

Advantest Corporation
81st Ordinary General Meeting of Shareholders
Q&A Summary

【Questions received online prior to the event】

Q. Is it really necessary to increase the number of outside directors? Fraud has occurred even in some companies with nomination committees and those with many outside directors. I wonder whether the advice of outside directors who attend only a few meetings a year is really useful to the company. This would also reduce the number of positions available for employees and decrease their loyalty to the company.

A. Even if this agenda item were approved, it does not necessarily mean we would increase the number of outside directors. For effective monitoring, it is necessary to check management from various angles. For this purpose, advice from outside directors with different backgrounds is increasingly important. We currently have five outside directors, each with diverse skills in management, business investment, R&D, finance accounting, legal, human resources, IT, etc., and they provide advice from their own experience, which we believe leads to effective monitoring. In addition, we hold Board of Directors meetings monthly. We discuss issues for 3-5 hours in each meeting. A lot of time is spent on meetings of the Nomination and Compensation Committee, the Audit and Supervisory Committee, and offsite meetings. We estimate that our outside directors provide useful advice. Note that executive officer positions are open only to employees, so we do not believe that a decrease in the number of available positions has occurred.

Q. The Bank of Japan purchases ETFs. Thus, the Bank of Japan is one of your major shareholders. How does this affect the management of the company?

A. We are aware that there have been some media reports that the Bank of Japan indirectly holds a large number of our company's shares. The Bank of Japan purchases ETFs as part of its monetary policy, and we assume that The Bank of Japan indirectly holds a large number of our shares because they are included in the composition of these ETFs.

According to media reports, the Bank of Japan holds more than 20% of our company's shares as ETFs, but since the Bank of Japan does not disclose the number of shares it holds, we do not know the real number. The Bank of Japan has not yet defined how it will dispose of the ETFs, and until that is clarified, it is difficult to know the impact of the ETFs on our company. We have not received any requests from the Bank of Japan regarding management. In addition, we assume that the institutional investors managing the ETFs vote based on their own voting criteria. Therefore, we do not believe that this situation

creates any governance problems.

Q. Please disclose detailed resolution results of the agenda on your website.

A. For the greater convenience of shareholders, these details will be disclosed on our company website starting this year.

【Questions received at the event】

Q. I would like to hear directly from Director Karatsu, who will be stepping down as an outside director at this meeting. I would also like to ask Director Lefever how the past year has been for him.

A. (Director Karatsu) This term marks my 11th term as an outside director of Advantest, and in short, it has been a very happy 11 years. The growth of the market has allowed us to make great progress as a company. In particular, I think this was a time when the world became more aware that semiconductors are not just components but have a significant impact on society. The demand for semiconductor test has expanded in multiple senses, and I believe that we expanded our business by implementing a long-term plan that included M&A to achieve our goals in line with this market expansion. As an outside director, I have made proposals based on my understanding of the world as a whole, and we have had many discussions. I am very happy with the company's direction, and I would like to thank everyone for your support over the past 11 years.

(Corporate Vice President Lefever) The company experienced very strong growth in FY2022, driven by remote work and other factors. Gradually, however, we began to see signs of an industry slowdown. In particular, we are seeing a significant slowdown in mobile devices, which affects our tester business. In recent months, AI has been gaining momentum and I feel that we are entering a new era of semiconductors, and while AI will not be able to make up for the slowdown in mobile devices in the short term, we believe that in the long term, demand for test and test solutions will increase as devices become more complex. Therefore, I believe that the next 1-3 years will be focused on providing superior solutions, human capital, DX and ESG as mentioned by President Yoshida in "Future Challenges & Opportunities".

Q. Your sales forecast for this fiscal year lays out expectations of a significant decline, but I would like to ask you for more details. I would also like to know about your ratio of exports vs domestic sales.

A. (President Yoshida) The semiconductor production equipment industry, of which we are a part, is affected by the capital investment trends of our customers. Looking at our past sales trends, our sales grew by more than 30% from FY2021 to FY2022, but currently the entire semiconductor industry is slowing down worldwide. If global final demand declines, sales in all regions will also decline. Regarding our overseas sales ratio, it has been over 95% for several years, and we do not expect this to change in the near term.

Q. Can Advantest's products support coming generations of computers, such as quantum computers? Can they also support optical integrated circuit technology?

A. (Corporate Vice President Tsukui) We are keeping a close eye on the new generation of computers. To that end, we aim to spend more time discussing the technologies that will be needed in the future with customers. On the other hand, we believe that even if quantum computers are commercialized, it will not obviate existing semiconductors. We are in the process of discussing not only quantum computers but also the evolution of semiconductors with our development and research departments. We have also begun discussions with customers regarding optical integrated circuit technology. We are paying a lot of attention to optical integrated circuit technology because we believe it will lead to the development of solutions that contribute to energy efficiency as well as semiconductor performance. We hope to offer concrete solutions for this technology in the future.

(President Yoshida) Our customers are the most advanced manufacturers in the world. We are in a position to work together with them on next-generation devices and solutions by communicating with them on a regular basis. We want to make sure that we do not miss any opportunities.

Q. I would like to know about the impact of U.S. export restrictions to China.

A. (President Yoshida) I cannot promise that the export restrictions on China will have no impact on our company. However, since many of our products are manufactured and developed outside the U.S., these products are not subject to export restrictions. However, if geopolitical risks escalate, it is assumed the global economy will decline and the volume of semiconductor manufacturing will decrease, which in turn will reduce the volume of testing. I believe that we must keep a close watch on developments in this area.

Q. I would like to know about how your management values human resources. Do you, President Yoshida, value the ideal of a company where employees stay for a long period of time? How do you feel about the trend of paying employees higher wages?

A. (President Yoshida) Human resources are the foundation of a company. I believe that it is ideal to develop excellent human resources and have them stay long-term. To achieve this, the company must continue to grow constantly. Therefore, I believe that management's role is to ensure that the company grows and to create a good working environment for employees. As for wage hikes, I believe that wages are generally increasing to cover inflation. Since we grant performance-linked bonuses to its employees, we give them large bonuses when business performance is strong. On the other hand, when performance is poor, the compensation system is designed to reduce our costs.

Q. Advantest's shareholder meetings are less uplifting than those of other companies.

A. (President Yoshida) We held our General Meeting of Shareholders at our offices in Gunma during the COVID-19 pandemic, but the number of shareholders who came on the day of the meeting was small, giving a lonely impression. This year, since COVID-19 has receded, we decided to hold the meeting in Tokyo for the convenience of our shareholders. Even so, we have not been able to attract as many shareholders as we did before COVID-19. We regret that we could not convince more of our shareholders to come. As for the atmosphere being less uplifting relative to meetings of other companies, I would like to learn more about those other companies' shareholder meetings to see what lessons might be there for us.

【Questions received from viewers of the livestream after the deadline to submit questions】

Q. What range of global semiconductor types can Advantest's semiconductor test equipment test and evaluate?

A. (President Yoshida) Our testers can test and evaluate all types of semiconductors. However, there are cases where it is economically viable to use our testers for testing and evaluation, and other cases where it is not. For less complex ICs, such as discrete semiconductors, our testers are not cost effective, so other testers are used. On the other hand, for very complex cutting-edge semiconductors, our testers have a widely recognized advantage.

Q. Your current share price reflects the excellent performance of your company and is the result of the efforts of all executives and employees. As a shareholder, I look forward to further progress in the company's performance and further share price gains. President Yoshida, I would like to hear why you are enthusiastic about the future.

A. (President Yoshida) The semiconductor business, semiconductor production equipment business, and vendors related to the semiconductor business are all affected by the demand for semiconductors themselves. Our sales for this fiscal year are expected to be lower than

last year, illustrating how demand for semiconductor test equipment fluctuates if global demand for semiconductors falls. Although there is some weakness currently, I would guess that our share price has risen significantly as the excitement around AI has raised expectations for the future market. In the short term, the industry is subject to ups and downs, but in the long term, I believe that our company is certain to grow because we do business with a wide range of customers in the semiconductor industry, which is necessary for the widespread implementation of AI. We look forward to your continued support.

Q. NVIDIA's AI business is growing and your stock price is rising, as you are considered to be closely related to them. Please tell me about the relationship between NVIDIA and Advantest.

A. (President Yoshida) Although we do business with NVIDIA, we are unable to answer questions about individual transactions. In addition, we have relationships with various other customers in the AI arena.

Q. How do you perceive the competitive threats surrounding your company?

A. (Corporate Vice President Lefever) I believe that we have an advantage over our competitors for the following five reasons.

- (1) The investment in various research and development for superior solutions
- (2) Focused on serving various types of customers, including fabless, foundry, and OSAT
- (3) Provides many software tools, libraries, etc., to key customers
- (4) Investment in total solutions, including the provision of peripherals such as device interfaces to be used in conjunction with the testers.
- (5) Building trust with top semiconductor manufacturers by providing solutions on time

Q. I believe that securing human resources will play a major role in the future growth of your company. I hope that you will spare no effort in securing sufficient financial resources to hire new personnel. I am a little concerned about the current competition among top companies for excellent human resources.

A. (President Yoshida) The problem of securing human resources exists not only in Japan but around the world. Since semiconductors are considered crucial materials from a geopolitical perspective, the semiconductor industry is facing a serious problem in securing human resources. We are strengthening recruitment in each of the regions where we do business, but I believe that it is important not only to strengthen recruitment but also to provide training after hiring. We will do our utmost to secure human resources, as it is extremely important.

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