.

(Policies and Procedures for Determining Compensation for Directors and Executive Officers (after revision))

1. Basic policy

Based on the Company's corporate mission and vision, the Company aims 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 compensation for director (excluding outside directors and directors who are Audit and Supervisory Committee members)

(1) For directors who also serve as executive officers, base compensation (monetary remuneration) appropriate to their duties and responsibilities will be paid monthly, in addition to the executive officer compensation specified in 5 below.

(2) The compensation of directors who do not serve as executive officers shall be set as follows, in accordance with the basic policy set forth in 1 above.

(a) Structure: Base compensation (monetary remuneration), Stock compensation

(b) Ratio: Base compensation : Stock compensation = 1 : 0.5 (guideline in the standard amount)

(c) Base compensation

Base compensation shall be set at an appropriate level according to duties and responsibilities as such director, 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).

(d) Stock compensation

・The Company will grant restricted stock (RS), which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders.

・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 director retires.

(3) 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 compensation for outside directors (excluding directors who are Audit and Supervisory Committee members)

The compensation of outside directors (excluding directors who are Audit and Supervisory Committee members) shall be set as follows in consideration of their roles and independence with the basic policy set forth in 1 above.

(1) Structure: Base compensation (monetary remuneration), Stock compensation

(2) Ratio: Base compensation : Stock compensation = 1 : 0.3 (guideline in the standard amount)

(3) Base compensation

Base compensation shall be set at an appropriate level according to duties and responsibilities as such director, 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).

(4) Stock compensation

・The Company will grant restricted stock (RS), which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders.

・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 director retires.

(5) 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. Policy on the system, timing, conditions, and determination of compensation for directors who are Audit and Supervisory Committee members

The compensation of directors who are Audit and Supervisory Committee members shall be set as follows in consideration of their roles and independence with the basic policy set forth in 1 above.

(1) Structure: Base compensation (monetary remuneration), Stock compensation

(2) Ratio: Base compensation : Stock compensation = 1 : 0.3 (guideline in the standard amount)

(3) Base compensation

Base compensation will be paid monthly. The individual compensation level of directors who are Audit and Supervisory Committee members will be decided through discussions with them.

(4) Stock compensation

・The Company will grant restricted stock (RS), which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders.

・Shares of RS will be granted every business year as described above.

・The individual compensation level of directors who are Audit and Supervisory Committee members will be decided through discussions with them.

・As a general rule, holding is obligatory during the term of office, and transfer restrictions will be lifted when an director retires.

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

5. Policy on the system, timing, conditions, and determination of compensation for executive officers

The compensation of executive officers shall be set as follows with the basic policy set forth in 1 above.

(1) Structure: Base compensation (monetary remuneration), Performance-based bonuses (monetary remuneration), Stock compensation

(2) Ratio: Base compensation : Performance-based bonuses : Stock compensation =

1 : 1 : 2 (Senior Executive Officer (Group CEO))
1 : 1 : 1.5 (Senior Executive Officer (Group COO))
Between 1 : 1 : 1 and 1 : 1 : 1.2 (Senior Executive Officer)
Between 1 : 0.8 : 0.8 and 1 : 1 :1 (Executive Officer)
*All of the above estimates are based on the standard amount.

(3) Base compensation

Base 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).

(4) 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 the Group for the relevant business year is confirmed.

a. The amount of bonuses is determined using net income as an index.

b. Target amounts will be set by referring to the net income targets of the single-year business plan and mid-term management plan. 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

(5) Stock 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 shall be granted in a lump sum for three years in the first year of the three-year mid-term management plan, with the base value being the points that will become shares of a value determined to be as described above. After the expiration of the term of the mid-term management plan, The Company will grant shares in proportion to the points, which are varied between 60% and 140% of the base value according to the degree of achievement of the 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

*However, the indicators and fluctuation ranges may be revised in response to the new mid-term management plan. 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.

(6) Additional compensation may be paid for the purpose of securing managers, specially skilled personnel, and/or similar individuals, depending on the conditions of the human resource market in each region and/or industry. As a general rule, compensation levels across regions shall be adjusted through base compensation (monetary compensation) and stock compensation while stock compensation shall be used to secure a pool of specific human resources. The stock compensation shall be in the form of RS or PSU, but the term of the RS transfer restriction under this section shall be at least three years.

(7) Compensation for non-residents in Japan may be different from the above due to laws and other circumstances.

(8) 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.

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

6. 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 Group CEO, shall be redistributed based on individual evaluations conducted by the Group CEO 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 Group CEO's performance-based bonuses 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.

7. 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. As for monetary compensation, 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).

As for stock compensation, 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 200 thousands shares per year (number of shares after October 2023 stock split) and the performance share unit compensation shall be no more than 600 million yen and 600 thousands shares per three consecutive fiscal year (number of shares after October 2023 stock split).

However, if Proposals Agenda Item No.4 through No.7 are approved at the 82nd Ordinary General Meeting of Shareholders (to be held on June 28, 2024), the total amount of monetary compensation shall be no more than 1.2 billion yen (annual amount) for Directors (excluding Outside Directors and Directors who are members of the Audit and Supervisory Committee) and 150 million yen (annual amount) for Outside Directors (excluding Directors who are members of the Audit and Supervisory Committee). The total amount of restricted stock compensation plan shall be no more than 1 billion yen and 400,000 shares (per year) and the total amount of compensation under the Performance Share Unit Plan shall be no more than 3 billion yen and 1.2 million shares (per three fiscal years during the period covered by each medium-term management plan for Directors (excluding Outside Directors and Directors who are members of the Audit and Supervisory Committee), and the total amount of restricted stock compensation plan shall be no more than 45 million yen and 18,000 shares (per year) for Outside Directors (excluding Directors who are members of the Audit and Supervisory Committee).

2. As for monetary compensation, 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. However, if Proposal Agenda Item No.8 is approved at the 82nd Ordinary General Meeting of Shareholders (to be held on June 28, 2024), a total compensation amount of 30 million yen and a maximum of 12,000 shares (per year) will be added as a restricted stock compensation plan.

**5) Performance-based Bonuses Formula for FY2023 (paid in June 2024)**

The Performance-based bonuses formula for FY2023 (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% |

The payment rate based on the business results for FY2023 (consolidated net income: 62.29 billion yen) was 59.7%. In addition, the bonus for the President and Group CEO for FY2023 was set at 84.7% of the amount calculated (final payment rate was 50.6%), based on the judgment of the Board of Directors, taking into account the business performance.

**6) Performance-based Bonuses Formula for FY2024 (to be paid in June 2025)**

The Performance-based bonuses formula for FY2024 (to be paid in June 2025) has been resolved by the Board of Directors held on June 25, 2024, after consulting with the Nomination and Compensation Committee (held on June 13, 2024. Outside directors make up the majority, and executive officers do not participate in resolutions relating to opinions.)

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 FY2024

| Consolidated net income | Payment rate |
|---|---|
| 33.5 billion yen or less | 0% |
| Between 33.5 to 67 billion yen | Prorate from 0 to 100% |
| Between 67 to 120 billion yen | 100% |
| Between 120 to 180 billion yen | Prorate from 100 to 200% |
| 180 billion yen or more | 200% |

**7) Performance-Based Stock Remuneration Indicators and Results**

Performance-based stock remuneration was granted in a lump sum for three years in the first year of the mid-term management plan for fiscal years 2021 to 2023, and after the period of the mid-term management plan expires, shares will be granted according to the points, which vary between 60% and 140% of the base value according to the achievement of mid-term management targets. The index, actual performance and payment rate for performance-based stock remuneration are as follows.

| Indicators | Results | Payment rate |
|---|---|---|
| 【EPS growth rate】<br>The target is 14% growth, the average growth rate of EPS over the three years of the mid-term management plan, which varies between 70 and 130% of the base value depending on the rate of achievement of the target. | EPS average growth rate : 39.8% | 130% of base value (max.) |
| 【r-TSR】<br>The TOPIX TSR is compared to the Company's TSR (the Company's TSR divided by the TOPIX TSR), which varies between -5 and 5% of the base value depending on the value. | 212% | Base value +5% (max.) |
| 【ESG evaluation】<br>The evaluation score of S&P Global's Corporate Sustainability Assessment is used as the index, which varies from -5 to 5% of the base value depending on the evaluation score. | 95%ile | Base value +5% (max.) |

### (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, 2024)

| | Number of companies | Total carrying amount (Millions of Yen) | Purpose for holding shares |
|---|---|---|---|
| Unlisted shares | 6 | 373 | 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, 2024

| | Number of companies | Total carrying amount (Millions of Yen) | Purpose for holding shares |
|---|---|---|---|
| Unlisted shares | 2 | 262 | Mainly for transaction support |
| Shares other than unlisted shares | 2 | 17,080 | 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, 2023 to March 31, 2024) and the non-consolidated financial statements for the fiscal year (from April 1, 2023 to March 31, 2024) 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, 2023 | As of March 31, 2024 |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7, 30 | 85,537 | 106,702 |
| Trade and other receivables | 8, 30 | 102,152 | 88,855 |
| Inventories | 9 | 169,082 | 204,389 |
| Other current assets | | 17,924 | 20,315 |
| Total current assets | | 374,695 | 420,261 |
| Non-current assets | | | |
| Property, plant and equipment, net | 11 | 64,046 | 78,884 |
| Right-of-use-assets | 13 | 17,312 | 19,106 |
| Goodwill and intangible assets, net | 12 | 95,767 | 98,514 |
| Other financial assets | 10, 30 | 21,488 | 20,139 |
| Deferred tax assets | 15 | 26,522 | 33,423 |
| Other non-current assets | | 394 | 902 |
| Total non-current assets | 6 | 225,529 | 250,968 |
| Total assets | | 600,224 | 671,229 |
| Liabilities and Equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 16, 30 | 89,262 | 76,863 |
| Short-term borrowings | 17 | 13,357 | — |
| Income taxes payable | | 30,635 | 10,262 |
| Provisions | 18 | 9,093 | 8,668 |
| Lease liabilities | 30 | 4,587 | 5,147 |
| Other financial liabilities | 30 | 4,903 | 1,868 |
| Other current liabilities | 22 | 22,852 | 23,469 |
| Total current liabilities | | 174,689 | 126,277 |
| Non-current liabilities | | | |
| Long-term borrowings | 17, 30 | 20,000 | 75,143 |
| Lease liabilities | 30 | 12,900 | 14,153 |
| Retirement benefit liabilities | 19 | 16,812 | 19,134 |
| Deferred tax liabilities | 15 | 5,773 | 3,934 |
| Other non-current liabilities | 30 | 1,356 | 1,410 |
| Total non-current liabilities | | 56,841 | 113,774 |
| Total liabilities | | 231,530 | 240,051 |
| Equity | | | |
| Share capital | 20 | 32,363 | 32,363 |
| Share premium | 20 | 44,622 | 45,441 |
| Treasury shares | 20 | (59,099) | (56,353) |
| Retained earnings | 20 | 319,171 | 355,299 |
| Other components of equity | 20 | 31,637 | 54,428 |
| Total equity attributable to owners of the parent | | 368,694 | 431,178 |
| Total equity | | 368,694 | 431,178 |
| Total liabilities and equity | | 600,224 | 671,229 |

**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, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|---|
| Net sales | 6, 22 | 560,191 | 486,507 |
| Cost of sales | 11, 12, 19 | (241,130) | (240,477) |
| Gross profit | | 319,061 | 246,030 |
| Selling, general and administrative expenses | 11, 12, 18, 19, 23, 24 | (152,042) | (158,963) |
| Other income | 26 | 1,003 | 3,926 |
| Other expenses | 27 | (335) | (9,365) |
| Operating income | 6 | 167,687 | 81,628 |
| Financial income | 25 | 4,458 | 1,244 |
| Financial expenses | 25 | (875) | (4,702) |
| Income before income taxes | | 171,270 | 78,170 |
| Income taxes | 15 | (40,870) | (15,880) |
| Net income | | 130,400 | 62,290 |
| Net income attributable to: | | | |
| Owners of the parent | | 130,400 | 62,290 |
| Earnings per share: | 29 | Yen | Yen |
| Basic | | 174.35 | 84.45 |
| Diluted | | 173.68 | 84.16 |

**Consolidated Statement of Comprehensive Income**

Millions of Yen

| | Note | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|---|
| Net income | | 130,400 | 62,290 |
| Other comprehensive income (loss), net of tax | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of defined benefit pension plan | 19, 20, 28 | 3,327 | (640) |
| Net change in fair value measurements of equity instruments at fair value through other comprehensive income | 20, 28 | 5,062 | (3,238) |
| Items that may be subsequently reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | 20, 28 | 8,093 | 26,029 |
| Total other comprehensive income (loss) | | 16,482 | 22,151 |
| Total comprehensive income for the year | | 146,882 | 84,441 |
| Comprehensive income attributable to: | | | |
| Owners of the parent | | 146,882 | 84,441 |

### 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, 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 | 20 | | (23) | (50,006) | | | (50,029) | (50,029) |
| Disposal of treasury shares | 20 | | (1,835) | 4,175 | (1,171) | | 1,169 | 1,169 |
| Cancellation of treasury shares | 20 | | | 68,279 | (68,279) | | ― | ― |
| Dividends | 21 | | | | (25,434) | | (25,434) | (25,434) |
| Share-based payments | 24 | | 1,426 | | | | 1,426 | 1,426 |
| Other | | | 59 | | | | 59 | 59 |
| Transfer from other components of equity to retained earnings | 20 | | | | 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 |
| Net income | | | | | 62,290 | | 62,290 | 62,290 |
| Other comprehensive income (loss), net of tax | | | | | | 22,151 | 22,151 | 22,151 |
| Total comprehensive income for the year | | ― | ― | ― | 62,290 | 22,151 | 84,441 | 84,441 |
| Purchase of treasury shares | 20 | | | (17) | | | (17) | (17) |
| Disposal of treasury shares | 20 | | (1,218) | 2,727 | (596) | | 913 | 913 |
| Cancellation of treasury shares | 20 | | | 36 | (36) | | ― | ― |
| Dividends | 21 | | | | (24,890) | | (24,890) | (24,890) |
| Share-based payments | 24 | | 1,639 | | | | 1,639 | 1,639 |
| Other | | | 398 | | | | 398 | 398 |
| Transfer from other components of equity to retained earnings | 20 | | | | (640) | 640 | ― | ― |
| Total transactions with the owners | | ― | 819 | 2,746 | (26,162) | 640 | (21,957) | (21,957) |
| Balance as of March 31, 2024 | | 32,363 | 45,441 | (56,353) | 355,299 | 54,428 | 431,178 | 431,178 |

#### 4) Consolidated Statement of Cash Flows

Millions of Yen

| | Note | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Income before income taxes | | 171,270 | 78,170 |
| Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | | 21,396 | 26,104 |
| Impairment losses | 12 | — | 8,998 |
| Share-based compensation expense | | 1,520 | 1,769 |
| Changes in assets and liabilities: | | | |
| Trade and other receivables | | (15,582) | 17,400 |
| Inventories | | (71,638) | (30,923) |
| Trade and other payables | | 16,484 | (16,857) |
| Warranty provisions | | 2,536 | (478) |
| Advance receipts | | (2,328) | (3,168) |
| Retirement benefit liabilities | | (2,832) | (1,011) |
| Other | | (10,302) | (249) |
| Subtotal | | 110,524 | 79,755 |
| Interest and dividends received | | 459 | 1,202 |
| Interest paid | | (593) | (2,305) |
| Income taxes paid | | (40,166) | (45,984) |
| Net cash provided by (used in) operating activities | | 70,224 | 32,668 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of equity instruments | | — | 1,150 |
| Proceeds from sale of property, plant and equipment | | 356 | 49 |
| Purchases of property, plant and equipment | | (22,535) | (19,592) |
| Purchases of intangible assets | | (1,053) | (951) |
| Acquisition of subsidiaries | 32 | (3,505) | (8,260) |
| Other | | 31 | (336) |
| Net cash provided by (used in) investing activities | | (26,706) | (27,940) |
| Cash flows from financing activities: | | | |
| Increase (decrease) in short-term borrowings | 17 | (19,968) | — |
| Proceeds from long-term borrowings | 17 | 20,000 | 54,665 |
| Repayments of long-term borrowings | | — | (14,667) |
| Proceeds from disposal of treasury shares | | 1,134 | 867 |
| Purchases of treasury shares | 20 | (50,042) | (17) |
| Dividends paid | 21 | (25,418) | (24,881) |
| Payments for lease liabilities | 13 | (3,140) | (5,207) |
| Other | | — | — |
| Net cash provided by (used in) financing activities | | (77,434) | 10,760 |
| Net effect of exchange rate changes on cash and cash equivalents | | 2,871 | 5,677 |
| Net change in cash and cash equivalents | | (31,045) | 21,165 |
| Cash and cash equivalents at the beginning of year | | 116,582 | 85,537 |
| Cash and cash equivalents at the end of year | 7 | 85,537 | 106,702 |

## 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 26, 2024 by Koichi Tsukui, Representative Director, Senior Executive Officer and President, Group COO and Yasuo Mihashi, Senior Executive Officer, CFO & CSO 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 Material 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. Material 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 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:10 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:5 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.

### 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.

**(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 that, at the time of the transaction, affect neither accounting profit or loss nor taxable profit or loss, and at the time of the transaction, do not give rise to equal taxable and deductible temporary differences
- 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 applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two Model rules published by the Organization for Economic Co-operation and Development (OECD) under the amendments to IAS 12. The impact of applying the exception on Advantest's consolidated financial statements is immaterial.

The assessment of the potential exposure to Pillar Two income taxes is based on the Country-by-Country Reporting and financial statements for the constituent entities in Advantest. The Pillar Two Model rule's exposure to income taxes is immaterial since the effective tax rates exceed 15% in most jurisdictions where Advantest operates.

**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. 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, 2024**

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Inventories | 169,082 | 204,389 |

**2) Other Information that Deepens 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 after initial recognition. If the net realizable value is less than the cost, the difference is accounted for as a write off and recognized as an impairment loss. In addition, based on forecasts by product model, the Company group analyzes whether there is an excess inventory balance and consider the necessity of recording an impairment loss. Furthermore, if inventories become excessive, or if the market environment deteriorates beyond forecasts and the net realizable value significantly declines, there is a possibility that a loss may occur.

### (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, 2024

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Property, plant and equipment, net | 64,046 | 78,884 |
| Right-of-use assets | 17,312 | 19,106 |
| Goodwill and intangible assets, net | 95,767 | 98,514 |

#### 2) Other Information that Deepens 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, 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 million as of March 31, 2023, respectively.

CGU that has significant goodwill as of March 31, 2024 are Essai, Inc. and R&D Altanova group, and the amount of goodwill allocated to these CGUs are ¥6,356 million and ¥27,826 million, respectively. Essai, Inc. and R&D Altanova group also have significant intangible assets of ¥16,795 million and ¥8,901 as of March 31, 2024, 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. At the end of the fiscal year ended March 31, 2024, Essai, Inc. recognized ¥8,998 million of impairment loss, which is included in other expenses in the consolidated statement of profit or loss, for a portion of goodwill as sales forecast for a large-volume customer is weaker than originally expected, causing future cash flow projections to deteriorate. The recoverable amount of R&D Altanova group approximates the carrying amount as of March 31, 2024 primarily due to high discount rate that derives from continued trend of high USD interest rate.

The method of calculating the recoverable amount of goodwill is included in Goodwill and Intangible Assets (see note 12 for additional details).

### (3) Post-Employment Benefits

#### 1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2024

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Retirement benefit liabilities | 16,812 | 19,134 |

#### 2) Other Information that Deepens 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 19 for additional details).

### (4) Valuation of Deferred Tax Assets

#### 1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2024

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Deferred tax assets | 26,522 | 33,423 |

#### 2) Other Information that Deepens 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 15 for additional details).

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

New or revised accounting standards and interpretations that were issued by the date of approval of the consolidated financial statements but have not yet been applied by Advantest as of March 31, 2024, are principally as follows:

| Standards and Interpretations | Title | Date of mandatory application (fiscal year beginning on or after) | Reporting periods of application (end date of the reporting period) | Overview of new/revised Standards and Interpretations |
|---|---|---|---|---|
| IFRS 18 | Presentation and Disclosure in Financial Statements | January 1, 2027 | March 31, 2028 | New standard of the presentation and disclosure of information in financial statements that replaces IAS 1 |

Advantest is currently assessing the impacts of adopting IFRS 18 “Presentation and Disclosure in 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. Material 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, 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 |

Fiscal year ended March 31, 2024

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 | 331,542 | 52,695 | 102,270 | — | 486,507 |
| Inter-segment sales | — | — | — | — | — |
| Total | 331,542 | 52,695 | 102,270 | — | 486,507 |
| Segment income (loss) (operating income (loss) before share-based compensation expense) | 91,916 | 9,171 | (2,828) | (14,862) | 83,397 |
| Adjustment: Share-based compensation expense | — | — | — | — | (1,769) |
| Operating income | — | — | — | — | 81,628 |
| Financial income | — | — | — | — | 1,244 |
| Financial expenses | — | — | — | — | (4,702) |
| Income before income taxes | — | — | — | — | 78,170 |
| (Other profit and loss items) | | | | | |
| Depreciation and amortization | 14,926 | 1,300 | 8,836 | 1,042 | 26,104 |

(Notes) 1. Adjustments to segment income (loss) in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments.

2. Segment income (loss) in the services, support and others segment for the fiscal year ended March 31, 2024 include an impairment loss of ¥8,998 million recognized for a portion of goodwill acquired through the business combination with Essai Inc. in the system level test business, as well as an income of ¥3,179 million from settlement proceeds related to a dispute with the counterparty.

**(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, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Japan | 20,522 | 19,723 |
| Americas | 42,882 | 37,621 |
| Europe | 17,328 | 17,643 |
| Asia | 479,459 | 411,520 |
| Total | 560,191 | 486,507 |

Net sales to unaffiliated customers are based on customer's location. Net sales indicated as Asia were mainly generated in China, Taiwan and South Korea in the amount of ¥149,202 million, ¥153,175 million and ¥109,827 million for the fiscal year ended March 31, 2023 and ¥157,064 million, ¥108,357 million and ¥92,891 million for the fiscal year ended March 31, 2024, 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, 2023 | As of March 31, 2024 |
|---|---|---|
| Japan | 48,142 | 50,164 |
| Americas | 98,522 | 106,932 |
| Europe | 14,902 | 16,718 |
| Asia | 15,953 | 23,592 |
| Total | 177,519 | 197,406 |

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 Taiwan, South Korea, 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, 2023.

The customer group that accounted for 10% or more of the net sales was the Samsung Group, mainly in the semiconductor and component system and the mechatronics system segments of Advantest for the fiscal years ended March 31, 2024. Net sales to the Samsung Group amounted to ¥57,725 million for the fiscal year ended March 31, 2024.

**7. Cash and Cash Equivalents**

The breakdown of cash and cash equivalents was as follows:

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Cash and short-term deposits with maturities of three months or less | 85,537 | 106,702 |

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, 2023 | As of March 31, 2024 |
|---|---|---|
| Note Receivables | 6,682 | 6,662 |
| Trade Receivables | 89,795 | 74,153 |
| Other Receivables | 5,675 | 8,040 |
| Total | 102,152 | 88,855 |

Trade and other receivables are presented net of the allowance for doubtful accounts in the consolidated statement of financial position. Advantest did not recognize allowance for doubtful accounts for the fiscal years ended March 31, 2023 and 2024.

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, 2023 | As of March 31, 2024 |
|---|---|---|
| Finished goods | 27,060 | 23,979 |
| Work in process | 30,883 | 38,872 |
| Raw materials and supplies | 111,139 | 141,538 |
| Total | 169,082 | 204,389 |

Inventory valuation losses recognized as an expense due to the decline in profitability for the fiscal years ended March 31, 2023 and 2024 were ¥6,344 million and ¥7,347 million, respectively.

## 10. Other Financial Assets

The breakdown of other financial assets was as follows:

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Financial assets that are measured at fair value through other comprehensive income | | |
| Equity instruments | 19,762 | 18,008 |
| Financial assets measured at amortized cost | 1,726 | 2,131 |
| Total | 21,488 | 20,139 |
| Non-current assets | 21,488 | 20,139 |
| Total | 21,488 | 20,139 |

## 11. 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, 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 |

Fiscal year ended March 31, 2024

Millions of Yen

| | Land | Buildings | Machinery | Equipment and Furniture | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Balance at beginning of year | 11,786 | 13,529 | 30,902 | 2,743 | 5,086 | 64,046 |
| Acquisition | ― | 2,598 | 12,726 | 1,455 | 3,104 | 19,883 |
| Acquisition through business combinations | 3,852 | 1,358 | 342 | 7 | 158 | 5,717 |
| Sales and disposals | ― | (4) | (260) | (22) | ― | (286) |
| Depreciation | ― | (1,485) | (13,646) | (1,212) | ― | (16,343) |
| Exchange differences | 918 | 1,129 | 2,825 | 189 | 806 | 5,867 |
| Balance at end of year | 16,556 | 17,125 | 32,889 | 3,160 | 9,154 | 78,884 |

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, 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 |

Millions of Yen

| | Land | Buildings | Machinery | Equipment and Furniture | Construction in progress | Total |
|---|---|---|---|---|---|---|
| As of March 31, 2024 | | | | | | |
| Gross carrying amount | 17,595 | 46,675 | 102,699 | 11,729 | 9,154 | 187,852 |
| Accumulated depreciation and impairment losses | 1,039 | 29,550 | 69,810 | 8,569 | — | 108,968 |
| Carrying amount | 16,556 | 17,125 | 32,889 | 3,160 | 9,154 | 78,884 |

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

**(2) Impairment Losses**

No significant impairment losses were recorded on property, plant and equipment for the year ended March 31, 2023 and 2024, respectively.

**(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, 2023 | As of March 31, 2024 |
|---|---|---|
| Acquisition of Fixed Assets | 740 | 460 |

## 12. 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, 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 |

Fiscal year ended March 31, 2024

Millions of Yen

| | Goodwill | Software | Intangible assets recognized by business combination (Note 1) | Others | Total |
|---|---|---|---|---|---|
| Balance at beginning of year | 63,092 | 2,423 | 29,993 | 259 | 95,767 |
| Acquisition | — | 940 | — | 8 | 948 |
| Acquisition through business combinations (Note 2) | 2,522 | — | 457 | — | 2,979 |
| Sales and disposals | — | (5) | — | — | (5) |
| Amortization | — | (943) | (3,867) | (18) | (4,828) |
| Impairment losses | (8,998) | — | — | — | (8,998) |
| Exchange differences | 8,638 | 158 | 3,823 | 32 | 12,651 |
| Balance at end of year | 65,254 | 2,573 | 30,406 | 281 | 98,514 |

(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 32 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, 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 |
| As of March 31, 2024 | | | | | |
| Gross carrying amount | 74,367 | 10,142 | 48,840 | 884 | 134,233 |
| Accumulated amortization and impairment losses | 9,113 | 7,569 | 18,434 | 603 | 35,719 |
| Carrying amount | 65,254 | 2,573 | 30,406 | 281 | 98,514 |

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, 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 were 8 years and 7 to 17 years, respectively.

The intangible assets at the end of the fiscal year ended March 31, 2024 were mainly intangible assets of ¥16,795 million and ¥8,901 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, 2024 were 7 years and 6 to 16 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, 2023 | As of March 31, 2024 |
|---|---|---|
| Semiconductor and component test system business | | |
| -Japan | 10,538 | 11,949 |
| Services, support and others | | |
| -Japan | 7,227 | 8,194 |
| -Advantest Test Solutions, Inc. | 8,127 | 9,216 |
| -Essai, Inc. | 13,642 | 6,356 |
| -R&D Altanova, Inc.* | 22,029 | 27,826 |
| -Collaudi Elettronici Automatizzati S.r.l.* | 1,529 | 1,713 |

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. The growth rates used for fiscal year ended March 31, 2024 were 0.4% - 6.0%.

Pre-tax discount rates used for measuring the value in use for fiscal years ended March 31, 2023 and 2024 were 14.2% - 18.9% and 12.9% - 17.9%, 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.

At the end of the fiscal year ended March 31, 2024, Essai, Inc. recognized ¥8,998 million of impairment loss, which is included in other expenses in the consolidated statement of profit or loss, for a portion of goodwill as sales forecast for a large-volume customer is weaker than originally expected, causing future cash flow projections to deteriorate. The recoverable amount of R&D Altanova group approximates the carrying amount as of March 31, 2024 primarily due to high discount rate that derives from continued trend of high USD interest rate.

* See note 32 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, 2023 and 2024 were ¥60,094 million and ¥65,492 million, respectively.

## 13. 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, 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 |

Fiscal year ended March 31, 2024

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 | 548 | 6 | — | — | — | — | 554 |

### (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, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Depreciation expense of right-of-use assets | | |
| Buildings | 2,663 | 3,605 |
| Others | 821 | 1,327 |
| Total | 3,484 | 4,932 |
| Interest expense related to lease liabilities | 200 | 421 |
| Expenses related to short-term leases | — | 25 |
| Expenses related to leases of low-value assets | 21 | 25 |

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

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Right-of-use assets | | |
| Buildings | 14,737 | 16,831 |
| Others | 2,575 | 2,275 |
| Total | 17,312 | 19,106 |

The increase in right-of-use assets were ¥7,542 million and ¥5,352 million for the fiscal years ended March 31, 2023 and 2024, 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 ¥3,161 million and ¥5,257 million for the fiscal years ended March 31, 2023 and 2024, respectively.

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

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 |

Fiscal year ended March 31, 2024

Millions of Yen

| | As of April 1, 2023 | Changes arising from cash flows | Non-cash changes | | As of March 31, 2024 |
|---|---|---|---|---|---|
| | | | Increase of right-of-use assets | Others | |
| Lease liabilities | 17,487 | (5,207) | 5,352 | 1,668 | 19,300 |

Maturity analyses for lease liabilities as of March 31, 2024 is disclosed in note 30.

**14. Subsidiaries**

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

## 15. 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, 2023 | As of March 31, 2024 |
|---|---|---|
| Deferred tax assets | | |
| Inventories | 4,654 | 4,757 |
| Warranty provisions | 2,360 | 2,544 |
| Retirement benefit liabilities | 4,445 | 7,409 |
| Accrued expenses | 4,821 | 3,307 |
| Research and development expenses capitalized for tax purposes | 2,718 | 5,575 |
| Operating loss carryforwards | 319 | 273 |
| Property, plant and equipment and Intangible assets | 11,072 | 16,094 |
| Tax credits | 223 | 212 |
| Lease liabilities | 4,781 | 5,276 |
| Others | 2,355 | 3,116 |
| Total deferred tax assets | 37,748 | 48,563 |
| Deferred tax liabilities | | |
| Net change in fair values of financial assets | (2,218) | (1,566) |
| Undistributed earnings of foreign subsidiaries | (3,083) | (4,200) |
| Right-of-use assets | (4,735) | (5,226) |
| Property, plant and equipment and Intangible assets | (6,657) | (7,579) |
| Others | (306) | (503) |
| Total deferred tax liabilities | (16,999) | (19,074) |
| Net deferred tax assets | 20,749 | 29,489 |

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, 2023 | As of March 31, 2024 |
|---|---|---|
| Deferred tax assets | 26,522 | 33,423 |
| Deferred tax liabilities | 5,773 | 3,934 |

Changes in net deferred tax assets were as follows:

Millions of Yen

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Net deferred tax assets | | |
| Balance at beginning of year | 22,049 | 20,749 |
| Recognized in profit or loss | 4,623 | 6,534 |
| Recognized in other comprehensive income | (3,103) | 2,716 |
| Acquisition through business combinations | (2,613) | (772) |
| Others | (207) | 262 |
| Balance at end of year | 20,749 | 29,489 |

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, 2023 | As of March 31, 2024 |
|---|---|---|
| Deductible temporary differences | 53,190 | 29,450 |
| Operating loss carryforwards | 232 | 169 |
| Tax credits | 668 | 967 |

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, 2023 | As of March 31, 2024 |
|---|---|---|
| Operating loss carryforwards | | |
| Not later than 1 year | — | — |
| Later than 1 year and not later than 5 years | — | — |
| Later than 5 years | 232 | 169 |
| Total | 232 | 169 |
| Tax credits | | |
| Not later than 1 year | — | — |
| Later than 1 year and not later than 5 years | 23 | 25 |
| Later than 5 years | 645 | 942 |
| Total | 668 | 967 |

The taxable temporary difference related to investments in subsidiaries for which deferred tax liabilities were not recognized for the fiscal year ended March 31, 2023 and 2024 were not material, 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, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Income tax expense | | |
| Current income tax expense | 45,493 | 22,414 |
| Deferred income tax expense | | |
| Origination and reversal of temporary differences | (4,718) | (3,142) |
| Changes in unrecognized deferred tax assets | 95 | (3,383) |
| Adjustments to deferred tax assets and liabilities due to changes in tax rate | — | (9) |
| Total | 40,870 | 15,880 |

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, 2023 and 2024 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, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Applicable tax rate | 30.5% | 30.5% |
| Differences in statutory tax rate of foreign subsidiaries | (1.3) | (0.7) |
| Tax credits | (5.8) | (8.1) |
| Non-deductible expenses | 0.3 | 2.1 |
| Undistributed earnings of foreign subsidiaries | 0.8 | 1.8 |
| Changes in unrecognized deferred tax assets | 0.1 | (4.3) |
| Effect of tax rate changes | — | (0.0) |
| Others | (0.7) | (1.0) |
| Effective tax rate | 23.9% | 20.3% |

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, 2023 and 2024 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.

## 16. Trade and Other Payables

The breakdown of trade and other payables was as follows:

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Accounts payable | 59,179 | 44,211 |
| Accrued expenses | 23,077 | 25,303 |
| Other payables | 7,006 | 7,349 |
| Total | 89,262 | 76,863 |

## 17. Borrowings

### (1) Breakdown of Borrowings

The breakdown of borrowings was as follows:

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 | Average interest rate (%) | Repayment Due (Year) |
|---|---|---|---|---|
| Short-term borrowings | — | — | — | — |
| Current portion of long-term borrowings | 13,357 | — | — | — |
| Long-term borrowings (excluding current portion) | 20,000 | 75,143 | 1.25% | 2026 - 2029 |
| Total | 33,357 | 75,143 | | |
| Current liabilities | 13,357 | — | | |
| Non-current liabilities | 20,000 | 75,143 | | |
| Total | 33,357 | 75,143 | | |

(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, 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.

Fiscal year ended March 31, 2024

Millions of Yen

| | Short-term borrowings | Long-term borrowings (Note) | Total |
|---|---|---|---|
| Balance at beginning of year | — | 33,357 | 33,357 |
| Changes from financing cash flows | — | 39,998 | 39,998 |
| Changes from non-cash activities | | | |
| Exchanges differences | — | 1,788 | 1,788 |
| Balance at end of year | — | 75,143 | 75,143 |

(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, 2023 | As of March 31, 2024 |
|---|---|---|
| Total amount of committed line of credit | 30,000 | 60,000 |
| Balance of borrowings | — | — |
| Unused committed line of credit | 30,000 | 60,000 |

## 18. Provisions

The change in warranty provisions for the year ended March 31, 2024 was summarized as follows:

Millions of Yen

| | Warranty Provisions |
|---|---|
| Balance at beginning of year | 9,093 |
| Increase during the year | 13,780 |
| Decrease due to intended use | (14,271) |
| Reversal during the year | — |
| Exchange differences | 66 |
| Balance at end of year | 8,668 |
| Current liabilities | 8,668 |

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.

## 19. 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 Liabilities Recognized in the Consolidated Statement of Financial Position**

Net defined benefit liabilities and assets recognized in the consolidated statement of financial position, defined benefit obligations and plan assets were as follows.

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Present value of defined benefit obligations | 74,294 | 79,890 |
| Fair value of plan assets | (57,482) | (67,877) |
| Subtotal | 16,812 | 12,013 |
| Effect of the asset ceiling | — | 7,121 |
| Net defined benefit liabilities | 16,812 | 19,134 |

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Retirement benefit liabilities | 16,812 | 19,134 |
| Retirement benefit assets | — | — |
| Net defined benefit liabilities | 16,812 | 19,134 |

**(2) 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, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Defined benefit obligations: | | |
| Balance at the beginning of year | 48,528 | 46,328 |
| Service cost | 1,164 | 1,038 |
| Interest cost | 373 | 551 |
| Remeasurements: | | |
| Actuarial (gain) or loss - Changes in demographic assumptions | 137 | 134 |
| Actuarial (gain) or loss - Changes in financial assumptions | (2,389) | (1,836) |
| Benefits paid | (1,485) | (1,415) |
| Balance at the end of year | 46,328 | 44,800 |
| Plan assets: | | |
| Balance at the beginning of year | 36,650 | 37,131 |
| Interest income | 282 | 442 |
| Remeasurements: | | |
| Actual return on plan assets, excluding interest income | (1,116) | 3,517 |
| Employer contributions | 2,398 | 1,519 |
| Benefits paid | (1,083) | (1,073) |
| Balance at the end of year | 37,131 | 41,536 |
| Net balance | 9,197 | 3,264 |

Non-Japanese Plans

Millions of Yen

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Defined benefit obligations: | | |
| Balance at the beginning of year | 28,995 | 27,966 |
| Service cost | 1,447 | 1,660 |
| Interest cost | 607 | 1,066 |
| Remeasurements: | | |
| Actuarial (gain) or loss - Changes in demographic assumptions | (336) | 439 |
| Actuarial (gain) or loss - Changes in financial assumptions | (4,205) | 601 |
| Benefits paid | (854) | (797) |
| Exchange differences | 1,647 | 3,427 |
| Others | 665 | 728 |
| Balance at the end of year | 27,966 | 35,090 |
| Plan assets: | | |
| Balance at the beginning of year | 18,532 | 20,351 |
| Interest income | 73 | 807 |
| Remeasurements: | | |
| Actual return on plan assets, excluding interest income | (1,196) | 532 |
| Employer contributions | 1,382 | 1,548 |
| Plan participants' contributions | 628 | 728 |
| Benefits paid | (181) | (148) |
| Exchange differences | 1,113 | 2,523 |
| Balance at the end of year | 20,351 | 26,341 |
| Net balance | 7,615 | 8,749 |

**(3) Plan Assets**

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

Japanese Plans

Millions of Yen

| | As of March 31, 2023 | | | As of March 31, 2024 | | |
|---|---|---|---|---|---|---|
| | 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 | 5,349 | — | 5,349 | 929 | — | 929 |
| Equity securities: | | | | | | |
| Pooled funds | — | 8,486 | 8,486 | — | 13,342 | 13,342 |
| Debt securities: | | | | | | |
| Pooled funds | — | 4,553 | 4,553 | — | 6,210 | 6,210 |
| Hedge funds | — | 9,864 | 9,864 | — | 13,027 | 13,027 |
| Life insurance company general accounts and separate accounts | — | 8,879 | 8,879 | — | 8,028 | 8,028 |
| Total | 5,349 | 31,782 | 37,131 | 929 | 40,607 | 41,536 |

Non-Japanese Plans

Millions of Yen

| | As of March 31, 2023 | | | As of March 31, 2024 | | |
|---|---|---|---|---|---|---|
| | With quoted market price in an active market | With no quoted market price in an active market | Total | With quoted market price in an active market | With no quoted market price in an active market | Total |
| Cash and cash equivalents | 2,191 | — | 2,191 | 3,137 | — | 3,137 |
| Equity securities: | | | | | | |
| Pooled funds | 4,218 | 554 | 4,772 | 8,164 | 664 | 8,828 |
| Debt securities: | | | | | | |
| Pooled funds | 9,753 | 69 | 9,822 | 9,861 | 113 | 9,974 |
| Others | 277 | 3,289 | 3,566 | 908 | 3,494 | 4,402 |
| Total | 16,439 | 3,912 | 20,351 | 22,070 | 4,271 | 26,341 |

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 ¥2,712 million including risk reserve contribution to defined benefit plans during the following fiscal year.

**(4) Effect of the Asset Ceiling**

The asset ceiling on the consolidated statement of financial position represents the limit of defined benefit plan assets accrued. It is defined as the present value of future economic benefits, such as refunds from the defined benefit plan or reductions in future contributions, that become available when the plan's reserves exceed the balance required.

Changes in the effect of the asset ceiling generated in Japanese plans are as follows:

Millions of Yen

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| The effect of the asset ceiling at beginning of year | — | — |
| Interest income | — | — |
| Remeasurements | | |
| Changes in the effect of the asset ceiling | — | 7,121 |
| The effect of the asset ceiling at end of year | — | 7,121 |

**(5) 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, 2023 | As of March 31, 2024 |
|---|---|---|
| Discount rate (%) | 1.2 | 1.5 |
| Rate of compensation increase (%) | 2.3 | 2.3 |

Non-Japanese Plans

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Discount rate (%) | 3.5 | 3.4 |
| Rate of compensation increase (%) | 3.1 | 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, 2023 | As of March 31, 2024 |
|---|---|---|---|
| Discount rate | 0.5% increase | (2,532) | (2,348) |
| | 0.5% decrease | 2,770 | 2,564 |

Non-Japanese Plans

Millions of Yen

| | Changes in actuarial assumptions | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|---|
| Discount rate | 0.5% increase | (1,312) | (1,553) |
| | 0.5% decrease | 1,480 | 1,705 |

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

Japanese Plans

| | As of<br>March 31, 2023 | As of<br>March 31, 2024 |
|---|---|---|
| Weighted average duration (Years) | 11 | 11 |

Non-Japanese Plans

| | As of<br>March 31, 2023 | As of<br>March 31, 2024 |
|---|---|---|
| Weighted average duration (Years) | 15 | 15 |

**(6) 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, 2023 and 2024 were ¥105,991 million and ¥115,493 million, respectively.

## 20. Equity and Other Equity Items

### (1) Share Capital

#### 1) Authorized Shares

The number of authorized shares as of March 31, 2023 and 2024 were 440,000,000 and 1,760,000,000 common shares, respectively. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023.

#### 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, 2022 | 199,542,265 |
| Increase (decrease) | (8,000,000) |
| As of March 31, 2023 | 191,542,265 |
| Increase (decrease) | 574,598,991 |
| As of March 31, 2024 | 766,141,256 |

(Notes) 1. 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.

2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The Company's issued shares increased by 574,605,942 as a result of the share split for the fiscal year ended March 31, 2024.

3. The cancellation of treasury shares from the resolution of the Board of Directors' meeting held on August 30, 2023, resulted in a decrease of treasury shares by 6,951 for the fiscal year ended March 31, 2024.

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, 2023 | 7,328,226 |
| As of March 31, 2024 | 27,729,675 |

(Notes) 1. The number of treasury shares as of March 31, 2023 includes 162,183 shares that were kept as performance-based stock remuneration in trust account. There were no shares held in the trust account as of March 31, 2024.

2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The number of treasury shares as of March 31, 2024 presents the shares after the share split.

### (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, 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 |
| Increase (decrease) | (640) | 26,029 | (3,238) | 22,151 |
| Transfer to retained earnings | 640 | — | — | 640 |
| As of March 31, 2024 | — | 50,382 | 4,046 | 54,428 |

(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.

## 21. Dividends

### (1) Dividends Paid

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.

3. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. "Dividend per share" presents the amount prior to the share split.

Fiscal year ended March 31, 2024

| 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 |
| Board of Directors' meeting held on October 31, 2023 | Common shares | 11,995 | 65 | September 30, 2023 | December 1, 2023 |

(Notes) 1. Dividend of ¥11 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 19, 2023.

2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. "Dividend per share" presents the amount prior to the share split.

### (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 21, 2024 | Common shares | 13,291 | 18 | March 31, 2024 | June 7, 2024 |

(Note) The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. "Dividend per share" presents the amount after the share split.

## 22. 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, 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 |

Fiscal year ended March 31, 2024

Millions of Yen

| | Semiconductor and Component Test System Business | Mechatronics System Business | Services, Support and Others | Elimination and Corporate | Consolidated |
|---|---|---|---|---|---|
| Main regions | | | | | |
| Japan | 11,068 | 4,115 | 4,540 | — | 19,723 |
| Americas | 15,217 | 3,197 | 19,207 | — | 37,621 |
| Europe | 11,364 | 1,134 | 5,145 | — | 17,643 |
| Asia | 293,893 | 44,249 | 73,378 | — | 411,520 |
| Total | 331,542 | 52,695 | 102,270 | — | 486,507 |

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

Fiscal year ended March 31, 2023

Millions of Yen

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

Fiscal year ended March 31, 2024

Millions of Yen

| | SoC | Memory | Total |
|---|---|---|---|
| Semiconductor and Component Test System Business | 245,688 | 85,854 | 331,542 |

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, 2022 | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|---|
| Receivables from contracts with customers | | | |
| - Notes and trade accounts receivables | 77,763 | 96,477 | 80,815 |
| Contract liabilities | | | |
| - Advance receipts | 21,387 | 19,782 | 18,233 |

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.

Advantest recognized ¥18,276 million and ¥17,140 million from the balance of contract liabilities as of April 1, 2022 and 2023 as revenue in the fiscal years ended March 31, 2023 and 2024, 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, 2023 and 2024 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.

## 23. Selling, General and Administrative Expenses

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

Millions of Yen

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Employee benefit expenses | 85,916 | 92,963 |
| Depreciation and amortization | 14,035 | 17,790 |
| Others | 52,091 | 48,210 |
| Total | 152,042 | 158,963 |

## 24. 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 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 |
|---|---|---|---|---|---|
| 31 | 1,672,000 | 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 | 1,659,840 | 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 | 766,080 | 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.

The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. Accordingly, "Number of shares to be issued/delivered" is adjusted to the number that reflects the share split.

Stock option activity was as follows:

| | Fiscal year ended March 31, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|
| | Number of shares | Weighted average exercise price (Yen) | Number of shares | Weighted average exercise price (Yen) |
| Outstanding at beginning of year | 2,718,770 | 1,016 | 1,428,720 | 1,140 |
| Granted | — | — | — | — |
| Exercised | (1,290,050) | 878 | (854,160) | 1,013 |
| Expired | — | — | — | — |
| Forfeited | — | — | — | — |
| Outstanding at end of year | 1,428,720 | 1,140 | 574,560 | 1,328 |
| Exercisable at end of year | 1,428,720 | 1,140 | 574,560 | 1,328 |

The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. Accordingly, “Number of shares” and “Weighted average exercise price” are adjusted to the numbers that reflect the share split.

Weighted-average share prices as of exercise date were ¥2,573 and ¥4,643 for stock option plans exercised during fiscal years ended March 31, 2023 and 2024, respectively.

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

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) |
| 635 | 120,000 | 0.4 | 120,000 | 0.4 |
| 773 | 754,110 | 1.3 | 754,110 | 1.3 |
| 1,748 | 554,610 | 2.3 | 554,610 | 2.3 |

As of March 31, 2024

| Exercise Price | Outstanding | | Exercisable | |
|---|---|---|---|---|
| | Number of shares | Weighted average remaining contractual life (Years) | Number of shares | Weighted average remaining contractual life (Years) |
| 773 | 247,380 | 0.3 | 247,380 | 0.3 |
| 1,748 | 327,180 | 1.3 | 327,180 | 1.3 |

The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. Accordingly, “Exercise Price” and “Number of shares” are adjusted to the numbers that reflect the share split.

Share-based compensation expense was ¥63 million for fiscal year ended March 31, 2023. Share-based compensation expense was not recognized for fiscal year ended March 31, 2024.

### (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.

The Plan terminated in August, 2023.

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, 2023 and 2024 were ¥1,734 and ¥4,959, 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. The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023, and the fair values are adjusted to the values that reflect share split.

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 ¥747 million and ¥553 million for the fiscal years ended March 31, 2023 and 2024, respectively.

**4) Basic Points Activity**

Basic points activity was as follows:

| | Fiscal year ended March 31, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|
| | Number of basic points | Weighted average exercise price (Yen) | Number of basic points | Weighted average exercise price (Yen) |
| Outstanding at beginning of year | 1,679,524 | 1,444 | 880,180 | 1,794 |
| Granted | 20,328 | 1,734 | 22,172 | 4,959 |
| Exercised | (791,292) | 1,040 | (464,820) | 1,316 |
| Expired | — | — | — | — |
| Forfeited | (28,380) | 2,072 | (14,164) | 2,201 |
| Outstanding at end of year | 880,180 | 1,794 | 423,368 | 2,471 |
| Exercisable at end of year | — | — | — | — |

The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023. Regarding the Plans and the PSU granted prior to the share split, "Number of basic points" and "Weighted average exercise price" are adjusted to the numbers that reflect share split.

### (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, 2023 and 2024 were as follows;

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 | 93,620 | 122,920 | 160,576 | 748,148 |
| Fair value | 1,885 | 1,885 | 1,759 | 2,230 |

Fiscal year ended March 31, 2024

| | RS | | RSU | |
|---|---|---|---|---|
| | Directors, Executive Officers | Executive Employees | Directors, Executive Officers | Executive Employees |
| Date of the allotment | July 27, 2023 | July 27, 2023 | July 7, 2023 | August 31, 2023 |
| Allotted shares/points | 33,460 | 48,680 | 75,124 | 282,892 |
| Fair value | 4,959 | 4,959 | 4,959 | 4,447 |

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.

The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023. Regarding the RS and the RSU granted prior to the share split, "Allotted shares/points" and "Fair value" are adjusted to the numbers that reflect share split.

**3) Share-Based Compensation Expense**

Share-based compensation expense from RS and RSU were ¥605 million and ¥1,086 million for the fiscal year ended March 31, 2023 and 2024, respectively.

**4) Basic Points Activity**

Basic points activity was as follows:

| | Fiscal year ended March 31, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|
| | Number of basic points | Weighted average exercise price (Yen) | Number of basic points | Weighted average exercise price (Yen) |
| Outstanding at beginning of year | 371,564 | 2,335 | 1,474,788 | 2,154 |
| Granted | 1,125,264 | 2,096 | 440,156 | 4,630 |
| Exercised | (11,792) | 2,292 | (38,018) | 2,061 |
| Expired | — | — | — | — |
| Forfeited | (10,248) | 2,191 | (48,448) | 2,324 |
| Outstanding at end of year | 1,474,788 | 2,154 | 1,828,478 | 2,748 |
| Exercisable at end of year | — | — | — | — |

The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023. Regarding the RS and the RSU granted prior to the share split, "Number of basic points" and "Weighted average exercise price" are adjusted to the numbers that reflect share split.

## 25. Financial Income and Expenses

### (1) Financial Income

The breakdown of financial income was as follows:

Millions of Yen

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Interest income | | |
| Financial assets measured at amortized cost | 434 | 1,187 |
| Dividend income | | |
| Financial assets measured at fair value through other comprehensive income | 31 | 31 |
| Foreign exchange gains | 3,980 | — |
| Others | 13 | 26 |
| Total | 4,458 | 1,244 |

### (2) Financial Expenses

The breakdown of financial expenses was as follows:

Millions of Yen

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Interest expense | | |
| Financial liabilities measured at amortized cost | 696 | 1,325 |
| Financial liabilities measured at fair value through profit or loss | 5 | 968 |
| Foreign exchange losses | — | 2,378 |
| Changes in fair value of the contingent consideration | 158 | — |
| Others | 16 | 31 |
| Total | 875 | 4,702 |

## 26. Other Income

The breakdown of other income was as follows:

Millions of Yen

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Settlement of a dispute and others with the counterparty (Note) | — | 3,179 |
| Others | 1,003 | 747 |
| Total | 1,003 | 3,926 |

(Note) The settlement of a dispute with the counterparty which is in relation to the service, support and others segment is recognized as other income in the fiscal year ended March 31, 2024.

## 27. Other Expenses

The breakdown of other expenses was as follows:

Millions of Yen

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Impairment loss (Note) | — | 8,998 |
| Others | 335 | 367 |
| Total | 335 | 9,365 |

(Note) Advantest recognizes an impairment loss on a portion of goodwill acquired through a business combination of Essai, Inc. in system level test business for the fiscal year ended March 31, 2024. Details about impairment loss is described in note 12.

## 28. Other Comprehensive Income

Each component of other comprehensive income, reclassification adjustments to net income and tax effects were as follows:

Millions of Yen

| | Fiscal year ended March 31, 2023 | | | Fiscal year ended March 31, 2024 | | |
|---|---|---|---|---|---|---|
| | 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 | 4,197 | (870) | 3,327 | (2,438) | 1,798 | (640) |
| Net change during the year | 4,197 | (870) | 3,327 | (2,438) | 1,798 | (640) |
| Net change in fair value measurements of equity instruments at fair value through other comprehensive income | | | | | | |
| Gains (losses) during the year | 7,447 | (2,385) | 5,062 | (4,156) | 918 | (3,238) |
| Net change during the year | 7,447 | (2,385) | 5,062 | (4,156) | 918 | (3,238) |
| Exchange differences on translation of foreign operations | | | | | | |
| Gains (losses) during the year | 8,093 | — | 8,093 | 26,029 | — | 26,029 |
| Reclassification adjustments to Net income | — | — | — | — | — | — |
| Net change during the year | 8,093 | — | 8,093 | 26,029 | — | 26,029 |
| Total other comprehensive income | 19,737 | (3,255) | 16,482 | 19,435 | 2,716 | 22,151 |

## 29. Earnings per Share

### (1) 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.

### (2) The basis of calculation of basic earnings per share and diluted earnings per share

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Net income attributable to owners of the parent (Millions of Yen) | 130,400 | 62,290 |
| Net income not attributable to owners of the parent (Millions of Yen) | — | — |
| Net income to calculate basic earnings per share (Millions of Yen) | 130,400 | 62,290 |
| Net income adjustment (Millions of Yen) | — | — |
| Net income to calculate diluted earnings per share (Millions of Yen) | 130,400 | 62,290 |
| Weighted average number of common shares-basic | 747,912,124 | 737,560,501 |
| Dilutive effect of stock options | 1,355,428 | 679,616 |
| Dilutive effect of performance-based stock remuneration | 1,150,456 | 716,468 |
| Dilutive effect of restricted stock compensation | 411,520 | 1,164,412 |
| Weighted average number of common shares-diluted | 750,829,528 | 740,120,997 |
| Basic earnings per share (Yen) | 174.35 | 84.45 |
| Diluted earnings per share (Yen) | 173.68 | 84.16 |
| Financial instruments not included in the calculation of diluted earnings per share because they have anti-dilutive effect | — | — |

(Note) The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023.
“Basic earnings per share” and “Diluted earnings per share” are calculated based on the assumption that the share split was implemented at the beginning of the fiscal year ended March 31, 2023.

## 30. Financial Instruments

### (1) Capital Management

Advantest seeks out the most appropriate methods to enhance capital efficiency considering safety and liquidity for the sake of securing the fund.

Advantest raises fund through bonds and borrowings when required. Derivative transactions for speculation purposes are prohibited by Advantest's policy, and limited to transactions to avoid the risks discussed later.

Advantest manages net interest-bearing debt, where cash and cash equivalents are deducted from interest-bearing debt, and capital. The amounts as of each fiscal year end were as follows:

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Interest-bearing debt (Note 1) | 33,357 | 75,143 |
| Cash and cash equivalents | (85,537) | (106,702) |
| Net interest-bearing debt (Note 2) | (52,180) | (31,559) |
| Capital (equity attributable to owners of the parent company) | 368,694 | 431,178 |

(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, 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 |

Aging of Trade and other receivables that are past due but not impaired as of March 31, 2024 was as follows:

Millions of Yen

| | As of March 31, 2024 | | | | |
|---|---|---|---|---|---|
| | 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 | 8,019 | 67,719 | — | — | 75,738 |
| Within 90 days | 21 | 11,876 | — | — | 11,897 |
| Over 90 days, within 180 days | — | 1,154 | — | — | 1,154 |
| Over 180 days | — | 66 | — | — | 66 |
| Total | 8,040 | 80,815 | — | — | 88,855 |

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.

Advantest did not recognize allowance for doubtful accounts for the fiscal years ended March 31, 2023 and 2024.

**(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, 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 |
| Derivative financial liabilities | | | | | | | | |
| Cross-currency rate swap | 432 | 432 | — | — | 432 | — | — | — |
| Total | 432 | 432 | — | — | 432 | — | — | — |

As of March 31, 2024

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 | 76,863 | 76,863 | 76,863 | — | — | — | — | — |
| Borrowings | 75,143 | 77,028 | 952 | 76,074 | — | — | 2 | — |
| Lease liabilities | 19,300 | 20,613 | 5,419 | 4,995 | 4,191 | 3,011 | 2,981 | 16 |
| Other financial liabilities | 1,868 | 1,868 | 1,868 | — | — | — | — | — |
| Total | 173,174 | 176,372 | 85,102 | 81,069 | 4,191 | 3,011 | 2,983 | 16 |
| Derivative financial liabilities | | | | | | | | |
| Cross-currency rate swap | 3,030 | 3,030 | — | 3,030 | — | — | — | — |
| Total | 3,030 | 3,030 | — | 3,030 | — | — | — | — |

### (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, 2023 | | | | Fiscal year ended March 31, 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | Contract amount | Over one year | Carrying amount | | Contract amount | Over one year | Carrying amount | |
| | | | Assets | Liabilities | | | Assets | Liabilities |
| Foreign exchange forward contracts | | | | | | | | |
| Selling | | | | | | | | |
| USD | 668 | − | 0 | − | − | − | − | − |
| Cross-currency rate swap | 19,613 | 19,613 | − | 432 | 19,613 | 19,613 | − | 3,030 |

#### 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, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|---|
| Impact on income before income taxes | U.S. Dollar | (191) | (115) |
| | Euro | (20) | (31) |

#### 3) Interest Rate Risk

Advantest raises funds through borrowings. Borrowings with floating interest rates 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, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Impact on income before income taxes | (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 reflecting the effect of credit risk.

(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, 2023 and 2024.

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 |

As of March 31, 2024

Millions of Yen

| | Carrying amount | Fair value | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured at amortized cost | | | | | |
| Long-term borrowings | 75,141 | — | 74,954 | — | 74,954 |
| Other non-current liabilities | 638 | — | 605 | — | 605 |
| Total financial liabilities | 75,779 | — | 75,559 | — | 75,559 |

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, 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) | 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 |

As of March 31, 2024

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) | 17,079 | — | 929 | 18,008 |
| Total financial assets | 17,079 | — | 929 | 18,008 |
| Financial liabilities that are measured at fair value through profit or loss | | | | |
| Derivatives | — | 3,030 | — | 3,030 |
| Total financial liabilities | — | 3,030 | — | 3,030 |

(Notes) 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”).

The breakdown of equity instruments designated as financial assets measured at FVTOCI was as follows.

Millions of Yen

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| PDF Solutions, Inc. | 18,723 | 16,859 |
| Others | 1,039 | 1,149 |
| Total | 19,762 | 18,008 |

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, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Balance at beginning of year | 1,082 | 866 |
| Gains or losses | | |
| Other comprehensive income (Note) | 910 | 38 |
| Sales | (1,138) | ― |
| Others | 12 | 25 |
| Balance at end of year | 866 | 929 |

(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, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Balance at beginning of year | 259 | ― |
| Changes in fair value (Note) | 158 | ― |
| Settlements | (452) | ― |
| Others | 35 | ― |
| Balance at end of year | ― | ― |

(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, 2023 and 2024.

**2) Derivatives Not Subject to Hedge Accounting**

Details of derivatives are presented below.

Millions of Yen

| | Fiscal year ended March 31, 2023 | | | Fiscal year ended March 31, 2024 | | |
|---|---|---|---|---|---|---|
| | Contract amount | Over one year | Fair value | Contract amount | Over one year | Fair value |
| Foreign exchange forward contracts | 668 | — | 0 | — | — | — |
| Cross-currency rate swap | 19,613 | — | (432) | 19,613 | 19,613 | (3,030) |

## 31. Related Party Disclosures

Management personnel compensation was as follows:

Millions of Yen

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Fixed-compensation | 369 | 349 |
| Performance-based bonus | 237 | 99 |
| Share-based compensation expense | 349 | 314 |
| Total | 955 | 762 |

## 32. Business Combinations

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 fiscal year ended March 31, 2023.

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

With the purchase price allocation completed during the fourth quarter of the fiscal year ended March 31, 2023, the fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were as follows:

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.

(Business combination through acquisition)

Advantest America, Inc., the Company's U.S. subsidiary, acquired all outstanding shares of U.S. company, R&D Altanova, Inc. ("R&D Altanova") on November 17, 2021, and R&D Altanova became a wholly owned subsidiary of Advantest America, Inc.

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

Fiscal year ended March 31, 2024

(Business combination through acquisition)

**(1) Overview of Acquired Business**

Name of Company: Shin Puu Technology Co., Ltd.

Business Description of acquired company:

Manufacture of printed circuit boards (PCBs) and printed circuit board assemblies (PCBAs)

Voting rights ratio after acquisition of shares: 100%

**(2) Overview of Business Combination**

R&D Altanova, the Company's subsidiary, acquired all outstanding shares of Taiwan-based company, Shin Puu Technology Co., Ltd. ("Shin Puu") on April 28, 2023, and Shin Puu became a wholly owned subsidiary of R&D Altanova.

Shin Puu is a supplier of PCBs that manufactures PCBs and PCBAs, key components used in electronics, in Taiwan, a global hub of the electronics industry. By combining R&D Altanova's high-performance and high-density PCB design technology with Shin Puu's manufacturing capabilities, Advantest will expand its manufacturing footprint for high-end test boards in the Asia region, enhancing Advantest's ability to provide turnkey solutions to its customers.

**(3) Acquisition Date**

April 28, 2023

**(4) Legal Form of Business Combination**

Acquisition of shares

**(5) Acquisition-related Expense**

Acquisition-related expense of ¥595 million is included in Selling, general and administrative expenses in the consolidated statement of profit or loss for the fiscal year ended March 31, 2024.

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

With the purchase price allocation completed during the third quarter of the fiscal year ended March 31, 2024, the fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were as follows:

Millions of Yen

| | Provisional fair value | Revision | Revised fair value |
|---|---|---|---|
| Current assets | 1,899 | 19 | 1,918 |
| Non-current assets | 5,866 | 458 | 6,324 |
| Total assets | 7,765 | 477 | 8,242 |
| Current Liabilities | 1,135 | ― | 1,135 |
| Non-current liabilities | 2,031 | 101 | 2,132 |
| Total liabilities | 3,166 | 101 | 3,267 |
| Goodwill | 2,948 | (426) | 2,522 |
| Total | 7,547 | (50) | 7,497 |
| Fair value of consideration paid | | | |
| Cash and cash equivalents | 7,547 | (50) | 7,497 |

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 | 7,497 |
| Cash and cash equivalents of the acquired subsidiary | (539) |
| Repayments of the long-term borrowings and others | 1,302 |
| Acquisition of subsidiary | 8,260 |

**(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, 2024 (unaudited information), was omitted because of its immateriality for the consolidated statement of profit or loss.

## 2. Others

Quarterly information for the fiscal year ended March 31, 2024.

| (Cumulative Periods) | Three months ended June 30, 2023 | Six months ended September 30, 2023 | Nine months ended December 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|---|---|
| Net sales (Millions of Yen) | 101,251 | 217,511 | 350,744 | 486,507 |
| Income before income taxes (Millions of Yen) | 12,961 | 33,317 | 59,567 | 78,170 |
| Net income attributable to owners of the parent (Millions of Yen) | 9,202 | 25,938 | 47,143 | 62,290 |
| Basic earnings per share (Yen) | 12.49 | 35.18 | 63.93 | 84.45 |

| (Accounting Periods) | Three months ended June 30, 2023 | Three months ended September 30, 2023 | Three months ended December 31, 2023 | Three months ended March 31, 2024 |
|---|---|---|---|---|
| Basic earnings per share (Yen) | 12.49 | 22.69 | 28.74 | 20.53 |

(Note) The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023.
Basic earnings per share is calculated based on the assumption that the share split was implemented at the beginning of the fiscal year ended March 31, 2024.

## 2. Non-Consolidated Financial Statements

### (1) Financial Statements

#### 1) Non-Consolidated Balance Sheet

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 53,569 | 61,446 |
| Trade notes receivable | 2 | 13 |
| Electronically recorded monetary claims | 2,304 | 3,303 |
| Accounts receivable | *1 106,650 | *1 89,722 |
| Merchandises and finished goods | 21,379 | 18,739 |
| Work in progress | 27,142 | 33,605 |
| Raw materials and supplies | 86,133 | 114,299 |
| Other current assets | *1 15,646 | *1 25,695 |
| Total current assets | 312,825 | 346,822 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 5,178 | 5,326 |
| Land | 8,089 | 8,089 |
| Other property, plant and equipment | 8,393 | 7,680 |
| Total property, plant and equipment | 21,660 | 21,095 |
| Intangible fixed assets | | |
| Patent right | 61 | 36 |
| Other intangible fixed assets | 1,122 | 905 |
| Total intangible fixed assets | 1,183 | 941 |
| Investments and other assets | | |
| Investment securities | 332 | 373 |
| Investment in affiliated companies | 149,731 | 149,731 |
| Long-term loans receivable | *1 28,643 | *1 38,187 |
| Deferred tax assets | 18,090 | 22,763 |
| Other non-current assets | 1,396 | 6,292 |
| Total investments and other assets | 198,192 | 217,346 |
| Total non-current assets | 221,035 | 239,382 |
| Total assets | 533,860 | 586,204 |

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Trade accounts payable | *1 58,903 | *1 39,670 |
| Current portion of long-term borrowings | 13,353 | — |
| Other accounts payable | *1 15,608 | *1 12,612 |
| Accrued expenses | *1 7,191 | *1 7,786 |
| Income taxes payable | 22,816 | 232 |
| Advance receipts | 7,803 | 7,329 |
| Deposits received | *1 60,087 | *1 79,252 |
| Accrued warranty expenses | 8,877 | 8,106 |
| Bonus accrual for directors | 171 | 130 |
| Provision for share-based remuneration | 1,097 | 5,688 |
| Other current liabilities | 2,612 | 4,325 |
| Total current liabilities | 198,518 | 165,130 |
| Non-current liabilities | | |
| Long-term borrowings | 20,000 | 75,141 |
| Provision for retirement benefits | 7,705 | 11,314 |
| Asset retirement obligations | 40 | 40 |
| Provision for share-based remuneration | 1,131 | 1,511 |
| Other non-current liabilities | 477 | 461 |
| Total non-current liabilities | 29,353 | 88,467 |
| Total liabilities | 227,871 | 253,597 |
| 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 | | |
| Retained earnings carried forward | 296,201 | 320,258 |
| Total retained earnings | 299,284 | 323,341 |
| Treasury shares | (59,099) | (56,353) |
| Total shareholders’ equity | 305,521 | 332,324 |
| Valuation and translation adjustments | | |
| Valuation difference on available for-sale securities | 18 | 66 |
| Total valuation and translation adjustments | 18 | 66 |
| Stock acquisition rights | 450 | 217 |
| Total net assets | 305,989 | 332,607 |
| Total liabilities and net assets | 533,860 | 586,204 |

**2) Non-Consolidated Statement of Operations**

Millions of yen

| | Previous fiscal year (March 31, 2023) | Current fiscal year (March 31, 2024) |
|---|---|---|
| Net sales | *2 482,576 | *2 394,694 |
| Cost of sales | *2 216,685 | *2 199,551 |
| Gross profit | 265,891 | 195,143 |
| Selling, general and administrative expenses | *1, *2 131,808 | *1, *2 140,062 |
| Operating income | 134,083 | 55,081 |
| Non-operating income | | |
| Interest and dividends income | *2 15,762 | *2 10,189 |
| Foreign exchange gains | 3,166 | — |
| Other | *2 538 | *2 374 |
| Total non-operating income | 19,466 | 10,563 |
| Non-operating expenses | | |
| Interest expenses | *2 2,669 | *2 5,422 |
| Foreign exchange losses | — | 1,730 |
| Other | *2 512 | 424 |
| Total non-operating expenses | 3,181 | 7,576 |
| Ordinary income | 150,368 | 58,068 |
| Income before income taxes | 150,368 | 58,068 |
| Income taxes-current | 34,354 | *2 13,339 |
| Income taxes-deferred | 180 | (4,665) |
| Total income taxes | 34,534 | 8,674 |
| Net income | 115,834 | 49,394 |

**3) Statement of Changes in Net Assets**

Fiscal year ended March 31, 2023

Millions of Yen

| | Shareholders' equity | | | | | |
|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | | | |
| | | Capital reserve | Legal reserve | Other retained earnings | | |
| | | | | Reserve for losses in foreign investments | General reserve | Retained earnings carried forward |
| Balance at beginning of year | 32,363 | 32,973 | 3,083 | 27,062 | 146,880 | 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 |

Fiscal year ended March 31, 2024

Millions of Yen

| | Shareholders' equity | | | | | |
|---|---|---|---|---|---|---|
| | | Capital surplus | Retained earnings | | | |
| | | | | Other retained earnings | | |
| | Common stock | Capital reserve | Legal reserve | Retained earnings carried forward | Treasury shares | Total shareholders' equity |
| Balance at beginning of year | 32,363 | 32,973 | 3,083 | 296,201 | (59,099) | 305,521 |
| Changes in the year | | | | | | |
| Dividends from retained earnings | | | | (24,901) | | (24,901) |
| Net income | | | | 49,394 | | 49,394 |
| Purchase of treasury shares | | | | | (17) | (17) |
| Disposal of treasury shares | | | | (400) | 2,727 | 2,327 |
| Cancellation of treasury shares | | | | (36) | 36 | — |
| Changes of items other than shareholders' equity, net | | | | | | |
| Total changes in the year | — | — | — | 24,057 | 2,746 | 26,803 |
| Balance at end of year | 32,363 | 32,973 | 3,083 | 320,258 | (56,353) | 332,324 |

| | Valuation and translation adjustments | | |
|---|---|---|---|
| | Valuation difference on available-for-sale securities | Stock acquisition rights | Total net assets |
| Balance at beginning of year | 18 | 450 | 305,989 |
| Changes in the year | | | |
| Dividends from retained earnings | | | (24,901) |
| Net income | | | 49,394 |
| Purchase of treasury shares | | | (17) |
| Disposal of treasury shares | | | 2,327 |
| Cancellation of treasury shares | | | — |
| Changes of items other than shareholders' equity, net | 48 | (233) | (185) |
| Total changes in the year | 48 | (233) | 26,618 |
| Balance at end of year | 66 | 217 | 332,607 |

【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, 2024 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, 2024 is reported.

4. Revenue recognition

The Company has adopted Accounting Standard Board of Japan (ASBJ) Statement No. 29 (revised 2020) Accounting Standard for Revenue Recognition (March 31, 2020) and ASBJ Guidance No. 30 (revised 2020) Implementation Guidance on Accounting Standard for Revenue Recognition (March 31, 2020) and recognized revenue of goods or services upon transfer of the control of the promised goods or services to customers.

See note 3 (14) in the consolidated financial statements for additional details.

**5. Implementation of a group tax sharing system**

The Company has implemented a group tax sharing system.

**(Significant Accounting Estimates)**

**1. Valuation of Inventories**

(1) Amount recognized in the non-consolidated financial statements as of March 31, 2024

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Merchandises and finished goods | 21,379 | 18,739 |
| Work in progress | 27,142 | 33,605 |
| Raw materials and supplies | 86,133 | 114,299 |

(2) Other information that deepens 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, 2024

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Property, plant and equipment | 21,660 | 21,095 |
| Intangible fixed assets | 1,183 | 941 |

(2) Other information that deepens 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, 2024.

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Provision for retirement benefits | 7,705 | 11,314 |

(2) Other information that deepens the understanding of users of the 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, 2024

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Deferred tax assets | 18,090 | 22,763 |

(2) Other information that deepens 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, 2024

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Investment in affiliated company (Advantest America, Inc. shares) | 53,526 | 53,526 |

(2) Other information that deepens 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., R&D Altanova, Inc. and its sub-subsidiary Shin Puu Technology Co., Ltd. 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.

**(Notes to Changes in Presentation)**

(Statement of operations)

"Rental expenses on facilities" and "Loss on disposal of non-current assets," which were presented as separate line items under "Non-operating expenses" for the previous fiscal year ended March 31, 2023, are included in "Other" for the current fiscal year ended March 31, 2024 due to considerations of materiality.

**(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 24 (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 ¥856 million, 162,183 shares as of March 31, 2023. Since the Company has terminated the trust, the Company has no shares in the trust as of March 31, 2024

**(Balance Sheet)**

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

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Short-term monetary receivables from affiliated companies | 81,855 | 63,851 |
| Long-term monetary receivables from affiliated companies | 28,612 | 38,140 |
| Short-term monetary payables to affiliated companies | 82,660 | 91,839 |

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, 2024 based on this agreement was as follows.

Millions of Yen

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Total amount of loan limit | 30,000 | 60,000 |
| Balance of borrowings | — | — |
| Unused committed line of credit | 30,000 | 60,000 |

**(Statement of Operations)**

*1. The approximate percentage of selling expenses for the previous fiscal year and the current fiscal year were 28% and 27%, respectively. The approximate percentage of general and administrative expenses for the previous fiscal year and the current fiscal year were 72% and 73%, respectively.

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

Millions of Yen

| | Previous fiscal year (From April 1, 2022 To March 31, 2023) | Current fiscal year (From April 1, 2023 To March 31, 2024) |
|---|---|---|
| R & D expenses | 59,468 | 62,858 |
| Salary | 3,852 | 4,090 |
| Depreciation | 1,655 | 1,544 |
| Provision for product warranty | 13,996 | 12,996 |
| Outsourcing expenses | 35,151 | 37,929 |

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

Millions of Yen

| | Previous fiscal year (From April 1, 2022 To March 31, 2023) | Current fiscal year (From April 1, 2023 To March 31, 2024) |
|---|---|---|
| Sales Amount | 296,774 | 221,405 |
| Purchase Amount | 149,900 | 124,852 |
| Transaction Amount other than business transaction | 17,819 | 13,234 |

**(Securities)**

Investments in affiliated companies, which amount recorded on the balance sheet for both the fiscal years ended March 31, 2023 and 2024 were ¥149,731 million, do not state market prices because these are shares with no market value.

**(Tax Effect Accounting)**

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

Millions of Yen

| | Previous fiscal year (March 31, 2023) | Current fiscal year (March 31, 2024) |
|---|---|---|
| Deferred tax asset | | |
| Appraised value of inventories | 2,996 | 4,505 |
| Provision for retirement benefits | 2,347 | 2,125 |
| Fixed assets | 14,835 | 16,255 |
| Other | 6,800 | 5,427 |
| Subtotal of deferred tax assets | 26,978 | 28,312 |
| Valuation allowance for deductible temporary differences | (8,888) | (5,526) |
| Subtotal of valuation allowance | (8,888) | (5,526) |
| Total of deferred tax assets | 18,090 | 22,786 |
| Deferred tax liabilities | | |
| Other | — | (23) |
| Total of deferred tax liabilities | — | (23) |
| Net deferred tax assets | 18,090 | 22,763 |

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, 2023) | Current fiscal year (March 31, 2024) |
|---|---|---|
| Statutory effective tax rate | 30.5% | 30.5% |
| (Reconciliation) | | |
| Permanent non-taxable items such as dividends income | (2.7) | (4.1) |
| Tax credits for research and development expenses | (5.5) | (8.1) |
| Valuation allowance | 0.4 | (5.8) |
| Items that are not permanently deductible | 0.1 | 0.3 |
| Items that do not use income as a tax base, such as per capita rate of residence tax | 0.0 | 0.0 |
| Others | 0.2 | 2.1 |
| Actual effective tax rate after application of tax effect accounting | 23.0 | 14.9 |

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

The Company has adopted the group tax sharing system. Accordingly, the Company conducts accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

**(Revenue Recognition)**

The information that is the basis for understanding the revenue from contracts with customers is omitted since it is described in note 22 in the consolidated financial statements.

**(Significant Subsequent Events)**

Not applicable.

#### 4) Supplementary Schedule

**Details of Property, Plant and Equipment and Intangible Fixed Assets (Non-Consolidated)**

Millions of Yen

| Items | Types of assets | Balance at beginning of year | Increase for this year | Decrease for this year | Depreciation for this year | Balance at end of year | Accumulated depreciation |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | Buildings and structures | 5,178 | 598 | 1 | 449 | 5,326 | 11,132 |
| | Land | 8,089 | - | - | - | 8,089 | - |
| | Others | 8,393 | 2,651 | 55 | 3,309 | 7,680 | 18,202 |
| | Total | 21,660 | 3,249 | 56 | 3,758 | 21,095 | 29,334 |
| Intangible fixed assets | Patent right | 61 | - | - | 25 | 36 | 165 |
| | Others | 1,122 | 248 | 9 | 456 | 905 | 1,009 |
| | Total | 1,183 | 248 | 9 | 481 | 941 | 1,174 |

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

| | | |
|---|---|---|
| Tools, furniture and fixtures | Development equipment | ¥779 million |
| | Production equipment | ¥501 million |
| Machinery and equipment | Production equipment | ¥700 million |
| | Development equipment | ¥308 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 | 8,877 | 12,996 | 13,767 | 8,106 |
| Bonus accrual for directors | 171 | 130 | 171 | 130 |
| Provision for share-based remuneration-ST | 1,097 | 5,072 | 481 | 5,688 |
| Provision for share-based remuneration-LT | 1,131 | 2,176 | 1,796 | 1,511 |

### (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<br>March 31 |
| Number of shares per unit | 100 shares |
| Sales and purchase of shares less than one unit | |
| Handling office | (Special Account)<br>1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division |
| Shareholder registry administrator | (Special Account)<br>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.<br>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.<br>Electric Public-notice (Japanese only)<br>https://www.advantest.com<br>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 81st Business Term (from April 1, 2022 to March 31, 2023) Filed with the Director-General of the Kanto Local Finance Bureau on June 23, 2023.

(2) Internal Control Report and its attachments

Filed with the Director-General of the Kanto Local Finance Bureau on June 23, 2023.

(3) Quarterly Reports and Confirmation Letter

(First quarter, 82nd Business Term) (from April 1, 2023 to June 30, 2023) Filed with the Director-General of the Kanto Local Finance Bureau on August 10, 2023.

(Second quarter, 82nd Business Term) (from July 1, 2023 to September 30, 2023) Filed with the Director-General of the Kanto Local Finance Bureau on November 13, 2023.

(Third quarter, 82nd Business Term) (from October 1, 2023 to December 31, 2023) Filed with the Director-General of the Kanto Local Finance Bureau on February 13, 2024.

(4) Extraordinary Report

Filed with the Director-General of the Kanto Local Finance Bureau on June 27, 2023.

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.

(5) 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 27, 2023.

(6) Extraordinary Report

Filed with the Director-General of the Kanto Local Finance Bureau on February 28, 2024.

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.

# Part II. Information on the Guarantee Companies of the Company

Not applicable.

**English Translation**

**Independent Auditor's Reports on the Audit of Consolidated Financial Statements and the Internal Controls over Financial Reporting**

June 26, 2024

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 Consolidated 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, 2024, 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, 2024, 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, 2024, we have determined "Valuation of goodwill and intangible assets related to the system level test business" and "Valuation of inventories" as key audit matters.

| Valuation of goodwill and intangible assets related to the system level test business |
|---|
| Description of Key Audit Matter |

The Group has been acquiring businesses 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. The cash-generating unit related to Advantest Test Solutions, Inc., which was determined as a key audit matter in our audit of the consolidated financial statements for the fiscal year ended March 31, 2023, is not included as a key audit matter in our audit of the consolidated financial statements for the fiscal year ended March 31, 2024 since it is generally progressing according to the business plan.

| Company Name (Cash-generating Units) | Date of Acquisition | Main Business Activities | Balance of Goodwill / Intangible Assets |
|---|---|---|---|
| Essai, Inc. | January 2020 | Design, manufacture and sale of test sockets and thermal control units | Goodwill: ¥6,356 million<br>Intangible assets: ¥16,795 million |
| R&D Altanova, Inc. | November 2021 | Design, manufacture and sale of test interface boards | Goodwill: ¥27,826 million<br>Intangible assets: ¥8,901 million |

The total of the above assets is ¥59,878 million, which accounts for approximately 9% 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 12 "Goodwill and Intangible Assets" of the Notes to the consolidated financial statements. As described in Note 12 "Goodwill and Intangible Assets" of the Notes to the consolidated financial statements, R&D Altanova, Inc. has acquired Shin Puu Technology Co., Ltd., a Taiwan-based company, as a wholly-owned subsidiary in order to expand their production capacity of high-end test boards. The goodwill of ¥2,522 million arising from the acquisition has been allocated to the cash-generating unit related to R&D Altanova, Inc.

In the fiscal year ended March 31, 2024, there has been a slowdown in demand for major consumer electronics and data center investments due to further deceleration of the global economy, leading to a decrease in demand for related semiconductors. As a result of the impairment test, the value in use and the carrying amount for the cash-generating unit related to R&D Altanova, Inc. have continued to be close to each other since the previous fiscal year. The value in use of the cash-generating unit related to Essai, Inc. has fallen below the carrying amount due to a decrease in demand from a large-volume customer, resulting in an impairment loss of ¥8,998 million being recorded.

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.

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:<br>(1) Assessment of the Group’s internal controls<br>・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.<br>(2) Evaluation of reasonableness of calculation of the values in use<br>(Evaluation of calculation method)<br>・We involved the valuation specialists of our network firm to assess the method used to calculate the values in use.<br>(Evaluation of the reasonableness of the business plan)<br>・We compared the estimated future cash flows for three years with the business plan approved by management to evaluate consistency between two data.<br>・We compared the Group’s business plan for prior years with actual results to evaluate the effectiveness of management’s estimation process.<br>・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.<br>・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.<br>・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. Additionally, we inquired of the responsible official of business unit about the status of the technology transfer to Shin Puu Technology Co., Ltd., which was acquired for the expansion of production capacity for product of R&D Altanova, Inc and the production line startup.<br>・We performed a sensitivity analysis of the business plan reflecting uncertainty in the sales forecasts.<br>(Evaluation of the reasonableness of the growth rates and discount rates)<br>・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.<br>・We compared the discount rates with the estimation made by the valuation specialists of our network firm. |

| Valuation of inventories |
| --- |
| Description of Key Audit Matter |
| The Group has recorded inventories of ¥204,389 million on the consolidated financial statements, which accounts for approximately 30% of the total assets. The related amounts, the estimation method, and the assumptions are disclosed in Note 4 “Significant Accounting Judgments, Estimates and Assumptions” of the Notes to the consolidated financial statements. Additionally, as described in Note 9 “Inventories” of the Notes to the consolidated financial statements, inventory valuation losses of ¥7,347 million has been recorded for the year ended March 31, 2024.<br>The Group measures inventories at the lower of cost or net realizable value after initial recognition. If the net realizable value is less than the cost, the difference is accounted for as a write off and recognized as an impairment loss. The net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and the estimated costs necessary to make the sale.<br>The Group's business belongs to the semiconductor industry, which is expected to grow in the long term; however, in the medium term, it is characterized by significant fluctuations in demand due to factors such as investment budgets of semiconductor manufacturers, who are customers, and geopolitical risks. Under the recent circumstances of a challenging procurement environment due to parts shortages and supply chain disruptions, the Group strategically placed advance orders, which has led to an increase in inventory balances in recent years, particularly in raw materials. The Group estimates future sales quantities by product model based on demand forecasts from its semiconductor manufacturer customers. In valuation of inventories, the Group analyzes whether there is an excess inventory balance based on the future sales quantities by product model and considers the necessity of recording inventory valuation losses. Since the future sales quantities by product model are based on customer demand forecasts and involve uncertainty, a high level of managerial judgment is required in the valuation of inventories.<br>Therefore, we determined the valuation of inventories to be a key audit matter. |

| Auditor’s Response |
| --- |
| We have performed the following audit procedures, among others to consider the valuation of inventories:<br>(1) Assessment of the Group’s internal controls<br>・We assessed the effectiveness of the design and operation of the Group’s internal controls relating to the valuation of inventories.<br>(2) Evaluation of the reasonableness of the valuation of inventories<br>・We inquired of management regarding their judgments on the valuation of inventories.<br>・We performed the following procedures for the future sales quantities by product model:<br>・We examined the consistency between the future sales quantities by product model used for valuation of inventories and the Group’s business plan. We also inquired of management about the demand forecasts for each business that underlie the business plan and compared them with available external data.<br>・We compared the estimated sales quantities by product model for prior years with actual results to evaluate the effectiveness of management’s estimation process.<br>・Regarding future sales quantities by product model, we inquired of the responsible officials of business units and compared with sales performance in the past to evaluate the reasonableness of the estimates.<br>・We inquired of the responsible officials of business units whether inventories that require a long period to be sold off, are considered excess inventory, and examined the reasonableness of their judgements.<br>・We performed analytical procedures on the inventory balance and the inventory valuation losses by product model.<br>・We selected a sample of the allowance for inventory valuation by product model and verified its agreement with the supporting evidence. |

**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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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, 2024.

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, 2024, 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 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

***<Fee-related Information>***

The fees for the audits of the financial statements of Advantest Corporation and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are presented in paragraph 3. titled "Status of Auditing" in Section 4. "Corporate Governance" included in Item 4 "Status of the Company" in Part 1 of the Annual Securities Report for the year ended March 31, 2024 of the Group.

**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 26, 2024

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 Non-Consolidated Financial Statements>***

**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, 2024, 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, 2024, 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, 2024, we have determined "Valuation of inventories" as a key audit matter.

| Valuation of inventories |
|---|
| In the non-consolidated financial statements for the fiscal year ended March 31, 2024, the Company recorded ¥18,739 million of merchandises and finished goods, ¥33,605 million of work in progress, and ¥114,299 million of raw materials and supplies. The related disclosures are included in "Significant Accounting Policies" and "Significant Accounting Estimates" of the Notes to the non-consolidated financial statements.<br>The reasons why we determined the matter to be of key audit consideration and the audit response are the same as the key audit matter (valuation of inventories) described in the independent auditor's report of the consolidated financial statements, therefore the description has been omitted. |

**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, to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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.

***<Fee-related Information>***

Fee-related information is presented in the independent auditor's report on the audit of consolidated financial statements.

**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] | 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 26, 2024 |
| [Company Name] | Kabushiki Kaisha Advantest |
| [Company Name in English] | ADVANTEST CORPORATION |
| [Title and Name of Representative] | Koichi Tsukui, Representative Director, Senior Executive Officer and President, Group COO |
| [Title and Name of CFO] | Yasuo Mihashi, Senior Executive Officer, CFO & CSO |
| [Address of Registered Office] | 1-6-2, Marunouchi, Chiyoda-ku, Tokyo |
| [Place Where is Available for Public Inspection] | Tokyo Stock Exchange, Inc.<br>(2-1, Nihombashi, Kabuto-cho, Chuo-ku, Tokyo) |

## 1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Koichi Tsukui, Representative Director, Senior Executive Officer and President, Group COO and Yasuo Mihashi, Senior Executive Officer, CFO & CSO of Advantest Corporation, confirmed that statements contained in the Annual Securities Report for the 82nd Business Term (from April 1, 2023 to March 31, 2024) were adequate under the Financial Instruments and Exchange Act.

## 2. Special Notes

None.

[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 26, 2024 |
| [Company Name] | Kabushiki Kaisha Advantest |
| [Company Name in English] | ADVANTEST CORPORATION |
| [Title and Name of Representative] | Koichi Tsukui, Representative Director, Senior Executive Officer and President, Group COO |
| [Title and Name of CFO] | Yasuo Mihashi, Senior Executive Officer, CFO & CSO |
| [Address of Registered Office] | 1-6-2, Marunouchi, Chiyoda-ku, Tokyo |
| [Place Where is Available for Public Inspection] | Tokyo Stock Exchange, Inc.<br>(2-1, Nihombashi, Kabuto-cho, Chuo-ku, Tokyo) |

## 1. Matters Related to Basic Framework of Internal Control over Financial Reporting

Koichi Tsukui, Representative Director, Senior Executive Officer and President, Group COO and Yasuo Mihashi, Senior Executive Officer, CFO & CSO 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, 2024. 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, 2024.

## 4. Supplementary Matters

None.

## 5. Special Notes

None.