# **ADVANTEST**®



Facing the future together

Integrated Annual Report 2024



# **Enabling Leading-Edge Technologies**

Advantest drives the future of innovation through leading-edge test solutions.

Advantest's core business is semiconductor test. Our products ensure that semiconductors meet stringent performance and reliability standards, maintaining a reputation for precision and efficiency as our test solutions enable the development of leading-edge technology, from smartphones to satellites.

We strive to bring safety, security, and comfort to people around the world, enriching daily life through new technology powered by semiconductor test.



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Advantest's Integrated Annual Report presents information that is important to understanding our value creation initiatives—spanning our financial performance, management philosophy, business model, strategy, and governance—in a format that reflects our integrated perspective on corporate value. It aims to provide content useful to a wide range of stakeholders, including shareholders and investors.

In producing this report, we have consulted reporting guidelines such as the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). Please refer to the table of guideline references on our website for information on our compliance with GRI and SASB (US Sustainability Accounting Standards Board) standards at: https://www.advantest.com/en/about/sustainability/gri-standard/.

#### Reporting Period & Scope

This report covers the period of FY2023 (April 1, 2023 to March 31, 2024). However, it also refers to earlier and later dates as necessary. Unless otherwise specified, all data is drawn from consolidated financial statements.

## **Disclaimer Regarding Forward-Looking Statements**

This 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.

#### Information Disclosure Focus

Our corporate value creation initiatives and results are primarily disclosed in our Securities Report, Sustainability Report, and Integrated Report. While the Securities Report is intended primarily for financial professionals and the Sustainability Report for non-financial professionals, the Integrated Annual Report is intended to cover both financial and non-financial areas and to be easy to understand for general readers.



# Our Business

(Fiscal year ending March 2024)

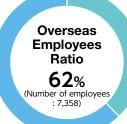
# **Business Segments**

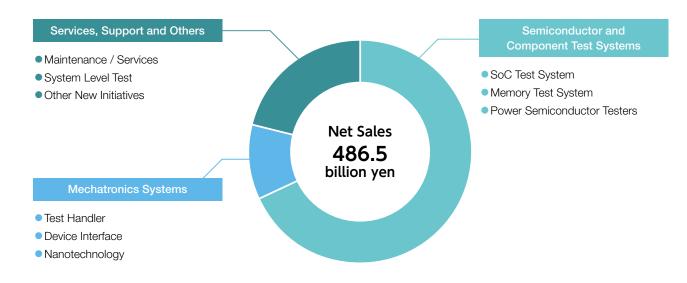
Advantest has three business segments: Semiconductor and Component Test Systems, which account for about 70% of sales; Mechatronics Systems, which comprises test system peripherals; and Services, Support and Other, which mainly provide customer support and system-level test products. In combination, these products and solutions enable us to respond to a wide variety of semiconductor test needs and diverse customer requirements. Our broad portfolio is one of the keys to our competitiveness.

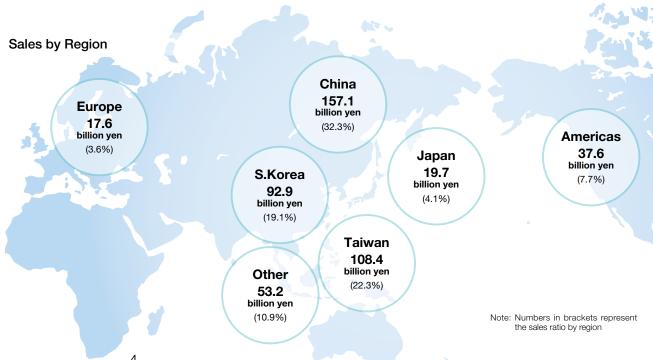
## **Global Business Operations**

We leverage our diverse human capital and global network to provide solutions to our customers around the world.

Overseas Sales Ratio 95.9%









# Value Creation

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# The "Era of Complexity" demands value creation powered by trust and innovation

The semiconductor industry is entering an era of complexity, which demands stronger bonds of trust across the value chain and unprecedented innovations from equipment suppliers. Advantest is uniquely well-positioned to meet these requirements with leading-edge test equipment.

# **New Beginnings**

Since joining Advantest in 1998, I have had the unique opportunity to work in various positions, learning from extraordinarily talented individuals. As I take on my new role as Group CEO, I am honored to share the knowledge and experience I gathered over the past 25 years. Advantest is more than just a company to me—it is part of who I am. I am

excited to share my strong commitment and passion for this organization with all our stakeholders.

I have been fortunate to work alongside many of our past leaders, and I am dedicated to upholding the legacy they built—a legacy characterized by the trust and respect of our customers, partners, and communities worldwide. As Advantest continues to evolve into a global enterprise, I remain committed to preserving our roots and core values. Reflecting on our future, two words resonate deeply: trust and

"Trust and innovation are fundamental to our success, and I have been working closely with our global team to build upon these pillars as we move forward."

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innovation. Over the years, we have diligently cultivated a deep level of trust with our customers and stakeholders. They rely on us for exceptional solutions, and we must continue to enhance our capabilities to deliver products of unparalleled quality and economic value. Additionally, investing in R&D is crucial to addressing the increasing complexity of semiconductor devices. Trust and innovation are fundamental to our success, and I have been working closely with our global team to build upon these pillars as we move forward.

# Looking Back on Our Past Mid-Term Management Plans

Over the past two mid-term management plans, we have achieved three major milestones.

First, we created an unparalleled product portfolio by investing heavily in the development of semiconductor test equipment. It is no exaggeration to say that our equipment can measure any semiconductor. The investments over the past six years in our core businesses have laid a strong foundation for future growth. Second, we made strategic and complementary investments in adjacent areas. Consequently, we have not only strengthened our existing core markets but also expanded our business into system-level testing, test interfaces, sockets, and data infrastructure.

Third, we strategically established bases in key regions where the semiconductor industry is flourishing. By enhancing our presence and bolstering our personnel in development, R&D, sales, and support, we have built robust relationships with our customers. This strategy has placed us in a very advantageous position within the industry. Our MTP1 and MTP2 plans focused on expanding our business portfolio, product offerings, and global footprint. These efforts have earned the trust of our customers and achieved significant growth, with our market share increasing from 36% in 2017 to 58% last year, our revenue multiplying by 2.4 times, and our market capitalization increasing tenfold.

#### Goals of MTP3

In June 2024, we announced our Grand Design Update and Third Mid-Term Management Plan with the new vision statement: "Be the Most Trusted and Valued Test Solution Company in the Semiconductor Value Chain."

Our world is undergoing significant changes. Technological breakthroughs, combined with efforts to improve global sustainability, are driving innovation and demand for high-performance semiconductors. Moreover, rising geopolitical risks have led to increased semiconductor production capacity and geographical redistribution.

The semiconductor industry is entering an "Era of Complexity" brought on by the increasing demand for high-performance semiconductors, which require advanced manufacturing technology and the diversification of value chains. I believe this is a great opportunity for our company to grow further, as Advantest's role in providing leading-edge test equipment is

"The semiconductor industry is entering an "Era of Complexity" which requires advanced manufacturing technology and the diversification of value chains.

I believe this is a great opportunity for our company to grow further, as Advantest's role is becoming increasingly important to the development of complex semiconductor devices."

becoming increasingly important to the development of complex semiconductor devices.

We believe that efficiency is key to addressing the needs of this new global business environment. By providing customers with automated test technology, we aim to improve the testing process, enabling them to overcome challenges and release products with unparalleled efficiency.

## **Further Trends and Opportunities**

We expect many of the trends that began in 2023 to continue into 2024, especially related to the ongoing growth of Al. Large language models (LLM) and other machine learning (ML) applications require data centers full of hundreds of thousands of GPU/CPU processors running in parallel to power a single model. If one processor malfunctions, the entire model must be restarted at a major cost to the customer. Therefore, quality and reliability are crucial to the development of Al technology, intensifying the need for test as more and more customers push for zero defective parts per million (DPPM). High-bandwidth memory (HBM) devices are widely used alongside GPUs in data centers to power Al applications. HBM consists of multiple DRAM modules 3D-stacked on top of each other. This technology is becoming increasingly popular, offering faster data processing while maintaining low power consumption and a small footprint. However, 2.5D/3D packaged devices are complex and have higher density, bringing about various unique test challenges that often require at-temperature and system-level test to ensure reliability. These 2.5D/3D stacked devices are expensive to produce, thus

# "Our goal is to become a sustainable company that meets the needs of all stakeholders, including the planet."

growing demand for more testing throughout the manufacturing process to increase yield. Our engineers have a long history of working with HBM, and our broad range of test solutions uniquely positions Advantest to overcome the challenges that accompany these emerging technologies.

Later down the line, I believe the emergence of edge

applications will spur rapid growth in our industry. As generative Al becomes accessible to consumers through smartphones and personal computers, Al is anticipated to become heavily integrated into our everyday lives, furthering the demand for high-end semiconductors. I believe preparation is key to capturing this market. We must expand production capacity, invest in R&D, and create new business opportunities in adjacent markets to keep up with future demand for edge devices.

# The Path Towards Sustainability

Sustainable growth is vital to our corporate strategy. With computers, smartphones, and cars, semiconductors play a major role in our daily lives and their impact is only expected to

deepen with the development of Al applications. As industry leaders, we must take measures to promote the responsible development of this technology to ensure a sustainable future. We have remained committed to our promotion of ESG, surpassing many of the targets outlined in our ESG Action Plan 2021-2023, including reducing the rate of harmful emissions and raising renewable energy usage throughout our business practices. As a founding member of the Semiconductor Climate Consortium (SCC), we continue to work proactively alongside industry partners to accelerate the reduction of greenhouse gas emissions across the semiconductor value chain. In the recently announced MTP3 Sustainability Action Plan 2024-2026, the themes have been reorganized to increase stakeholder value, and new mid-term targets have been established for each theme. Furthermore, the name of the plan has been changed from "ESG Action Plan" to "Sustainability Action Plan" to better reflect the content and scope of future initiatives. Outlining our initiatives clearly and engaging with employees will help our global business units align on specific goals, uniting our sustainability efforts worldwide.

**//** Group CEO Message

# 70 Years of Building a Unique Corporate Culture

This year, Advantest celebrated its 70th anniversary on July 1. Originally, Advantest started in 1954 as a measuring instrument company with only three employees. Now, 70 years later, the company has evolved into a global leader in semiconductor test equipment, building on many years of hard work and innovation.

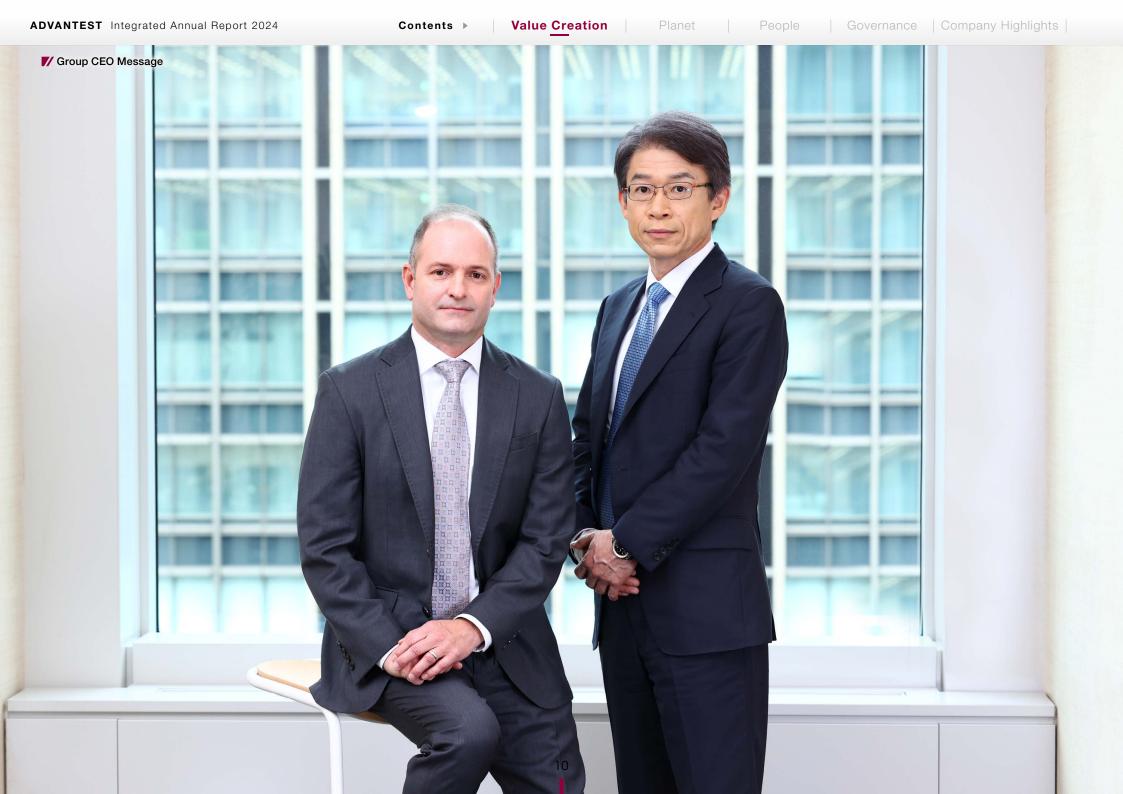
Decades of success have transformed Advantest into a global company, and our INTEGRITY core values guide us in meeting the diverse needs of our international community. Our Japanese roots have provided us with an excellent cultural foundation, emphasizing sincerity, collaboration, teamwork, and an unwavering commitment to quality. Moreover, we've remained committed to our mission of enabling leading-edge technology by helping our customers to develop advanced semiconductors

that contribute to the betterment of society.

With INTEGRITY at the heart of everything we do, we aim to develop a unique corporate culture that embraces diverse values and strives for enduring growth and success. Our goal is to become a sustainable company that meets the needs of all stakeholders, including the planet.

Together, we face the future with confidence and commitment.





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# Corporate culture "INTEGRITY" hones the competitive edge of a global company born in Japan

By having each employee practice INTEGRITY, we are leveraging our unique Japanese strengths and our global teamwork to solve issues in the semiconductor industry.

In April 2024, I was appointed President and Group COO. It was with a keen sense of excitement that I embraced the challenge of further evolving our global management structure together with our new Group CEO, Douglas Lefever, who has been a close friend for many years.

Supported by demand for Al-related technologies, the semiconductor market is expected to grow to a projected \$1 trillion in the 2030s. In addition, while the increasing complexity of the semiconductor industry brings challenges, it can also be a great opportunity for our company. I believe that Mr. Lefever's and my mission as a management team is to seize this change in complexity and accelerate new growth.

Advantest was born in Japan, but it is now a global company with 96% of our sales coming from overseas. More than 60%

#### Innovation is our Lifeblood

We challenge the status quo.

We embrace technologies and entrepreneurship to create superior customer value.

#### Number one is our Aspiration

We earn our leadership position in our business fields every day.

We establish an impeccable standard of excellence.

#### Trust is our Foundation

We are a trusted, collaborative partner.

We have confidence in each other's capabilities and intentions.

#### **Empowerment is our** Motivation

We are empowered to make decisions with confidence.

We own Advantest's success.

#### **//** Group COO Message

of our employees are foreign nationals. This gives us a rare combination of Japanese strengths such as diligence, cooperation, commitment to quality, global support capabilities, and partnerships with IT and high-tech companies that lead the world in innovation. Our company's purpose and mission is "Enabling leading-edge technologies," and we will continue to leverage our advantageous position to contribute to a better future for all by being the first to address and solve the challenges of the world's most advanced semiconductor technologies.

No matter how far science and technology advance, the fact remains that a company is made up of people. It is employees who implement strategy and drive business. Of greatest importance is the creation of an environment in which people with various knowledge and abilities can trust each other, work together, and make the right decisions.

That is where our INTEGRITY core values come in. We ask our employees to practice INTEGRITY in their daily work and believe that developing human capital with INTEGRITY will drive our long-term sustainable growth. Investing in human capital continues to be one of our key focuses.

I believe that Advantest's greatest strength is its global teamwork. Close communication across countries and departments is essential to solving complex and intricate problems. I am convinced that we can overcome any challenge as long as Advantest's 7,300 employees worldwide share our INTEGRITY core values and maximize their teamwork.

The same also applies to our management team. In response to the rapid changes in the semiconductor industry, we have built a unique management structure. As Group COO and President, I will aim to maximize my teamwork with our Group CEO in support of his global leadership and management.

# G

#### Global is our Reach

We embrace a world of constant change.

We are always ready. Anytime. Anywhere.

# R

#### Respect is our Heart

We respect different cultures, customs, and laws.

We never compromise on our ethical standards.

# Inclusion and Diversity is our Commitment

We are proud of and appreciate the range of different backgrounds that our talents represent.

We believe that strength can come from differences as well as similarities.

# Τ

#### Teamwork is our Approach

We work smart and best utilizing our talents across teams and regions to do extraordinary work.

We inspire each other, encourage openness, and recognize team results.



#### Yes is our Attitude

We deliver on results promised to each other.

We recognize that impossible is an opinion, and with imagination, we can change the world.

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# Advantest's History

## Founding years: 1950s, 1960s

# Overcoming start-up challenges and establishing a foothold in Japan's electronics industry

Advantest was founded in 1954 under the name Takeda Riken Industries. The company's founder, Ikuo Takeda, believed that developing new technologies should be the mainstay of the company's business in order to compete with larger companies. Thus, Mr. Takeda set his sights on the field of measurement instruments with a focus on DC electronics and pulse technologies. These electronics would serve as a gateway to the semiconductor industry years later. In the same year, Takeda Riken launched its first product, the Micro Micro Ammeter. This microcurrent meter device addressed many issues with conventional products, such as size and stability. Consequently, the Micro Micro Ammeter sold well and significantly contributed to the company's growth as a start-up. The experience of winning over target markets by tailoring our technology to specific customer needs shaped our corporate strategy for years to come.

In the 1960s, Japan's economy entered a period of rapid growth, and the Japanese electronics industry expanded significantly. Takeda Riken pioneered the development of new electronics, introducing the industry to advanced, state-of-the-art measurement instruments such as the 100 MHz electronic counter in 1962, which was the world's highest-performance measurement instrument at the time and Japan's first digital voltmeter in 1963.



Photo of the company at the time of its foundation. The company's first location was a small office in a corner of Itabashi Ward, Tokyo. Front row, second from left: founder Ikuo Takeda.

### First leap forward: 1970s-1990s.

### Foreseeing the growth of the semiconductor industry, Takeda Riken enters the tester business and achieves leadership in global market share

Anticipating significant growth in the semiconductor industry in the medium to long term, Takeda Riken began developing semiconductor test systems in 1968. After we had invested a significant amount of money in development, the oil crisis of 1973 brought a slump in business performance, and for a time, the company's future was uncertain. However, as computers became a popular tool in corporate settings, demand for semiconductors and test systems soared, and business for Takeda Riken rebounded in 1976. Test system sales soon exceeded measurement instrument sales, and the company subsequently built up its position in the semiconductor test equipment market.

In 1979, Takeda Riken changed the industry by launching the world's first test system with a test speed of 100 MHz. The company achieved the highest global share of the test system market for the first time in 1985 and maintained the number one position for five consecutive years, from 1987 to 1991. After securing the top position in the test system market, Takeda Riken was rebranded as "Advantest" in 1985 to establish a more recognizable global brand as the company began doing more business outside of Japan. The 1990s saw booming demand for semiconductors, driven by the popularity of PCs, which depended on DRAM technology to transfer data at high speeds. Advantest saw the growing importance of synchronous DRAM memory technology

and released a system capable of testing DRAM devices in

1996. This product became a record-breaking success.



Our test systems were delivered to a major US company. Although we were latecomers to the industry in the early 1980s, our performance and reliability helped us win business in the US market.

## Turning point in business: 2000s, 2010s

# Entering a second growth period as the semiconductor industry shifts to the foundry model

In the 2000s, mobile devices outpaced PCs as the main semiconductor market driver, and a new trend emerged in the value chain: the global separation of design and manufacturing, known as the foundry model. The impact of this was particularly significant in the semiconductor test market, where test manufacturers now needed to operate on a global scale to coordinate with fabless companies that designed semiconductors and the fabrication plants, or foundries, that manufactured them. Fabless companies outsourced manufacturing to foundries and OSAT (outsourced assembly and test) in different parts of the world, requiring test providers like Advantest to coordinate between different cultures and time zones. Additional challenges arose as the test industry experienced significant restructuring marked by various acquisitions and withdrawals resulting from global economic downturns, such as the bursting of the dot-com bubble in 2000 and the 2008 financial crisis.

Although Advantest managed to facilitate a shift in business from Japan to overseas, adapting to the global foundry model proved difficult for the company. After taking various measures, like opening our test system architecture, in 2011, we decided to acquire Verigy, the third-largest company in the test industry. Combining Verigy's strong global operations with our extensive R&D capabilities and customer support, we spent the first few years after the acquisition exploring markets with future growth potential and strengthening our partnerships with key customers. In 2018, we published our first Grand Design (medium- to long-term business policy) and our first mid-term business plan (FY2018-2020). The plan set an ambitious target of doubling

sales to 400 billion yen in ten years' time. This goal was based on the assumption that further improvements in semiconductor quality and reliability would be required in an increasingly data-intensive society, enabling the test industry to grow at a faster rate than the semiconductor industry. As we foresaw, since then the tester market has expanded rapidly. The measures we had taken to strengthen our test solutions and customer base bore fruit, and we entered a new stage of growth.



Verigy acquisition press conference. Although the Great East Japan Earthquake struck during the final stages of negotiations, we were able to finalize negotiations and hold the press conference 19 days after the disaster. On the right is then-President Haruo Matsuno.

# Towards a 100-year company: 2020s and beyond

# Contributing to the evolution of semiconductors with trusted, valued test solutions

In FY2021, we surpassed the 400-billion-yen sales target we had set in our original Grand Design 10-year plan, achieving an average of 487.9 billion yen in sales during our second mid-term management plan (FY2021-FY2023). Our share of the

tester market grew significantly from 36% in 2017 to 58% in 2023, and our market capitalization grew from 400 billion yen in March 2018 to 4 trillion yen in May 2024.

Nowadays, the semiconductor business is becoming increasingly complex in terms of both technology and the supply chain, requiring more advanced testing solutions. In our third mid-term management plan (FY2024-FY2026), we redefined our vision statement as "To be the most trusted and valued test solution company in the semiconductor value chain" and set a three-year average sales target of 560-700 billion yen. Semiconductors, which support our data-centric society, are becoming increasingly sophisticated, complex and high-capacity, requiring higher levels of reliability. As semiconductors drive the digital revolution and the value chain evolves, we are committed to expanding our company's capabilities to improve customer value. This includes venturing into adjacent markets like system-level test and data analytics to ensure our continued success as we move towards our 100-year anniversary.



Advantest Test Solutions, Inc. (California, USA), which designs and sells Advantest's system-level test systems.

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# **Learn About Advantest**

#### What we do: Advantest's business fields

Advantest uses electronic measurement technology to solve a wide range of industrial challenges. Since the 1990s, the company has followed the globalization of the semiconductor value chain and expanded its business overseas.

Semiconductor test systems, the current mainstay of Advantest's business, function by inputting electrical signals into semiconductors and measuring the response signals coming back to ensure that the chip is functioning properly. The test data determines more than whether a semiconductor is simply "good" or "bad"—it provides a variety of information relating to the design and manufacturing process. Engineers can then utilize this test data at earlier points in the value chain to improve yield, refine the manufacturing process and improve the overall design of the chip.

We work closely with many companies that are at the forefront of developing advanced semiconductors. Typically, the first company to introduce a new, state-of-the-art semiconductor device gains a significant advantage in the market. However, many of the companies competing for this goal face challenges with quality and reliability during the manufacturing process because they are working with new technology that is still being developed. Customers utilize Advantest's test equipment to identify the cause of these problems and devise solutions, employing test at various stages throughout the manufacturing process. Our test systems enable customers to solve technical issues and deliver advanced semiconductors to the market as quickly as possible.

In the past, the semiconductor test market was heavily dependent on demand for PCs and mobile devices, with significant market fluctuations linked to the generational cycle of those devices. Within the industry, this periodic economic fluctuation, also known as the "silicon cycle," was understood to reach a peak every few years. However, the market for semiconductors has expanded significantly in recent years. They are now used in a wide range of products such as smartphones, cars, home appliances, and Al applications. Moreover, as semiconductors become more and more complex, they require higher test volumes and new methods like system-level testing. As a result, the semiconductor tester market is no longer dependent on the demand for a specific product and is evolving into a cyclical market characterized by steady growth.

# Why Advantest: The roots of our robust business model are technological strength and global operations

Advantest's business is built on using measurement technology to help customers solve problems. This core business model guided our company through our early years as a measurement instrument manufacturer and our later expansion into the semiconductor test business, and it remains unchanged to this day. We actively listen to our customers, many of whom are industry leaders, to pinpoint the root causes of the problems they face and offer specialized solutions to support their success. Working closely with our customers, we form lasting relationships of trust that prepare us to tackle subsequent challenges—an approach that has served us and our customers well for 70 years.

### The tester market in the past

Business climate

Silicon cycle









The tester market was heavily influenced by specific applications

## The tester market today

Al-related semiconductors















Automotive semiconductors



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The expansion of semiconductor applications has smoothed out cyclical fluctuation in the tester market

# Virtuous cycle of strengthening relationships with customers



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However, this strategy is not sufficient to stay competitive in today's fast-paced market, especially as the technology our customers are developing becomes more and more sophisticated. It is our commitment to staying at the forefront of technology and expanding our operations through global teamwork that truly sets Advantest apart in our industry.

To ensure our test technology stays on the cutting edge, we invest in developing solutions years in advance. We look as far as five years into the future to anticipate potential problems and tailor our technology to solve them. Predicting these challenges is difficult, especially since we aim to develop systems that will be in use for 10 to 15 years. That is partly because, as semiconductors evolve, other components such as packaging, chiplets, optics, thermal processing, and software also become more complex, necessitating a crossdisciplinary approach to tackling multiple challenges at once.

We utilize cross-functional teams that include personnel with diverse knowledge and experience from different departments, such as marketing, R&D, support and manufacturing. These professionals come together to share innovative ideas and develop integrated solutions for customer challenges. The traditional waterfall organizational approach is limited in its ability to quickly resolve complex interdependent issues. Our strong market share in the semiconductor tester market reflects the superiority of our cross-functional teams, which can integrate the expertise of professionals and pursue optimal solutions.

Our teamwork approach also connects different time zones across the world. The semiconductor supply chain operates on a global scale, often involving significant geographic distances between partnering companies, Most of the world's leading fabless companies are in North America, while top foundries

and OSATs (outsourced assembly and test providers) are often located in Asia. Many of our test systems are installed at foundries and OSATs, which are motivated to improve the utilization rates of their equipment so they can test semiconductors more efficiently. However, the test process begins with fabless companies during the upstream design evaluation phase. When fabless companies and OSATs use the same test systems, customers can utilize their test programs and data from the design phase to enhance the downstream test process and bring their products to market sooner. To help them do this, we formulate cross-regional teams, including personnel from sales, marketing, systems engineers, and field services, with expertise to support customers throughout their design, manufacturing, and test processes. By integrating market trends, cutting-edge test technology, and our broad product portfolio, we develop solutions that satisfy the needs of fabless companies, foundries, and OSATs and offer seamless support across the globe, further strengthening our customer partnerships.







Our global teamwork and our innovative technology are powered by a diverse workforce of professionals from around the world. Advantest's unique corporate culture unites all our employees around a shared set of core values that empower them to succeed. These core values, represented by the acronym INTEGRITY, are INNOVATION, NUMBER ONE, TRUST, EMPOWERMENT, GLOBAL, RESPECT, INCLUSION AND DIVERSITY, TEAMWORK, and YES. Since the introduction of INTEGRITY in 2019, we have encouraged employees to take ownership of our core values by offering various INTEGRITY training sessions, workshops, awards, and even an INTEGRITY mascot competition. We will continue to uphold and refine these values as we grow as a global company.

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# "Grand Design" Mid/Long-Term Management Policy

Advantest's corporate purpose and mission is "Enabling Leading-Edge Technologies". In FY2018, Advantest formulated a 10-year medium- to long-term management policy (FY2018-FY2027), our "Grand Design," which defined the commitments and strategies needed for Advantest to fully strive as a company that embodies this corporate mission and purpose, under which Advantest has been striving to enhance its corporate value. In June 2024, we updated our Grand Design based on our latest long-term business environment forecast. We also updated our Vision Statement and added "enhancing stakeholder values" as our long-term management goal. At the same time, Advantest announced its third Mid-term Management Plan (FY2024-2026).

# (1) Components of our mid- to long-term management policy.

#### 1 Purpose & Mission

Since 1990, Advantest has held "Enabling Leading-Edge Technologies" to be our raison d'être. Advantest constantly strives to improve so that it 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.

#### **2**Grand Design

This 10-year long management policy defines the commitments and strategies needed for Advantest to fully strive as a company that embodies its corporate mission and purpose. We established the Grand Design in 2018 to help employees around the world work together to create customer value and improve corporate value.

#### **3** Vision Statement

Our Vision Statement describes what we want Advantest to be in the future. We have honed our vision of how we can continue to be of greatest value to our customers and society based on our latest long-term business environment forecast. This led to issuing our updated Vision Statement in June 2024.

#### 4 Long-Term Goal: Enhancing Stakeholder Values

We added this goal to the Grand Design when we updated it in FY2024.

#### **6** Mid-term Management Plan

This three-year management plan contains strategies and targeted management metrics calibrated to the vision described in the Grand Design. We have already executed two mid-term management plans, and formulated our third Mid-term Management Plan (MTP3) in June 2024.

#### Purpose & Mission: Technology Support on the Leading Edge **Grand Design Grand Design** FY2018~2027 Refreshed in FY2024 Vision Statement Be the Most Trusted and Valued Adding customer value in an Test Solution Company in the evolving semiconductor value Semiconductor Value Chain Long-team Management Goal: Enhancing corporate value aligned with our global stakeholders **(5**) MTP3 MTP1 MTP2 FY2021~2023 FY2024-2026 Four Key Strategies Strategies

#### (2) Three achievements of the Grand Design

- 1. An unparalleled product portfolio, created by investing heavily in development of semiconductor test equipment
- 2. Strategic and complementary investments in adjacent areas
- 3. Strategically established bases in key regions

These efforts have earned the trust of our customers and achieved significant growth of our increased market share, revenue, and market capitalization.



#### "Grand Design" Mid/Long-Term Management Policy

#### (3) Our updated Grand Design

When we formulated the "Grand Design" in 2018, the semiconductor test equipment market had shifted onto a more stable growth trajectory due to structural demand changes, such as the ongoing digital transformation and the expansion of semiconductor applications. In step with this trend, Advantest expanded its product portfolio by acquiring companies outside Japan and growing its global business base.

At present, the semiconductor market and the semiconductor test market are generally moving in the direction Advantest anticipated in 2018 when our Grand Design was formulated.

However, if we look to the future, the semiconductor and electronics-related industries continue to evolve dynamically, as reflected by the current rapid spread of generative Al. In addition, sustainability-related issues, to which Advantest must respond, will require additional focus and more rapid efforts than in the past.

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

business initiatives to date, and our latest long-term business environment outlook.

These updates follow a review of 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, we decided to make the following two changes:

#### 1. Updated our Vision Statement

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

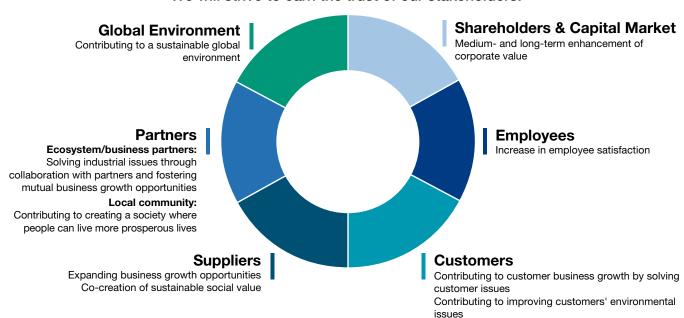
Rather than just providing customers with semiconductor testing hardware, we are becoming an essential hub and partner for the entire semiconductor value chain by providing new value in the form of semiconductor test solutions that allow for more efficient approaches to the increasingly complex challenges of semiconductor test. 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 our stakeholders.

## Advantest has further defined the economic and social values that it should represent to its major stakeholders, and has announced the long-term management goal of enhancing those values.

We will promote various initiatives that help to create a sustainable future for the world 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 purpose and mission and the value we provide in a balanced, multifaceted way, both economically and socially.

#### Value to Stakeholders

#### We will strive to earn the trust of our stakeholders.



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# Third Mid-Term Management Plan (MTP3)

We have formulated a new mid-term management plan covering the period from FY2024 to FY2026 to implement our new vision statement--"Be the most trusted and valued test solution company in the semiconductor value chain"--and to achieve our longer-term goals.

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

Advantest expects that the semiconductor test-related market will continue to grow in the medium to long term, while factoring in short-term down cycles, and its cyclical growth structure will persist during the MTP3 period. Although the current adjustment in the semiconductor test-related market is not yet complete, Advantest expects that the market will 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 this 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 our updated vision statement.

#### [Strategies]

#### 1. Outpace the growth in our core market

In line with our growth strategy, Advantest has broadened its business domains year by year. In the past, the semiconductor tester (ATE) market has been our main focus. However, from MTP3 onwards, while ATE will remain the central axis of our business, Advantest will aim for further growth based on a larger footprint enabled by past efforts on the ATE 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 customers through the "Automation of Test," -specifically, by improving the efficiency of semiconductor testing, by organically integrating our 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 evolve toward higher performance and complexity, 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 create business opportunities by promoting field services, Advantest Cloud Solutions™, and the products of our Applied Research & Venture Team.

#### 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 across the entire Group. Advantest will continue to solve test issues in the semiconductor industry by leveraging in-house technology on a cross-functional basis under the ownership of each CxO. In addition to the above, to become a company that is valuable to all stakeholders, we believe that we need to improve not only the excellence of our products and technologies, but also the efficiency and effectiveness of all our operations. To this end, Advantest is committed to accelerating internal operations and streamlining manpower by using DX (digital transformation), building a resilient supply chain, strengthening our human capital through recruiting competent talent and expanding employee training, and improving internal productivity with 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. We will further strengthen our 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 hopes 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

Under 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 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 uses three-year averages to smooth out the impact of industry cycles.

#### >> Cost / Profit Structure

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Advantest will work to improve 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, R&D and 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, the future of the global economy and our market is highly uncertain. Advantest will strive to achieve its management goals by carrying out flexible financial management in line with changes in the business environment.

	MTP2 results (FY2021-23 Avg.)	MTP3 targets (FY2024-26 Avg.)		
Sales	¥487.9в	¥560-700в		
Operating profit margin	24.7%	22-28%		
Net income	¥93.3 <sub>B</sub>	¥93-147в		
Return on Invested Capital (ROIC)	25.5%	18-28%		
EPS	¥124	¥127-202		

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

## Capital Policy & Shareholder Returns

Advantest's capital policy prioritizes 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 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 the MTP3 period to investments in organic and non-organic growth in our core businesses and the acceleration of business expansion into adjacent markets. Advantest will also be flexible in the utilization of liabilities (debt) from the viewpoint of balance sheet management that considers both capital efficiency and capital cost. In addition, Advantest maintains an appropriate capital structure while maintaining financial soundness in order to strengthen its business position and enhance its corporate value.

In terms of shareholder returns, congruent with MTP3 for the three years starting from April 1, 2024, and premised on a stable business environment, we aim for a stable and continuous dividend of ¥30 per share annually, minimum. In addition to dividends, Advantest targets a cumulative total return ratio\* of 50% or more, including share repurchases, 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.

<sup>\*2</sup> 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.

<sup>\*</sup>Total return ratio: (Dividend + share repurchase) / consolidated net income

## Column: "Automation of Test" Enhances Efficiency in Testing Complex Devices

#### **Background to the "Age of Complexity"**

- •One of the most renowned trends present in the semiconductor industry is miniaturization. This term refers to the advancements in lithography that have enabled engineers to develop denser circuitry with more transistors on a smaller area of silicon, resulting in increasingly smaller chips and electronic devices. These miniaturized semiconductors are faster and cheaper and form the foundation of our digital society.
- •The widespread adoption of semiconductors has led to further improvements in end products and the growth of the electronics industry, driving demand for semiconductors even higher. In response, the semiconductor industry has invested heavily in expanding production capacity and new technology, establishing a semiconductor supply chain that is efficient and economical.

#### Further evolution of semiconductors is needed

•In recent years, there has been a growing demand for performance improvements in semiconductor technology. The widespread adoption of AI has created a need for high-performance semiconductors to power generative AI applications. For an AI chatbot to answer questions, for example, it relies on extremely high-performance semiconductor devices that can calculate, store, and communicate large amounts of data at unprecedented speeds. However, simply increasing the processing power of semiconductors is not enough. The semiconductor industry is also working to improve the energy efficiency of semiconductors to reduce greenhouse gas emissions and address climate change.

#### **Future of the semiconductor industry**

- Amidst these technological and social expectations, the biggest challenge for the semiconductor industry is how to balance innovations in semiconductor performance with greater energy efficiency.
- •In addition to making chips smaller, other research and development projects seek to improve semiconductor circuit structures and key technology through methods other than miniaturization. These innovative efforts are expected to deliver semiconductor devices with even higher circuit integration as well as improved energy efficiency in the future.
- •In parallel with efforts to improve the performance of individual semiconductors, the industry has also been focusing on advanced packaging technology, which boosts performance capacity by integrating multiple semiconductors into a single device. Special efforts are being directed toward "heterogeneous integration," a method of packaging different types of semiconductor devices into a single system.
- •In addition, technology is being developed to cut down on wiring requirements when multiple semiconductor devices are packaged together by stacking semiconductor chips vertically and connecting them electrically. This technology enables higher performance.
- •While each of these methods has the potential to be groundbreaking, none of them alone will be enough to enable the industry to meet future needs. The industry must utilize all these methods, optimizing each strategy and integrating them together to develop more complex, high-performance semiconductors.



## Column: "Automation of Test" Enhances Efficiency in Testing Complex Devices

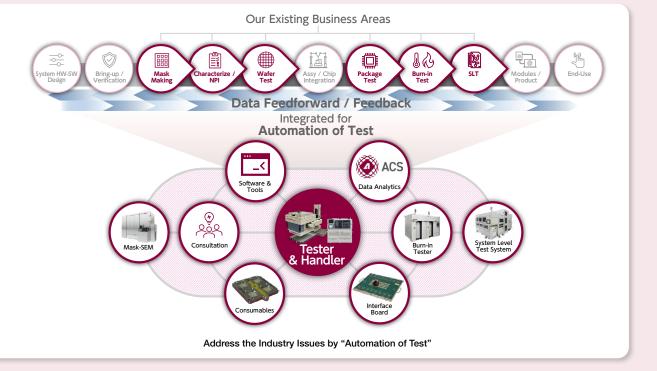
#### Semiconductor test is becoming more complex

- •Through these industry-wide efforts, the scale and complexity of semiconductor circuitry is increasing. As a result, the complexity of semiconductors is expected to increase exponentially faster than in the past. This will bring new challenges to the semiconductor industry.
- •For example, incorporating various types of semiconductor components on a single device presents a significant challenge. Engineers must fine-tune multiple aspects of a semiconductor's design and manufacturing to balance the technological needs of each component present and ensure seamless operation. However, as semiconductor devices grow more complex, balancing the intricate needs of diverse components has proven challenging. Integrating new technology could have a significant, adverse impact on the entire device that is impossible to predict.
- The industry increasingly views semiconductor test as a tool to identify and remove defects in advance. As semiconductors become more complex, the industry will require more sophisticated,

- advanced test at a larger scale than ever before. However, expanding production to such a massive scale raises many technical challenges.
- •Complex challenges also arise when testing heterogeneous integrated devices. For example, the heat generated by the current passing through a semiconductor device during test can damage the other components integrated in the device. In this age of complexity, semiconductor testers must provide advanced thermal control capabilities to monitor hotspots and prevent overheating.
- •Specifically, testing increasingly complex semiconductors requires disaggregating and examining the complexities of the semiconductor's components one by one. In other words, developing test processes for complex semiconductors requires an interdisciplinary approach that spans multiple fields.
- •In addition to creating an environment where large-scale test can be performed accurately and efficiently, companies that provide semiconductor test solutions are required to understand the challenges of each process, from semiconductor design to mass production, and work closely with companies across the value chain.

#### Advantest's role

- •Semiconductor testers are unique compared to other types of production equipment in that they access the complex circuits inside semiconductor devices and test their operation. By analyzing test data in real time, engineers can identify potential issues in the chip's design early on. This data can then be fed back to the design stage to proactively eliminate defects and improve a chip's overall performance. Moreover, we can increase efficiency throughout the electronics industry by using the data obtained during semiconductor test to enhance the manufacturing of end products.
- •Our strategy involves deploying a comprehensive product portfolio to cater to diverse customer needs and optimize efficiency as test grows more complex. We will offer integrated solutions that include semiconductor testers for SoC and memory devices, device interface products, high-speed analytics technology, software, and industry-leading field service and customer support. Through our cutting-edge test solutions, we aim to improve the efficiency of the semiconductor value chain and accelerate the growth of the industry.



# **CFO Message**



## **Management Metrics**

MTP3 sets forth five financial KPIs. Whereas in MTP2 we utilized ROE, we now use ROIC. To respond flexibly to future growth investments, including M&A, and strategic inventory asset purchases, we have considered the use of debt, such as loans. Therefore, we have concluded that the use of "invested capital", which combines both capital and debt, is more appropriate for evaluating management efficiency.

# Future-Focused Investment in Development for Growth and Cash Generation

We assume that our cost of capital will average about 10% over the MTP3 period of three years, although this will be affected by changes in market conditions, and ROIC will average from 18% to 28%. We expect ROIC to significantly exceed the cost of capital, leading to a significantly positive equity spread. We plan to improve ROIC performance by boosting profitability and improving the efficiency of our use of assets, mainly in terms of faster inventory turnover.

Regarding performance target value ranges for MTP3, although our sales targets are higher than in MTP2, we are still operating in an industry where market conditions and performance can fluctuate rapidly, as seen in the greater-than-expected decline of our figures in FY2023, the final year of the MTP2 period. By setting 22% as the lower bound of our operating margin range, we do not mean that our operating margin will be 22% when sales hit the lower bound of our sales range of 560 billion yen, but rather that we intend to take measures to ensure an operating margin of at least 22% even if sales fall to the lower bound.

Regarding selling, general and administrative expenses, which have increased along with sales, we intend to increase efficiency by further digitizing our operations, limiting increases in indirect expenses, and improving our break-even ratio. Since we announced MTP3, demand for testers has increased rapidly, especially for AI-related SoC devices, and our business is now forecasted to grow significantly more in FY2024 than

initially expected. To start with, we had envisioned MTP3 getting off to a rather sluggish start in FY2024 and then transitioning to growth in FY2025 and FY2026. We are currently making a careful assessment of whether the steep increase in tester demand in FY2024 will boost demand throughout the MTP3 period or whether this is a temporary surge in demand pulled forward.

#### MTP3 Targeted Management Metrics

	MTP2 Results (FY21-23 Avg.)	MTP3 Targets (FY24-26 Avg.)
Sales	¥487.9 <sub>B</sub> ▶	¥560 - 700в
Operating Profit Margin	24.7% ▶	22 - 28%
Net Income	¥93.3 <sub>B</sub> ▶	<b>¥93 - 147</b> в
ROIC	25.5% ▶	18 - 28%
EPS	¥124 ▶	¥127 - 202

<sup>\*</sup>MTP3 financial targets are based on exchange rate assumptions of 140 yen to the US dollar and 155 yen to the Furo

<sup>\*</sup>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.

# **Capital Allocation**

First, regarding operating cash flow (operating CF) during MTP3, although our operating margin target range remains unchanged from MTP2, we expect a large absolute increase in CF due to significantly higher sales. In addition, factors including lower corporate income tax payments in FY2024 vs. FY2023 and conversion into cash of the strategic inventory accumulated during the MTP2 period should contribute to an increase in operating CF.

Under our MTP3 capital allocation, R&D expenses are drawn from the forecasted amount of operating CF. One keyword of MTP3 is "complexity." Part of that complexity is our customers' progress in developing advanced semiconductor manufacturing technology. I would like to emphasize again how important it is for us to invest continuously in technology development so that we can capture the business opportunities represented by this progress by providing our customers with optimal semiconductor test solutions in a timely manner.

As sales grow, the ratio of R&D expenses to sales declines. However, R&D investments are a crucial part of fulfilling our corporate purpose and mission, and in fact, we have increased our R&D expenses every year since FY2016 and plan to further increase them by 36 billion yen during MTP3, representing a 20% increase from MTP2.

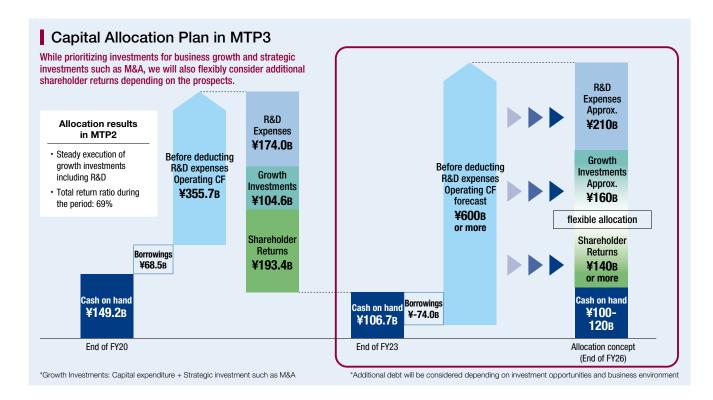
Of our projected 160 billion yen in growth investments, we are considering capital investments of 60 billion yen and strategic investments, including M&A, of 100 billion yen. This represents a decrease in capital investments from 63.9 billion yen in MTP2, but during the MTP2 period, in addition to ramping up our production plant in the United States, we made once-off

investments such as office expansion at each global base to facilitate the expansion of our business. We do not plan to reduce our capital investments in business-related areas such as development, production, and sales.

As under MTP2, our shareholder return policy targets a total return ratio of 50% or more, but growth investment opportunities will be prioritized. The minimum dividend per share is set at 30 yen for the full year. It is important to note that this does not mean we are considering reducing the dividend from the 34.25 yen per share paid out in FY2023. On the contrary, we would like to continue to increase our dividend

gradually. If the dividend amount does not reach a total return ratio of 50% or more, we plan to flexibly conduct share repurchases.

Under MTP2, our target for average cash and deposit balance was 100 billion yen, but under MTP3, we are considering slightly increasing this to a range of 100 to 120 billion yen. In consideration of business risks such as uncertain markets and political instability, we currently have a commitment line agreement for 60 billion yen. We will consider extending this agreement based on how our business environment develops.



Each of Advantest's locations around the world has diverse functions, so in order to carry out effective risk management, each unit (individual division, business unit, and six of our overseas locations) operates autonomous risk management in normal times. We also have a top-down risk response structure to be activated in the event of an emergency.

#### **Our Basic Risk Management Philosophy**

It is essential to identify present and future risks, prepare for them, and take appropriate countermeasures in order to seize business opportunities and tackle challenges amidst the upheavals affecting our business environment. Examples of such upheavals include the data explosion, the digital revolution, which is further accelerated by the rise of new applications that leverage Al, and ever-faster social change. By linking management strategy with risk management, we aim to comprehensively identify existing and anticipated risks. Each unit identifies risks from a bird's-eye view, defining risks as factors that may hinder the achievement of management strategies, and takes appropriate countermeasures according to the magnitude of the risks.

In addition, we have prioritized the creation of a system that can promptly respond to these risks if and when they materialize. Each unit strives to coordinate with the so-called second line (i.e., administration group) and third line (internal audit division) of defense to be fully prepared to respond to risks.

Thus, autonomous risk management by each unit, combined with management oversight, forms the basis of our risk management system.

#### **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 President, has also been set up to act promptly in the event of an emergency.

#### 2. Process

Each unit incorporates the management plan formulated by the Board of Directors and the 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.

Compliance-related risks 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 action 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, faster response is possible under the direction of the Risk Management Group. Risk Management

#### **Key Risks & Countermeasures**

In FY2023, approximately 350 risks were identified by divisions, business departments, and overseas locations. Among these, we are focusing on certain risks which are key to the successful implementation of the four strategies outlined in our third mid-term management plan.



- 1 Outpace the growth in our core market
- 2 Expand adjacently / new businesses
- 3 Drive operational excellence
- 4 Enhance sustainability

	Key risks	Strategy affected	Primary countermeasure(s)	Executive in charge*
1	Significant demand fluctuations in the semiconductor industry	08	Expand into adjacent markets     Outsource production and diversify suppliers     Strengthen services and other businesses, including recurring businesses and new businesses     Deepen customer communication and internal communication to acquire the most accurate information	CSO
2	Market share losses due to inability to deliver new products in a timely manner resulting from delays in development and design, failure to achieve performance targets	003	Strengthen relationships with leading customers, collect information     Reduce waste of development resources through early analysis and design reviews at each phase     Research new products by analyzing data from semiconductor manufacturing processes	СТО
3	Market share losses due to inability to procure parts and deliver products in a timely manner	08	Reduce excessive dependence on specific suppliers by measures such as selecting alternative parts and using standard parts     Continuously evaluate and review suppliers	CSCO
4	Weaker profitability due to competition and price pressure	0	Understand customer needs     Provide unique functions and high-value-added solutions	CCRO
5	Business continuity impacts in the event of damage to our major facilities or those of our suppliers from natural disasters or other causes	084	Formulate BCP plans and obtain relevant information     Check suppliers' BCP compliance status     Disperse production locations and external suppliers geographically	CSCO CCO
6	Impacts of global economic and political factors on global business expansion	3	Rapidly collect risk information  Strengthen relationships with customers and suppliers  Establish new shipping processes and alternative procurement routes and production bases to enhance flexibility  Establish basic procurement policies and encourage suppliers to understand human rights and occupational safety	CC0 CS0 CSCO
7	Significant remedial costs due to stricter environmental laws and regulations	14	Monitor environmental legislation trends     Consider the adoption of alternative technologies	CSO CTO
8	Shortage of highly specialized human capital	4	Formulate mid- to long-term recruitment plans     Improve work environments and increase employee engagement     Introduce a retention system for key engineers     Invest in employee training and create a system for transferring knowledge and skills	СНО
9	Loss of credibility due to violations of laws, regulations, social ethics, or product reliability / safety issues	4	Set up and monitor appropriate internal processes     Strengthen employee compliance education     Ensure regular product quality reviews, quality checks during production, and cross-checks by the quality assurance department	cco
10	Business continuity impacts / reputational damage owing to IT network and systems failures	4	Strengthen cyber-attack detection capabilities     Conduct regular information security training     Establish a quick response system for information security incidents	CCO

\*CCO: Chief Compliance Officer CSO: Chief Strategy Officer CCRO: Chief Customer Relations Officer CTO: Chief Technology Officer CHO: Chief Human Capital Officer

CSCO: Chief Supply Chain Officer

CIO: Chief Information Technology Officer

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# Advantest's Sustainability Initiatives

Advantest strives to align its management priorities with its corporate philosophy as codified in the Advantest Way and with its Grand Design mid/long-term management policy. We believe that sustainability is fundamentally a matter of meeting current needs without compromising our ability to meet future needs. From the perspective of expanding our Group's social contributions and creating further value for stakeholders, we have formulated our Basic Sustainability Policy as a component of the Advantest Way. This policy serves as the basis of our sustainable management efforts.

## >> Our Approach to Sustainability Issues

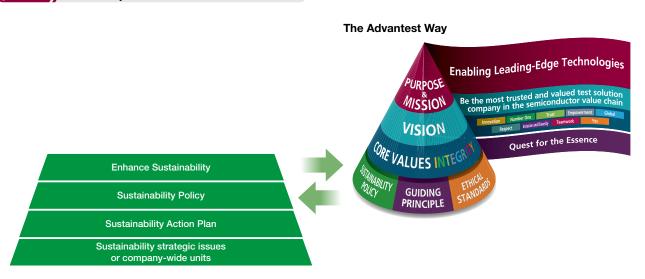
Advantest's purpose and mission is "Enabling Leading-Edge Technologies." We strive constantly to improve ourselves with the goal of providing products and services that satisfy customers around the world. Our Group's measurement technology has supported the evolution of electronics technology and has made significant contributions to the world we live in. We believe that the development, manufacture, and sale of high-quality semiconductors is essential to global sustainability and that our contributions to the semiconductor industry will help to deliver safety, security, and comfort to people worldwide and sustainably grow our company.

Therefore, under our recently updated mid/long-term management policy, our Grand Design, we set forth a vision statement that crystallizes these ideas: "Be the most trusted and valued test solution company in the semiconductor value chain" and positioned enhancing sustainability as an important strategic issue. We aim to appropriately reflect the expectations and needs of stakeholders in our business activities and provide a balanced combination of economic and social value.

In addition, in FY2024, we revised our Sustainability Action Plan in line with the formulation of our mid-term management plan (MTP3) for FY2024-FY2026. The plan defines six major categories of stakeholders, clarifies the value we aim to provide to each of them, and sets new goals. We aim to provide value to our stakeholders while avoiding adverse impacts and simultaneously building stronger relationships of trust.

P.29-30 / Sustainability Action Plan 2024-2026

At the same time, to balance global sustainability with our own growth, we will also focus on strengthening our corporate governance, rigorously complying with laws and regulations, adhering to corporate ethics, and continuously strengthening our risk management.



#### Advantest's Sustainability Initiatives

## Semiconductors and Sustainability

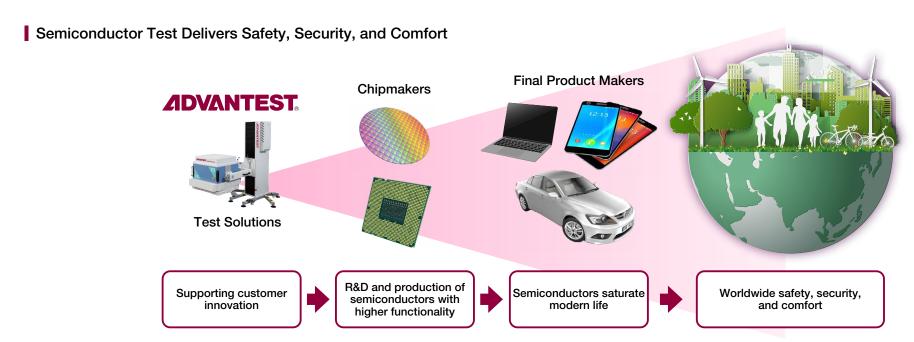
We at Advantest believe that semiconductors support global sustainability.

Semiconductors have penetrated every corner of our lives as key components of personal computers and smartphones and more: home appliances, automobiles, industrial equipment...

Nowadays, everything is connected to the internet, and the amount of data in the world is increasing year by year as the number of electronic devices connected to the network grows. However, semiconductors are also affected by demands for lower environmental impact. The increase in power

consumption that would naturally follow from their increasing utilization is being offset by advances in miniaturization, performance, and energy efficiency. Notably, power semiconductors have also seen remarkable performance improvements and widespread adoption. Advantest plays a role in energy conservation by providing test solutions so that semiconductor manufacturers can provide higher-performance semiconductors that need less energy. Our mission is to continue to meet the challenges our customers face (e.g., high-level quality and performance assurance, vertical volume production ramps in the shortest possible times) in response to the evolution of semiconductors along the twin axes of the "digital transformation" (DX) and "green transformation" (GX). In

carrying out this mission, all our executives and employees base their actions on the Advantest Way, aiming to respect all stakeholders and contribute to global sustainability, while also working to achieve sustainable growth for our company and increase our corporate value in the medium to long term.



# Sustainability Action Plan 2024-2026

# >> Providing Value and Creating Stakeholder Impact

Our Sustainability Action Plan 2024-2026 was formulated as an overall picture of the Advantest Group's mid-term sustainability initiatives from FY2024 onwards and the mid-term goals associated with these initiatives.

In formulating this new mid-term Sustainability Action Plan, we completely reorganized the themes addressed from the perspective of expanding stakeholder value, thus linking our sustainability initiatives to our Grand Design mid/long-term management policy and our third mid-term management plan (MTP3). We also set new mid-term goals for each of these themes.

#### Sustainability Action Plan 2024-2026

Stakeholders	Priority Themes	Target	Executive in charge *1	KPIs	KPI Target (FY2026)
Shareholders and	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
capital market	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
			СНО	Ratio of female managers *2	11%
	Respect for diversity	Promoting gender diversity	СНО	Ratio of female employees among candidates (Level6) for executive and managerial positions *3	16%
	Employee Engagement		СНО	Turnover rate	Below semiconductor industry average
Employees		Fostering and instilling an attractive corporate culture	СНО	Gallup Survey Scores *4	3.8
			СНО	The INTEGRITY Award nominations/year *5	400
	Investment in human capital	Promoting health and wellbeing management and work-life balance	СНО	Japan: White 500 Certified (Japan)Global: To be decided during FY2024 *6	Japan: Certified as White 500
		Promoting human capital development based on the Advantest Development Framework	СНО	Education and training expenses	0.8 (Billions of yen)
	Providing superior solutions	Provision of new products and integrated solutions that solve customer issues	сто	Market position	Maintaining 'No.1 position in the focus markets'
	Customer satisfaction and trust	on and trust Provision of more value added and comprehensive customer support quickly and accurately		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	СТО	Development of "power optimized products"	To be decided during FY2024
			CCRO	Promotion of products with excellent environmental performance	To be decided during FY2024
	·		CSO	Enhanced Product Life Cycle Assessment	Expansion of the life cycle assessment management scope and data refinement

#### Sustainability Action Plan 2024-2026

Stakeholders	Priority Themes	Target	Executive in charge *1	KPIs	KPI Target (FY2026)
		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%
Сирриста		Torottating dustamability in the supply orialin	csco	Number of designated business partners *7	50 suppliers (designated 42 suppliers as business partners in FY2023) *7
	Greenhouse Gas Emission Reduction (Scope 3)	Supply chain decarbonization	CSCO	Percentage of main business partners that have introduced renewable energy sources *6	60%
Partners	Creation of innovation and contribution to local	Implementation of activities related to innovation	CSO	The number of strategic partnerships	Maintain the same level as FY2023
raitieis	communities and global society	and social good	cco	The number of employees' activities contributing to local communities (both inside and outside of work)	180 (FY2024-FY2026 cumulative total)
		Reducing GHG emissions from Scope 1+2	CSO	GHG emissions reduction rate	65% (vs. FY2018)
	Greenhouse gas emission reductions (Scope 1+2)	Raising renewable energy usage	CSO	Renewable energy coverage rate	80%
Global		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)
Environment	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 288,000m3/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)
	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%
		Fair and Transparent Workplace	cco	Aiming to obtain third-party certification for whistleblowing system	Obtaining third-party certification for whistleblowing system
Governance		Maintaining and improving occupational health and safety	СНО	Incidence of serious occupational accidents which result in absence from work (LTIR: Lost Time Incident Rate)	0%
Governance		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	Enhancement of board structure and governance to increase effectiveness of	coo	Ensuring the effectiveness of the Board of Directors	Enhancement of disclosure of effectiveness evaluation results
	Corporate Governance structure	corporate governance	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

<sup>\*1</sup> List of Executive in charge is described in the Securities Report under "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."

<sup>\*3</sup> 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."

<sup>\*4</sup> A group-wide survey is conducted every three years.

<sup>\*</sup> A group-wide started in the years of the years of the 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.

<sup>\*8</sup> The top 85% of suppliers by transaction value are defined as main business partners.

Sustainability Action Plan 2024-2026

## Sustainability Management

Based on our Basic Sustainability Policy, the Advantest Group promotes activities at the corporate level while assigning individual issues to specific CxOs, including the Group CEO. Furthermore, by incorporating the Sustainability Action Plan into each business unit's annual business plan, we strive to make steady overall progress.

In addition, to flexibly promote sustainability initiatives throughout the Group, we established the Sustainable Management Working Group (SMWG), an organization directly

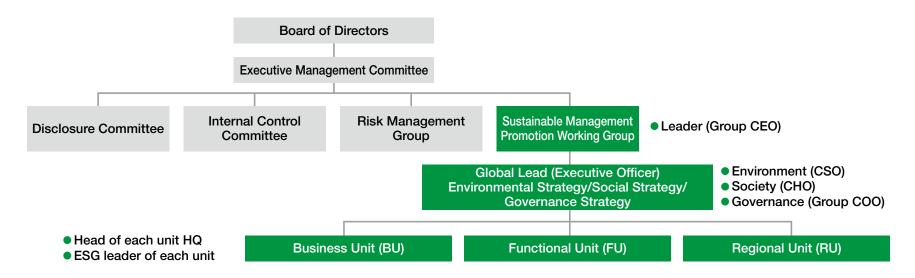
supervised by the Executive Management Committee, in FY2020. The SMWG is a cross-functional organization led by the Group CEO with leaders of all business units, functional units, and regional units as members. Based on an analysis of the importance of sustainability issues in each unit, the SMWG regularly discusses sustainability issues that should be addressed across the entire company and updates them as necessary, further promoting and deepening our sustainable management.

The Board of Directors is also closely involved in the Group's sustainability initiatives, with each project being reported to the Board, which may oversee individual projects directly

depending on their importance. The content and goals of the Sustainability Action Plan 2024-2026, which was formulated in conjunction with our third mid-term management plan (MTP3) in FY2024, was also discussed and decided at the Executive Management Committee and reported to the Board of Directors.

In addition, to clarify corporate-level responsibility for sustainability initiatives, we used an external sustainability evaluation index as one of the criteria for performance-linked stock compensation for executive officers in the period of the second mid-term management plan (MTP2).

## Sustainability Promotion System





# Planet

- 33 ESG Action Plan 2021-2023 (Environment) Results
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# Planet ESG Action Plan 2021-2023 (Environment) Results

For the past three years, Advantest has been pursuing initiatives in the areas of Environment (E), Social (S), and Governance (G) according to our ESG Action Plan (2021-2023), which was formulated in line with our Second Mid-Term Management Plan (MTP2).

# Review of ESG Action Plan (Environment)

Advantest has promoted responsible efforts to combat climate change and help reduce  $CO_2$  emissions. Specifically, we were able to exceed our initial targets for Scope 1+2 GHG emissions by further increasing our utilization of renewable energy in Japan and overseas. We will continue to promote further activities to achieve net-zero GHG emissions in Scopes 1+2 by FY2050.

Furthermore, we have also requested our suppliers to consider the use of renewable energy, given the pressure to reduce GHG emissions not only within our own company but also across our entire supply chain. Since many of our suppliers have adopted renewable energy sourcing, we have been able to achieve our target values.

In contrast, with regard to our target for  $CO_2$  equivalent emissions (basic unit) per test, we formulated a method to calculate these emissions but were forced to revise our target since our initial target was unachievable owing to changes in market trends such as increased demand for Al semiconductors. In the Sustainability Action Plan of our Third Mid-Term Management Plan (MTP3), we have set a new target of "Improving the environmental performance of our products" and will continue to work to achieve it.

## ESG Action Plan (Environment) 2021-2023 Results

ESG	Key Issue	Executive in charge	Goal	KPI	2021	2022	2023	2023	2030
ESG			Goal	NPI	Results			Tar	Target
(Environment)  7 AFFORDABLE AND CLEAR ENERGY		CSO	Reduce GHG emissions from business activities by 60% by 2030 (vs.FY2018)	GHG emissions reduction amount/ rate	34%	46%	53%	40%	60%
<b>\overline{\over</b>	Climate Change (Scope 1+2)	650	Raise renewable energy usage to 70% by2030, Group-wide	Renewable energy sourcing rate	54%	63%	65%	55%	70%
9 MOUSTRY, INNOVATION AND INFRASTRUCTURE		CPO	Reduce production times by 30% through production process reviews (vs.FY2020)	Production time reduction for target models (vs.FY2020)	21%	37%	28%	30%	TBD"
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Value Chain	CPO	Promote the use of renewable energy by suppliers and contractors	Number of suppliers who have introduced renewable energy	12 companies	22 companies	40 companies	40 companies	TBD <sup>-2</sup>
13 CLIMATE	(Scope 3)	СТО	Reduce CO <sub>2</sub> -equivalent emissions (basic unit) per test by 50% by 2030	Reduction rate in basic units (vs. FY2018)			Goals under review <sup>3</sup>	20%	50%
15 UPE OKLAND	Green Products	сто	Develop products that are free from polluting substances	Total elimination of PFAS in coolant	New methodology in development closed but established presently ur		Release date undis- closed but presently under consideration	Announce release plan	Total elimination of PFAS in next-generation models
	Resource CHO	CHO	Improve in-house recycling rate by promoting the 3Rs	Waste recycling rate (Japan/overseas)	JPN:64% Other regions:77%	JPN:88% Other regions:74%	JPN:95% Other regions:61%	JPN:90% Other regions:73% or more	JPN:90% Other regions:73% or more
		CHU	Maintain Group-wide water usage at FY2016 levels	Water resource usage	236,405 m³/year	242,129 m³/year	279,740 m³/year	288,000 m³/year	288,000 m³/year
	Biodiversity	CSO	Promote nature conservation activities (protection of endangered species in biotope, tree planting, beach cleanup, etc.)	Planning and implementation rate of nature conservation activities	11 activities planned, 73% implement- ed	14 activities planned, 100% implemented	18 activities planned, 89% implement- ed	18 activities planned, 80% implement- ed	20 activities planned, 80% implement- ed

<sup>\*1:</sup> Eligible products and target values are determined on the basis of future product lifecycles

<sup>\*2:</sup> Target values are based on analysis of future major suppliers

<sup>\*3:</sup> It is difficult to calculate the reduction rate in basic units, so we are reviewing the goal.

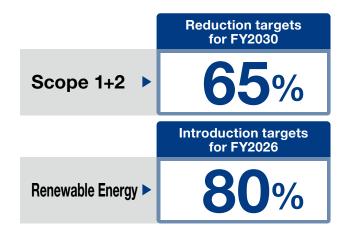
Please see the following URL for more information on TCFD-based climate change-related information disclosure. https://www.advantest.com/en/about/governance/risk-manage/tcfd/

ADVANTEST Integrated Annual Report 2024 Contents ▶ Value Creation Planet People Governance Company Highlights

# **Planet** Reduction of GHG Emissions

# GHG Emissions Reduction Targets for 2030

Advantest previously targeted a 60% reduction of Scope 1 + Scope 2 emissions by FY2030 (compared to FY2018), but we have now raised this target by 5% to a 65% reduction by FY2030 (compared to FY2018). We have also raised our renewable energy sourcing target from 70% by 2030 to 80% by 2026, reflecting our plan to accelerate the reduction of the company's direct and indirect emissions.



- \* Our GHG emissions are based on the GHG Protocol, an international standard for calculating and reporting GHG emissions.
- \* We have obtained third-party certification for some of our environmental performance indicators to enhance the reliability of our reported figures. For details, please refer to our website.
- https://www.advantest.com/en/about/sustainability/third-party/

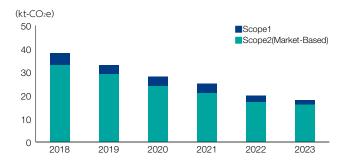
# Trends and Challenges of GHG Emissions

#### < Scope 1+2 >

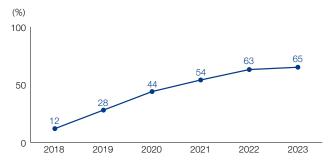
We have made steady progress in reducing emissions from Scope 1 and 2 through the adoption of renewable energy and other measures. In order to further reduce emissions going forward, further adoption of renewable energy will be necessary. However, procuring renewable energy in countries and regions such as South Korea, Taiwan, and Singapore, where renewable energy itself is scarce and difficult to purchase, will present a challenge.

As a member of the RE100 initiative, we expect to encourage governments to increase the supply of renewable energy while continuing to review the status of renewable energy usage in each country with the aim of finding ways to promote further adoption.

## Scope 1+2 Emissions



#### Renewable energy penetration rate



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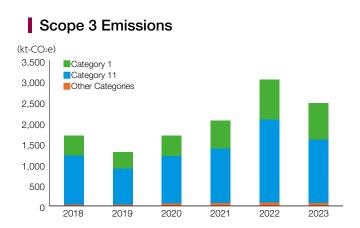
#### **W** Reduction of GHG Emissions

#### < Scope 3 >

Progress on Scope 3 is lagging our target as of FY2023 due to a significant increase in sales compared to our expectations when the target was set. "Category 1 (C1): Purchased goods/services" and "Category 11 (C11): Usage of products" account for the majority of GHG emissions in Scope 3.

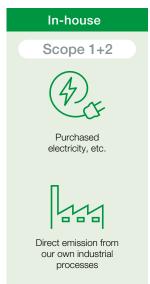
For C1, the method of calculating emissions where C1 increases in proportion to the purchase price poses a challenge. We will promote the reduction of GHG emissions by establishing a calculation method that reflects the values of

Scopes 1, 2, and 3 of our suppliers in C1, and by requesting our suppliers' support in reducing Scope 1, 2, and 3 values. For C11, likewise, the method of calculating emissions where C11 increases in proportion to the number of sold products poses a challenge. We will promote the reduction of GHG emissions by establishing a calculation method that reflects our customers' renewable energy values in C11 and by seeking cooperation from our customers to increase their renewable energy sourcing rates.

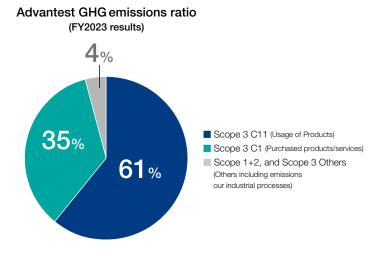


#### GHG Emissions in Advantest's Supply Chain

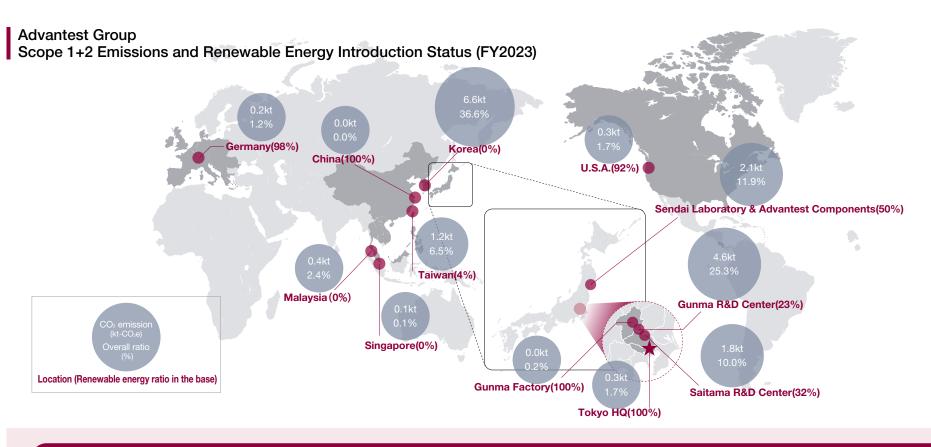








Reduction of GHG Emissions



### **Reduction of GHG Emissions in Transportation**

Gunma Factory and Advantest Singapore (ASP), where our Parts Center is located, have both introduced GoGreen Plus, a shipping service using Sustainable Aviation Fuel (SAF) provided by DHL Japan (DHL). SAF is a biomass fuel produced from sustainable raw materials (plants such as corn and sugarcane and waste cooking oil from restaurants and homes) that is said to reduce GHG emissions by up to 80% compared to fossil fuels such as conventional jet fuel.

By using this service to transport our products from Malaysia to Japan, we have contributed to a reduction of approximately 56.5 tons equivalent of GHG emissions, in addition to 31.5 tons equivalent for the transportation of parts from Singapore to other countries, for a total reduction of 88.0 tons equivalent of GHG emissions. This has led to contributions to GHG emissions Scope 3 Category 4 (upstream transportation and distribution) and Category 9 (downstream transportation and distribution).

### Delivered by





## Planet Advantest's Participation in International Initiatives

In response to the needs of the international community and expectations for the semiconductor industry to play a significant role in combating climate change, the Advantest Group supports international climate initiatives through sponsorship and participation, working with domestic and international stakeholders on our shared goal of creating a sustainable future.

## Participation in International Climate Change Initiatives





**RE100** 









## **UN Global Compact Annual Forum 2024**

In March 2024, the United Nations Global Compact held an annual general meeting (ALNF: Annual Local Network Forum) in Japan, and approximately 153 officials from the UN Global Compact and local networks in 58 countries visited Japan. Mr. Yoshiaki Yoshida, then President and CEO, attended the high-level meeting held in conjunction with the ALNF and introduced the highlights of Advantest's efforts to address climate change to Sanda Ojambo, Assistant Secretary-General and CEO of the United Nations Global Compact, and executives from participating Japanese companies.





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**ADVANTEST** Integrated Annual Report 2024 Contents ▶ Planet

## **Planet** Biodiversity

## >> Biodiversity Conservation Initiatives

In recognition of the significance of biodiversity in supporting prosperity and health, the Advantest Group has laid out biodiversity conservation initiatives in accordance with The Advantest Group's Guidelines of Action for Biodiversity. Our primary focus is on activities to conserve biodiversity in our own biotope. Since 2001, Advantest has maintained a biotope on the grounds of our Gunma R&D Center, our largest site in Japan, with the aim of helping to recreate the original, natural landscape of the Kanto Plain--a landscape that is fast being lost to development. This biotope is one of the largest of its kind established by a private company in Japan. For more than 20 years, Advantest's biotope has provided a venue where Advantest employees can learn about the importance of protecting the global environment and where communication with local residents flourishes.

\*Please see the following URL for Advantest Group's Guidelines of Action for Biodiversity. https://www.advantest.com/en/about/sustainability/environment/ environmental-communication/#anc-2



Advantest biotope adjacent to Gunma R&D Center

## Biotope Monitoring Surveys with Gunma University

As a joint research project with Gunma University, we conduct monitoring surveys of the biotope every year. The biotope plays an important role not only in achieving a stable natural environment in the region but also in combating climate change: it protects and nurtures endangered species, adds to our knowledge of them, fixes CO2 in the biotope forest, and allows us to contribute scientifically by investigating the CO<sub>2</sub> fixation rate.

## Biotope Monitoring Surveys with **Gunma University**

Since 2022, Advantest has been a member of the 30by30 Alliance for Biodiversity\*1. To achieve the goals of this initiative, we will continue our conservation activities with the aim of certifying our biotope as a "nature symbiosis site\*2".

- \*1: A global initiative committed to conserving or protecting at least 30% of the Earth's natural land and sea areas by 2030.
- \*2: An area where biodiversity is being conserved through the efforts of the private sector as recognized by the national government.





A goshawk flies to the biotope and rests in the pond.



Eupatorium japonicum

### **Biodiversity Initiatives in Numbers**



Total biotope area

첩 17,000 m



native plant species identified in the biotope



exotic plant species identified in the biotope



Carbon fixation rate (estimated)

2.46 tons of CO<sub>2</sub> retained/year



# People

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## People ESG Action Plan 2021-2023 (Social) Results

Over the past three years, the Advantest Group has implemented our ESG Action Plan (2021-2023), which set forth four key themes and 11 KPIs for society (S) issues. A brief look back reveals significant achievements.

## Section Plan (Social) Challenges and Achievements

We achieved our targets for improving the proportion of female employees who return to work after maternity and childcare leave and male employees who take childcare leave.

We have implemented support measures for male employees who are considering taking childcare leave, such as individual consultations and guidance on childcare systems and have also established a childcare leave subsidy system.

On the other hand, we were unable to achieve our target ratio of female managers, and efforts to improve gender diversity remain an ongoing challenge.

In terms of customer satisfaction, the Techlnsights Customer Satisfaction Survey named Advantest the SPE industry leader for the fifth consecutive year in 2024.

We continue to focus on improving employee engagement, and we plan to conduct a Gallup survey covering the entire Advantest Group in 2024. Although investment in human capital fell slightly short of our target, METI certified Advantest as one of its "White 500"—the top 500 corporations recognized under the program for promoting health management—for the fourth consecutive year.

We did not achieve our target for occupational safety and health. We will continue to focus on occupational safety and health as one of the key themes of our Sustainability Action Plan (2024-2026), striving to create safe and comfortable workplaces.

## ESG Action Plan (Social) 2021-2023 Results

ESG	Key Issue	Executive	Goal	KPI	2021	2022	2023	2023	2030
S (Social)	ESG management at Supply Chain	in charge	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%	Results 100%	100%	Tar 100%	get 100%
<b>©</b>			Fair treatment in gender	Female manager ratio	9.6%	9.0%	9.4%	10.5%	17.0%
8 報告がいる 経済成長も	Diversity, protection, and	СНО	Edification and practice of human rights	Participation rate of educational training	99.5%	84%	100%	100%	100%
	respect for human rights		Work-life balance	Return-to-work rate after maternity leave (JPN) Exercise rate of childcare leave by males (JPN)	100% 16%	94% 21%	100% 34%	100% 25%	100% 50%
		CPO Conflict minerals elimination		Percentage of suppliers confirmed to be free of conflict minerals	63%	65%	60%	100%	100%
	Customer satisfaction,	CCRO	Raise customer satisfaction under New Normal circumstances	Ranking of Techlnsights customer satisfaction survey	1st	1st	1st	1st	1st
	employee engagement	СНО	Edification and improvement of attractive corporate culture	Score of Gallup survey	3.6	Survey not conducted	Survey not conducted Implemented once every 3 years	3.8	4.1
		CFO	Maintaining and enhancing occupational safety and health	Occupational accident rate (frequency rate)	0.35	0.47	1.03	0.00	0.00
	Investing in human capital	GFO	Promotion of health management To be selected in White 500 (JPN		selected	selected	selected	selected	selected
		CHO	Employee capacity building	Education and training expenses	3.9	4.8	5.5	6.0	10.0

## **People** Respect for Human Rights

## >> Advantest Group Human Rights Policy

As a global semiconductor business provider, we recognize that respect for the human rights of people all around the world is essential for our business to achieve sustainable growth. We support and respect internationally recognized human rights principles, including the ten principles of the United Nations Global Compact, the Universal Declaration of Human Rights, and the Guiding Principles on Business and Human Rights (UNGP), and are committed to making these standards of conduct the foundation of our business activities. With the appointment of our new Group CEO in April 2024, we have once again reviewed the Advantest Group Human Rights Policy based on these international norms. In revising the policy, we interviewed not only relevant departments within the company, including the labor union, but also external human rights experts and other stakeholders and updated the policy based on their opinions and advice.

\*Please see the following URL for the full text of the Advantest Group Human Rights Policy.

https://www.advantest.com/en/about/sustainability/society/human-rights/#anc-1

## Advantest Group Priority Issues Related to Human Rights

We have identified the following six priority human rights issues based on their relevance to our business.

Within the framework of these priority issues, we have begun to assess and identify human rights risks and undertake human rights due diligence in a variety of ways to prevent and mitigate adverse human rights impacts.

# Human Rights Due Diligence >> Assessment by an External Sustainability Rating Provider

In order to understand whether our business activities have adverse impacts on people, including stakeholders in our supply chain, we have adopted the below assessment mechanism to identify and evaluate human rights risks and to prevent and mitigate them.

We also actively undergo assessments by external sustainability organizations to ensure that our human rights initiatives meet internationally required standards. In FY2023, we performed a

self-assessment provided by EcoVadis to determine the gap between our human rights efforts and international standards, and took corrective actions based on the results. This sustainability assessment is based on four themes:

Environment, Labor & Human Rights, Ethics, and Sustainable Procurement. Many global companies refer to this assessment as an important criterion in selecting their suppliers. Based on our performance, EcoVadis awarded Advantest their Bronze Medal, which is reserved for companies that rank in the top 35% of the companies on their scoreboard. Going forward, we will continue to promote our human rights initiatives with the aim of receiving an even better assessment in the future.

### Advantest's Responses to Priority Human Rights Issues

Priority Human Rights Issues		Employee Supplier		Business Partner	Advantest's Response					
	Priority number rights issues	Employee	Supplier	(Community)	Risk Assessment	Training and Others				
1	Discrimination	•	•	•	- Compliance Survey	- The Advantest Way - Compliance Education				
2	Child labor, forced labor	•	•	•	- Suppliers Assessment - RBA SAQ, VAP - EcoVadis SAQ	- The Advantest Way - Sustainability Training				
3	Basic labor rights	•	•	•	- Suppliers Assessment - RBA SAQ, VAP - EcoVadis SAQ	- The Advantest Way				
4	Fair wages, working hours	•	•	—	- Suppliers Assessment - RBA SAQ, VAP - EcoVadis SAQ	- Compliance with laws and regulations of each country				
5	Safe working environments, health management	•	•	•	- CSR survey of contractors - RBA SAQ, VAP - EcoVadis SAQ - Stress Check	- Occupational health and safety Training - Interviews with industrial physicians				
6	Violence, harassment	•	•	—	- Compliance Survey	- The Advantest Way - Sustainability Training				

## People Respecting Human Rights in the Supply Chain

To ensure that our business activities are conducted with due respect for human rights, not only within Advantest but also in our supply chain, we incorporate human rights into our supplier selection process and trade terms, encourage our suppliers to embrace responsible corporate behaviors, and publish a Supply Chain CSR Guidebook based on the RBA Code of Conduct, aiming to comply with international standards on human rights and labor together with our suppliers.

## >> Supply Chain Due Diligence

As part of our supply chain due diligence, Advantest uses multiple approaches to risk-based assessment and monitoring. In particular, we recognize that some raw materials for semiconductors and manufacturing equipment contain minerals that are implicated in conflict, environmental issues, and human rights violations. To help stem the circulation of conflict minerals from upstream to downstream in the semiconductor industry supply chain, we have been investigating our partners for any use of the conflict minerals represented by 3TG (tantalum, tin, tungsten, and gold) since 2013. In FY2024, we expanded our scope to include additional minerals such as cobalt and mica.

### Supplier Assessment Methodology

	Target	Details	Assessment & Response:		
General Suppliers Supply Chain CSR Questionnaire	Suppliers accounting for 85% of the Advantest Group's total transaction value	Based on the RBA Code of Conduct, this questionnaire checks supplier status with regard to human rights and labor, occupational safety, environmental conservation, fair trade and ethics, business continuity planning, supply chain management, etc.	Score, check for significant risks, conduct individual interviews and seminars as necessary		
Strategic Suppliers Supplier Performance Management Evaluation	Approximately 25 strategic suppliers identified based on sales and procurement risks	This evaluation addresses TQRDCEB (Technology, Quality, Responsiveness, Delivery, Cost, ESG, Business)	Independent evaluation on a scale of 0 to 4 points Provides feedback of assessment results (scores and reasons, requests for improvement, etc.) and joint creation of action plans for the following year		
Specific Suppliers Conflict Mineral Investigation	Check for 3TG, cobalt, mica Suppliers using target minerals in key products.	In this investigation we utilize Responsible Minerals Initiative (RMI) templates (Conflict Minerals Reporting Templates)	Confirm number of smelters that are compliant with the relevant standards/certifications. If significant risks are identified, request remediation.		

## People Human Capital Strategy / Employee Engagement

# Human Capital Strategy: Maximization of Individual & Organizational Strengths

Advantest considers human capital to be an essential foundation for achieving the goals of our Grand Design mid/long-term management policy and our mid-term management plan (MTP3). Our human capital strategy is closely aligned with our management strategy. It focuses on maximizing both individual strengths and organizational strength, which are the two "wheels" of value creation. Employee engagement links these two wheels together. We are constantly refining our personnel system to boost engagement and enhance the comprehensive strength of our human capital.

In line with our Basic Policy Regarding Human Capital Development, we promote improvements to our recruitment, skills development, and retention programs. In addition, our Internal Environment Development Policy guides our efforts to increase awareness of our corporate culture and health management measures as we seek to create an environment where diverse human capital can thrive.

\*Please see our website for further details on our human capital management, including our Basic Policy Regarding Human Capital Development.

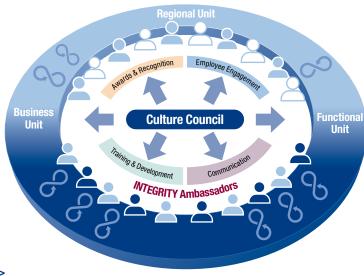
https://www.advantest.com/en/about/sustainability/society/human-resources-management/#anc-1

## Our INTEGRITY Core Values Support Our Growth

The foundation of our human capital strategy is our INTEGRITY core values. In 2019, as the Advantest Group expanded globally, we revised the Advantest Way and established INTEGRITY as core values to be shared throughout the company. Over the past five years, we have implemented an exciting array of activities related to INTEGRITY, and our employees' enthusiasm for our corporate culture has become an important factor in our growth.

P.11-12 Group COO Message

### **INTEGRITY Promotion Structure**



< Key Milestones in the Creation of Our INTEGRITY Culture >

#### 2020

- · INTEGRITY workshops launched globally
- Cross-organizational mentoring program "Cross 1on1" launched by volunteers

### *2022*

- Launched Culture Council under the leadership of our Group CEO
- 38 INTEGRITY Ambassadors appointed

#### 2024

 Launched "The Advantest Forest" Sponsored Tree Initiative (Related article: P.46)

### 2019

- Renewal of The Advantest
   Way
- Established INTEGRITY Core Values

## *2021*

- Leading with INTEGRITY workshops for managers launched
- Established The INTEGRITY Award(\*)
   "Cross 1on1" wins the CEO Award at
   The INTEGRITY Award

### *2023*

 First Advantest Europe GmbH (Germany) and then Advantest Korea Co., Ltd. (Korea) received "Great Place to Work®" certification

\*The INTEGRITY Award:

An award system that recognizes employees who practice INTEGRITY culture in their daily work.

**ADVANTEST** Integrated Annual Report 2024 Contents ▶ People

## People Developing Innovative Human Capital

## Advantest Launches the "RAKUICHI" >> Concept From "Weak Ties" to **Creating Innovation**

In the spirit of our purpose and mission, "Enabling Leading-edge Technologies," Advantest has always pursued advanced technological development. In addition to technical exchanges with customers, academic institutions, and industry associations, we also explore a variety of knowledge (technology) within our own company. In today's increasingly complex market environment, we are inspired to aim for a

higher level of innovation.

To this end, we have launched the "RAKUICHI" concept (\*), which aims to further expand the framework for technological exchange within the company and create new technologies through the free exchange of ideas and knowledge, as well as by revitalizing communication. RAKUICHI is a mechanism to uncover the expertise of various departments and personnel within the company, prevent technological silos from developing, and spur the exchange of knowledge, as shown in the diagram below.

Over a period of about a year and a half, starting in 2022,

experimental trials of RAKUICHI were conducted during our biannual technology conferences. The positive feedback and ideas gathered from these trials led to the decision to continue RAKUICHI as a regular event. Since the technical ideas developed through RAKUICHI require cross-organizational collaboration, employees from both engineering and nonengineering departments actively participate, making it an exciting approach to advancing leading-edge technologies across Advantest.

## RAKUICHI Concept



#### \*About RAKUICHI

Four centuries ago, during Japan's "Warring States" period, the country's most powerful lords implemented an economic stimulation policy known as "Rakuichi Rakuza," which created free markets and dissolved the guilds, enabling merchants to trade freely. Inspired by this system, Advantest's RAKUICHI concept aims to foster broad technology and knowledge acquisition and accelerate innovation by opening up our technology exchange spaces and leveraging the power of weak bonds.

## Convergence

Technology R&D Funnel Model

**Pre-Development** System up support Research Development Feas. Study Prototype, Evaluation ~10 items Pilot product **Proof of Concept Industry Problem RM** 

Increasing investment step by step (human capital and expenses)

Source: Technology Development Group FY2024 Policy Briefing Materials

## People Occupational Health and Safety

## >> Occupational Health and Safety Policy

The Advantest Group recognizes that occupational health and safety management is an important aspect of all our business activities. We proactively and continuously implement occupational health and safety initiatives based on the Advantest Group Occupational Safety and Health Policy.

\*Please see the following URL for Advantest Group Occupational Safety and Health Policy.



https://www.advantest.com/document/en/about/sustainability/society/human-resources-management/En\_SustainabilityReport2023\_06.pdf

## >> Sustainability Action Plan (2024-2026)

As part of our mid-term sustainability action plan, we are working to eliminate workplace accidents by setting a target Lost Time Incident Rate (LTIR)\* of zero, with the goal of preventing workplace accidents that result in death or injury resulting in absence from work.

 $^{\star}$  LTIR(Lost Time Incident Rate): Rate of lost-time incidents per 200,000 working hours

P.30 / Sustainability Action Plan 2024-2026

## >> Health and Safety Committee (Japan)

Every year, we convene a Health and Safety Committee Meeting that decides the health and safety direction and policy for the whole Group. Our approach to health and safety is based on the main activity themes decided on at this meeting. Based on these themes, the health and safety committees at each location set their annual targets and plans and implement activities.

### Health and Safety Committee Organization and Roles



Decisions on important H&S issues

Evaluation of activity results

**Health and Safety Committee** 

- Determination of key activity themes
- Information sharing on occupational accidents

#### Site Health and Safety Committee

- · Managing the progress of targets.
- Trends in legal amendments
- Investigation into the causes and set the measures to prevent recurrence.
- Safety management measures
- Other matters relating to the promotion of H&S

## Health and Safety Committee Secretariat Liaison Meeting

- Sharing of targets and activities of each office
- Progress management of activity themes
- Sharing of common issues to be addressed
- Sharing of accident cases and measures to prevent recurrence

### **Each Division**

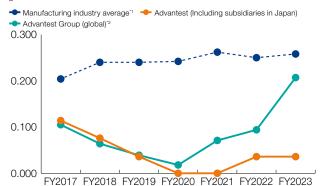
- Dissemination of targets and activities to employees
- · Promotion of H&S activities
- · Reporting of issues and case studies
- Safety management measures in the workplace
- Other matters relating to the promotion of health and safety

### Stronger Cooperation with Overseas Locations

The Advantest Group has begun to reinforce health and safety information sharing and collaboration between the Japanese company and its overseas affiliates. To promote health and safety activities based on global standards, we are conducting situation analyses at each overseas location with reference to the RBA(\*) Code of Conduct (B. Safety and Health), setting specific goals and key themes, and promoting related activities. In addition, by sharing each base's unique activities, safety and health measures, improvement policies, etc., we aim to improve workplace safety and health worldwide to ensure safe and secure working environments everywhere we operate.

\*RBA (Responsible Business Alliance): The world's largest industry coalition dedicated to responsible business conduct in global supply chains, RBA publishes a Code of Conduct covering labor, safety and health, environmental conservation, and corporate ethics.

### LTIR Trends



#### \*1: Manufacturing industry average

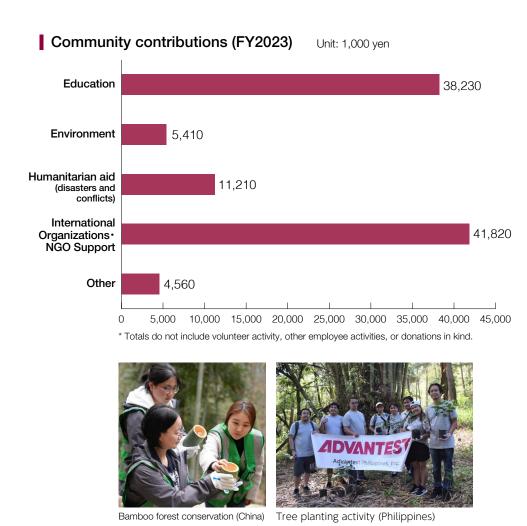
The average frequency rate for the Japanese manufacturing sector, published by the Ministry of Health, Labour and Welfare, is converted into LTIR here.

\*2: Advantest Group (global)

For countries and regions that do not track working hours, total actual working hours are calculated approximately from the standard number of working days and the average number of employees.

## People Community contributions

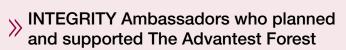
Based on our corporate philosophy, the Advantest Way, the Advantest Group engages with our communities around the world through educational support, humanitarian aid, and environmental conservation activities. These and other initiatives represent our commitment as corporate citizens to strive for a better today and tomorrow. In addition to donations to various international organizations, our employees volunteer and self-organize to provide human, material, and economic support for the needy in each country and region where we operate.



## ⟨ Sponsored Tree Initiative: The Advantest Forest ⟩

As part of our INTEGRITY Award program, we launched "The Advantest Forest" Sponsored Tree Initiative in FY2024. With the cooperation of a tree planting vendor and three NGOs, this initiative supported the planting of 3,000 trees in Ecuador, the Philippines, and Thailand. This activity is linked to The INTEGRITY Award. Employees who are nominated for the awards and employees who nominate them all receive "certificates of tree planting." In this way, by combining our INTEGRITY core values with our sustainability activities, we hope to support the sustainable growth of our company and

contribute to the development of local communities and the conservation of biodiversity.















## Governance

- 48 Corporate Governance
- Board of Directors, Skill Matrix
- Interview with a Nomination and Compensation Committee Member

## Corporate Governance

## >> Corporate Governance Basic Policy

Advantest's corporate 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 this corporate mission and in response to our mandate from stakeholders, Advantest emphasizes open, honest, and respectful dialogue with all stakeholders at all times, aiming to achieve a sustainable level of business development for the Advantest Group and to enhance corporate value over the mid/long-term. We consistently seek the sources of issues to identify their essence and find optimal solutions. To that end, the Advantest Group strives to operate a fair, effective, transparent governance system. Our Corporate Governance Basic Policy is published on our website:

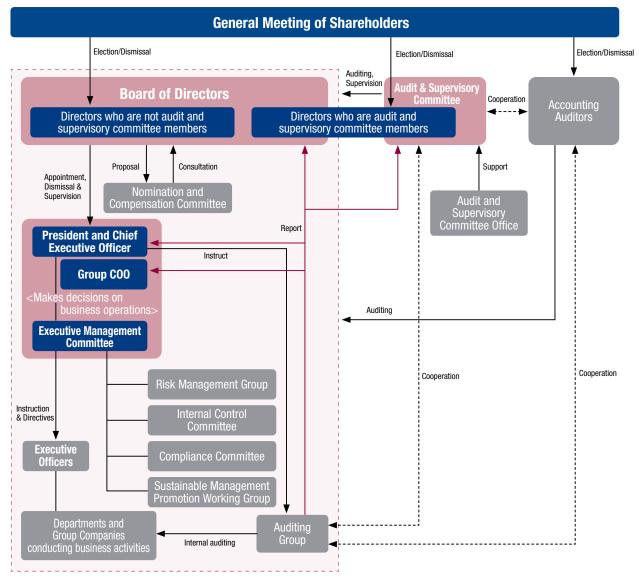


### **Advantest Corporate Governance Policy**

https://www.advantest.com/document/en/about/governance/corporate-governance/document-list/Corporate\_Governance\_Policy\_20210623\_E.pdf



### Corporate Governance Structure



Corporate Governance

## >> Shareholders' Meeting

Advantest regards the annual General Meeting of Shareholders as an important opportunity for dialogue with shareholders. The 2024 General Meeting of Shareholders was held in Chiyoda-ku, Tokyo, where our head office is located, for the convenience of our shareholders.

Furthermore, this year's meeting was also livestreamed, enabling shareholders to watch the meeting in real time wherever they were and message us online during the livestream. In addition, in order to enhance dialogue with shareholders, we accepted questions online in advance of the meeting. Of the questions received in advance and during the livestream, those that were deemed to be of high interest to shareholders were answered during the meeting. As a result, we received four questions in advance, ten questions on the floor, and seven comments from the livestreaming audience, resulting in a question period well over an hour in length. Besides the abovementioned, the following efforts were made

to maximize dialogue with our shareholders.

- Disclosure of the Annual Securities Report prior to the General Meeting of Shareholders
- English translation of the entire Convocation Notice and Annual Securities Report

### Board of Directors

The Board of Directors of Advantest, as our management decision-making body, makes decisions on significant matters with respect to the management policies and management strategies for the whole Advantest group, and in its capacity to supervise management, it also monitors and supervises Executive Officers while they exercise their duties. Advantest has strengthened the oversight and supervision functions of the Board of Directors by appointing a majority of outside directors to the Board. Furthermore, effective June 2024, the Group CEO and the Chairman of the Board of Directors have been

separated, with Mr. Yoshida, a non-executive director, serving as Chairman of the Board of Directors. In addition, our Board of Directors maintains a certain degree of diversity, with two non-Japanese (U.S. nationals) directors and two female directors. In order to maintain seamless communication despite the diversification of our Directors, Advantest 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 prepared in both English and Japanese.

Regular Board of Directors meetings are held for three to five hours at a time, giving directors ample time to discuss important matters. In addition, Advantest holds off-site meetings where board members discuss mid/long-term issues that cannot be adequately addressed within the time limits of Board of Director meetings. The Board of Directors met 13 times at the office and once off-site in Korea in FY2023, and all members attended all meetings.

### Major Items Discussed and Reported at Board of Directors Meetings and Off-Site Meeting in FY2023

- As Advantest embarks on our next mid-term management plan in FY2024, the Board resolved to appoint Mr. Douglas Lefever as Group CEO and Mr. Koichi Tsukui as
  Group COO and President effective April 1, 2024, in order to realize further growth of our Group in the rapidly changing and fast-growing semiconductor market.
- Reports were made to the Board of Directors on the progress made in the current fiscal year, the final year of the second mid-term management plan (MTP2), as well
  as a summary of the achievement of management indicators and strategic measures over the entire period of MTP2.
- Discussions were held on updating our Grand Design and formulating our third mid-term management plan (MTP3). In particular, the Board of Directors held in-depth discussions on the core theme of what the Company wants to be in the medium- to long-term.
- The Company resolved to conduct a four-for-one stock split of one share of its common stock, with a record date of September 30, 2023, in order to create a more investment-friendly environment and expand our investor base by lowering the amount per unit of investment in the Company's stock.
- Reports were made on evaluations of past M&As conducted as growth investments, and the Board discussed lessons learned for future M&As.
- IR reports were made to the Board of Directors which included the status of communication with investors and shareholder ownership.
- Reports on the progress of the ESG Action Plan 2021-2023 were made to the Board of Directors and discussions took place regarding the next Sustainability Action
   Plan and compliance with various laws and regulations.
- Monthly reports on the current status of sales, profits, cash flow and other relevant factors were made to the Board of Directors. Issues with overall operations were discussed in light of the increase in inventory balances.
- Compliance reports were made to the Board of Directors four times a year and internal audit reports were made twice this year. The reports included incidents related to compliance, including those reported to our helpline, and on Advantest's internal audit system and items pointed out by internal audits.



Off-Site Meeting in Korea

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Corporate Governance

## Initiatives to Strengthen the Effectiveness of the Board of Directors

Advantest believes it is crucial to ensure that matters discussed at Board of Directors meetings are reflected in the business activities of executives. Based on this belief, we document issues raised in Board discussions every month and share them with the executive side. The Executive Directors then report on measures taken or, if none, the status of their response to these issues at the following month's Board of Directors meeting. In addition, once a year, we evaluate the effectiveness of the Board of Directors with a questionnaire that covers four items: the composition of the Board of Directors, the content of discussions, executive response to issues raised, and support from the Board of Directors Secretariat. The opinions collected via the questionnaire are used to analyze the operations of the Board of Directors and the status of their discussions.

## Audit and Supervisory Committee

The Audit and Supervisory Committee consists of one internal and two outside Audit and Supervisory Committee members and is chaired by an external Audit Committee member. In order to enhance the effectiveness of the auditing and supervisory functions, an internal Audit and Supervisory Committee member is appointed as a full-time Audit and Supervisory Committee member. Pursuant to our audit policies, audit plans, priority audit items, allocation of duties, etc., and in coordination with the Auditing Group and other relevant departments with jurisdiction over internal control, each Audit and Supervisory Committee member, led by the full-time Audit and Supervisory Committee member, attends important meetings such as Executive Management Committee, Business Plan Meeting, Internal Control Committee, receives reports from Directors, Executive Officers and business execution divisions,

including units and affiliated companies, review important approval-granting documents and inspect the state of business operations and assets. Outside Audit and Supervisory Committee members participate as necessary in on-site inspections conducted by the full-time Audit and Supervisory Committee member, actively auditing and monitoring the status of business execution at the Company.

As a result of these investigations and the audit activities of each Audit and Supervisory Committee member and the Audit and Supervisory Committee, members of the Audit and Supervisory Committee shared their views with the Board of Directors and department heads on what they recognized as issues needing feedback.

In FY2023, the Audit and Supervisory Committee met 13 times. All meetings were attended by all Audit and Supervisory Committee members.

## Nomination and Compensation Committee

Advantest has established a Nomination and Compensation Committee as a non-mandatory organization complementary to the Board of Directors, which decides on the appointment/ dismissal of Directors and Executive Officers and their compensation. The Nomination and Compensation Committee is responsible for improving the fairness, rationality, and transparency of the appointment/dismissal of Directors and Executive Officers and their compensation. The Nomination and Compensation Committee is composed of members selected from among the company's directors by a resolution of the Board of Directors, and the majority of the committee members are outside directors. The committee is chaired by Mr. Toshimitsu Urabe, an outside director.

In FY2022, the Nomination and Compensation Committee met 14 times, and all members attended all meetings. The main activities of the Nomination and Compensation Committee in

FY23 were as follows:

- Succession plan for Group CEO
- Candidates for Directors and Executive Officers and the management structure
- Knowledge and skills required for Directors and Senior Executive Officers (skill matrix)
- Executive compensation operations

Regarding the selection of directors and executive officers, the Nomination and Compensation Committee submits reports to the Board of Directors on candidates who, in their view, will contribute to a sustainable level of business development and enhancement of corporate value over the mid/long-term in accordance with the "Directors and Executive Officers Nomination/Dismissal Policy and Procedures" prescribed by the Board of Directors as regards Directors and Executive Officers. The Nomination and Compensation Committee also considers the most appropriate composition for our Board of Directors and executive team, including gender and national diversity, as well as the size of the respective organizations members hail from. In addition, regarding independent outside directors, the "Independence Criteria of Independent Outside Directors" prescribed by the Board of Directors applies alongside the "Directors and Executive Officers Nomination/Dismissal Policy and Procedures" mentioned previously. Candidates recommended to the Board of Directors should have a wealth of knowledge such that they can be expected to contribute actively to the Board of Directors.



https://www.advantest.com/sustainability/governance/pdf/ Nomination Dismissal Policy and Procedures 20221222 E.pdf



Independence Criteria of Independent Outside Directors



https://www.advantest.com/sustainability/governance/pdf/

Contents ▶

## Succession Planning

In April 2024, Advantest transitioned to a new structure with Mr. Douglas Lefever as Group CEO and Mr. Koichi Tsukui as Group COO.

The company began full-scale consideration of succession planning around 2020, four years after Mr. Yoshiaki Yoshida, our former CEO, took office as CEO. In formulating a succession plan, it is impossible to deliberate the future image of the Company without considering its aspirations. For this reason, our Nomination and Compensation Committee first reviewed the management issues and business strategy issues that had been discussed many times by the Board of Directors. After sorting out these issues, the Committee discussed the succession plan, focusing on what is required of the next generation of management and what the ideal Board of Directors should look like at that time. In parallel with this, the Committee held individual interviews with candidates for the next CEO, including senior executive officers. 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 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. During the course of a year, we reconfirmed the suitability of both individuals and their effectiveness in combination. Having obtained sufficient confirmation, we announced the transition to the new structure in April 2024, in conjunction with the launch of the third Mid-Term Management Plan (MTP3). The same process will be followed for future succession planning.



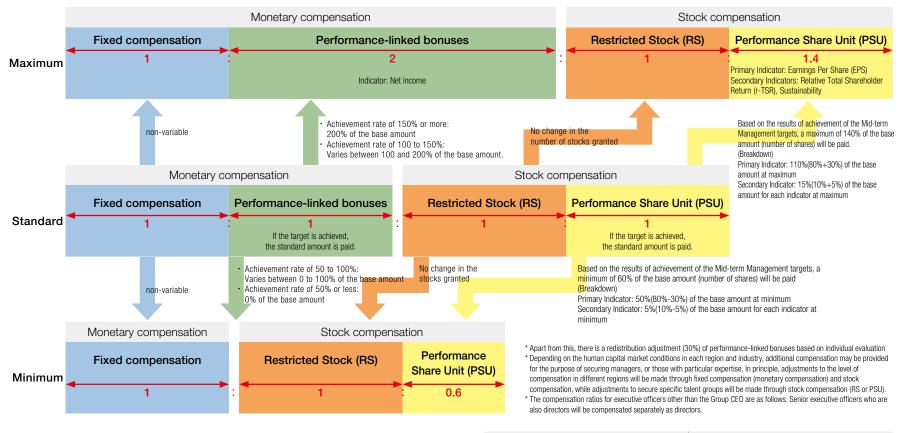
## >> Executive Compensation

Based on our Purpose & Mission and vision, our executive compensation system aims to be a system that contributes to the enhancement of corporate value and is based on (1) a compensation mix and level that attracts international human capital who can support our global business development, (2) well-balanced bonuses linked to performance, and (3) compensation that aligns executives with a shareholder perspective and promotes a medium- to long-term view of management. Based on this concept, we made some changes to our executive compensation system in June 2024. First, with the aim of realizing the Company's further progress in the semiconductor market, which is expected to grow despite radical changes, and building an optimal global management structure regardless of nationality or country of residence, the maximum amount of compensation for directors was raised at the General Meeting of Shareholders. Second, we reviewed our compensation structure (fixed compensation, performance-linked bonus (monetary compensation), and stock compensation) and increased the ratio of stock compensation for Group CEO, Group COO, and some executive officers. Third, we introduced a restricted stock compensation plan for outside directors and directors who are members of the Audit and Supervisory Committee. Only a few companies in Japan have introduced stock compensation

> plans for outside directors and Audit and Supervisory Committee members. However, since these directors, who serve as members of the Board of Directors, are also responsible for making decisions on important matters such as management policies and strategies for the entire Group, it is necessary for them to have a shareholder perspective. The introduction of this system is ultimately intended to promote further value sharing with our shareholders.

New Group CEO and COO announcement press conference (28 February 2024)

### Visualization of compensation for the Group CEO



		Monetary co	mpensation	Stock compensation			
		Fixed compensation	Performance-linked bonuses	Restricted stock compensation	Performance Share Unit compensation		
Б	Group COO	1	1	0.75	0.75		
Business Executives	Senior Executive Officer	1	1	0.5~0.6	0.5~0.6		
LACCULIVES	Executive Officer	1	1	0.4~0.5	0.4~0.5		
	Chairman of the Board	1	-	0.5	-		
Non-business	Audit & Supervisory Committee Member	1	-	0.3	-		
Executives	Outside Directors (excluding Audit & Supervisory Committee Members)	1	-	0.3	-		

## **Board of Directors, Skill Matrix**



Douglas Lefever



Koichi Tsukui



Yoshida Yoshida



Toshimitsu Urabe



Nicholas Benes



Naoto Nishida



Yuichi Kurita



Sayaka Sumida



Tomoko Nakada

## Knowledge and skills required for Directors and Senior Executive Officers

In the selection of directors and executive officers, we start with considerations of an individual's alignment with our management philosophy, management strategy, and business strategy, as well as current priority issues in corporate management and communication with stakeholders. We have identified nine areas of management activity that are important for mid/long-term business growth and corporate value improvement. These shape our requirements for directors and executive officers in terms of skill sets and knowledge.

Additionally, we constantly update our requirements in response to changes in our business environment.

### Details of Skill

Areas for management activities	Items	Experience, knowledge, and abilities expected						
	Top management	Management experience at a company or legal entity (as a chairman, president, representative director or equivalent)						
Management & Corporate Strategy	Management strategy	Experience as a head of a management strategies department <sup>1,2</sup>						
corporate challegy	Experience and knowledge of business investment and M&A	Experience and knowledge of business investment and M&A						
2 Semiconductor	Knowledge of the semiconductor-related industries	Experience in semiconductor-related industries and knowledge of the semiconductor industry						
	Knowledge of the industries & technologies (incl. Environment and Energy)	Knowledge of the electrical/electronics related industry and ICT technologies						
3 Technology	Research & development	Experience as a head of an R&D department <sup>1,2</sup>						
	SCM <sup>-3</sup> , production, and quality assurance	Experience as a head of SCM³, production, production engineering, and quality assurance departments¹¹²						
4 Sales & Marketing	Sales and marketing	Experience as a head of a sales and marketing department <sup>1,2</sup>						
	Finance and accounting	Experience as a head of a finance and accounting department*12 or as a certified public accountant						
5 Finance & Accounting	Communication with the capital market	Experience as a head of the department responsible for communicating with investors and shareholders*1.2, such as a he of IR (Investor Relations) or SR (Shareholder Relations) department						
6 Legal & Compliance	Legal affairs, risk management, and compliance	Experience as a head of a legal affairs, risk management, or compliance department*2 or as an attorney at law						
Human Capital Management	Human capital management	Experience and knowledge as a head of an HR department 2, or in recruiting & developing human capital, and talent management						
3 Global Business	Global business	Experience at a global organization or experience working in a foreign country						
Digital Transformation	IT & DX	Experience as a head of an IT department <sup>11,2</sup> , and as a head of a DX promotion department <sup>11,2</sup>						
-								

<sup>\*1:</sup> The head of a large company or a company with complicated businesses or operations \*2: The executive of a specialized service company in the relevant field \*3: Supply Chain Management

Board of Directors, Skill Matrix

<b>&gt;&gt;</b>	Skill Matrix						Fundan	nental m	anageria		s deeme supervis					ement dut	ies and (	guiding/	ímm	as of our ediate nent issues
							Managem	1 ent & Corpora	ite Strategy	2 Semiconductor	r	3 Technology		4 Sales & Marketing		Accounting	6 Legal & Compliance	Human Capital Management	8 Global Business	9 Digital Transformatio
				Attribute			Manaç	gement	Experience	R&D, Ser	miconductor, In Technologies		SCM.		Communi	Accounting, cation with I Market	Legal affairs,			
		Gender	Nationality	Title	Member of the Audit and Supervisory Committee	Nomination and Compensation Committee	Top management	Management strategy	and knowledge of business investment and M&A	Knowledge of the semiconductor related industries	Knowledge of the industries & technologies (incl. Environment and Energy)	Research & development	production, and quality assurance	Sales and marketing	Finance and accounting	Communication with the capital market	risk management, and compliance	Human capital management	Global business	IT & DX
=	Douglas Lefever	Male	American	Representative Director, Senior Executive Officer, Group CEO (Corporate Strategy, Business Promotion, Technology in charge)			0	0	0	0	0	0		0		0			0	
nside [	Koichi Tsukui	Male	Japanese	Representative Director, Senior Executive Officer and President, Group COO (Administration, Supply Chain, Business Process Innovation in charge)			0	0		0		0		0		0			0	
Directo	Yoshiaki Yoshida	Male	Japanese	Director, Chairperson of the Board			0	0	0	0				0		0			0	
	Yuichi Kurita	Male	Japanese	Director, Audit and Supervisory Committee Member				0	0	0					0	0			0	*
	Toshimitsu Urabe	Male	Japanese	Director Outside Director of Japan Business Systems, Inc.		Chairperson	0	0	0									0	0	0
Out	Nicolas Benes	Male	American	Director Representative Director, The Board Director Training Institute of Japan				0	0						*	0	0		0	
side D	Naoto Nishida	Male	Japanese	Director Special Commission, Toshiba Corporation			·			0	0	0	0		·				0	
irectors	Sayaka Sumida	Female	Japanese	Director, Audit and Supervisory Committee Member Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd. Outside Audit & Supervisory Board Member, The Nisshin Oliifo Group, Ltd. Outside Director, Japan Exchange Group, Inc.	Chairperson										0		0		0	
	Tomoko Nakada	Female	Japanese	Director, Audit and Supervisory Committee Member Founder and Representative, Tokyo Heritage Law Firm Outside Director, Audit and Supervisory Committee Member, TS Tech Co., Ltd.													0		0	
*Skil				concurrently serving as directors) as of June 28, 2024 will be as follow Senior Executive Officer	ws.															
	Keith Hardwick	Male	American	CHO (Chief Human Capital Officer) & CCO (Chief Compliance Officer)  Senior Executive Officer					0											
	Yasuo Mihashi	Male	Japanese	CFO (Chief Financial Officer) & CSO (Chief Strategy Officer)  Senior Executive Officer	-		·		0	0				0	·	0			0	
enior	Juergen Serrer	Male	German	CTO (Chief Technology Officer) & ATE Business Group Leader						0		0							0	
Exec	Makoto Nakahara	Male	Japanese	Senior Executive Officer CCRO (Chief Customer Relations Officer)						0		,	0	0					0	
utive	Sanjeev Mohan	Male	American	Senior Executive Officer Co-CCRO						0				0					0	
Officers	Richard Junger	Male	German	Senior Executive Officer CSCO (Chief Supply Chain Officer), CDO(Chief Digital Officer) & ClO(Chief Information Technology Officer)						0			0						0	0
	Yong Xu	Male	Chinese	Senior Executive Officer China Business Strategy Director and President (CEO), Advantest(China) Co., Ltd.						0				0					0	
	Toshiaki Adachi	Male	Japanese	Senior Executive Officer Sub-leader, ATE Business Group						0		0							0	0

## Interview with a Nomination and Compensation Committee Member

In April 2024, for the first time in about seven years, the Advantest Group appointed a new top management team, with Douglas Lefever taking on the role of Group CEO and Koichi Tsukui becoming Group COO. Outside directors Toshimitsu Urabe and Sayaka Sumida were deeply involved with the succession as members of the Nomination and Compensation Committee.

When did you start considering CEO succession, and what led to these appointments?

**Urabe** The question of CEO succession is a perennial topic at board meetings. In 2020, the Nomination and Compensation Committee started work on three important initiatives: CEO succession, our executive compensation system, and building a global headquarters structure. The board confirmed our agenda and we began our discussions. We shared the view that CEO succession should be considered from a medium- to long-term perspective, not just as an emergency plan.

In 2020, we focused on reviewing our executive compensation system, and after transitioning to the new system in 2021, we began to focus on CEO succession. At the time, then-CEO Yoshiaki Yoshida had been in office for four years. Growth strategies such as post-merger integration with Verigy were on track, and board members were highly impressed by Mr. Yoshida's acumen. However, in anticipation of further growth in the future, and with a view to continuity, we needed to consider who would be the right leader for Advantest's next era. During Mr. Yoshida's time as CEO, we formulated our first Grand Design and expanded our share of the semiconductor test system market. Going forward, we need to further implement



Interviewer: Tomoyasu Nishiwaki & Tomohiro Nishiyama, Human Capital Department

concrete strategies based on our Grand Design, expand the areas where we can contribute to the entire semiconductor value chain, and achieve further growth. At the heart of our CEO succession initiative was the question of what kind of management team would best facilitate this.

In addition, when considering CEO succession, we could not move forward with discussions without a real-time understanding, shared with other board members, of the current management's performance and challenges.

Therefore, as well as evaluating the performance of the CEO and executive officers, we took basic steps such as interviewing non-executive directors about their work performance and awareness of challenges, gaining insight into their personalities, sharing this information with the board of directors, and providing feedback to the individuals concerned. This gave us a lot of material to consider.

**Sumida** I became an outside director of Advantest in 2020

and joined the Nomination and Compensation Committee in 2021, my second year at the company. My first impression was that the discussions on nomination and compensation were very open and advanced and that the process envisaged by the Corporate Governance Code was being followed. To be honest, I was surprised that non-executive directors were providing feedback to the CEO, as I did not have much contact with Mr. Yoshida at the time. There is a limit to what an outside director can see, but based on how the board of directors was managed, as well as information from internal executives, I was able to observe Mr. Yoshida's management style and confirm what those around him expected from him as CEO. The process was very helpful in identifying the challenges facing the company. **Urabe** We were not particularly conscious of the Governance Code. I think we followed it as a natural result of doing what we needed to do to gather the necessary information, thoroughly discuss and consider it, and reach a consensus on the optimal

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solution. By having non-executive directors observe the CEO's work and provide feedback, we were able to clarify the issues facing our company. Also, Mr. Yoshida used the feedback to help other executive officers see how he and the management team were viewed by board members. I believe this initiative was useful in terms of visualizing and sharing the company's management issues, even before we reached any conclusions about CEO succession.

You said that evaluation and feedback on the CEO's performance, as well as interviews with executive officers, formed the basis for your considerations. What specific process did you follow after that?

**Urabe** First, in the summer of 2021, we discussed our timeline and how to proceed based on the data we had accumulated in the past. The board of directors reached a consensus that by around 2023, we would be in a position to pass the torch to the next generation.

This did not mean CEO succession would take place in 2023 but that we would be ready to activate our plan at any time after that. In addition, since management is not the sole responsibility of the CEO, we compiled requirements for the next CEO and his support team after analyzing our company's challenges through interviews and other means.

We also had an external expert look at the data we had compiled in-house, re-examine it from an external perspective, and assess the candidates. This enabled us to incorporate an objective perspective as we proceeded with the selection of our next CEO. In the process, we considered not only internal candidates but also external talent, including non-Japanese candidates.

Sumida It was extremely beneficial that we were able to

proceed from the perspective of considering succession not just of the CEO but also of the entire management team.

Also, even though I am an outside director, when I serve at a company, I can tend to adopt an internal perspective, so it was very helpful to receive objective advice on succession from an external consultant. I was impressed by how the external consultant's assessment revealed aspects of each director that had not been recognized internally.

Clearly, the idea of a "management team" was key to this succession. Please tell us why Mr. Lefever and Mr. Tsukui were ultimately selected, and how you evaluated them as a team.

**Urabe** Our business is becoming increasingly globalized. Not only are our customers global players, but our overseas locations have also become increasingly important to our development and manufacturing operations, and more than 60% of our employees are now non-Japanese.

We started our discussions by considering the most appropriate management structure for further growth. However, we did not discuss candidates on the basis of their nationality; instead, we considered who would be the best person to oversee our global operations and achieve growth.

Doug Lefever is an engineer by trade, very skilled in sales and new business creation, and he has the leadership and communication skills to motivate people all over the world and lead diverse people across countries and regions.

He is not only a tester hardware and solutions expert but also a strategic thinker who led Advantest's expansion into the complex business of system-level test, with a broad perspective of providing efficiency, safety, and security to the entire semiconductor value chain through test.

Furthermore, he has a wide network of industry contacts. Considering all these points, we decided he was the best person to lead our company into a new era of growth. He also has a deep understanding and affection for Advantest, including our Japanese roots. I vividly remember him saying, "We must not forget that our company originated in Japan. The bonds that people have at Japanese companies are important," when we discussed our global structure at the 2020 offsite board meeting. Koichi Tsukui is an all-round player. He has a wide range of experience in development, sales, and corporate planning, and I think he acts as an extremely good listener and mediator in our diversified organization.

A characteristic example is his recent leadership of the reorganization of Advantest's ATE business. As leader of the ATE Business Unit, he unified the separate organizations of the Verigy V93000 and Advantest T2000 and handed the new organization over to Juergen Serrer. I can't think of many other people who could do something like that not only well but fast. Sumida In any organization, if the person at the top lacks charisma, it will be difficult for him to convince others to follow him. Both Mr. Lefever and Mr. Tsukui are attractive individuals, and when I ask them for explanations at board meetings, they always answer honestly and sincerely. From their everyday behavior, I can say with confidence that they have the qualities to lead Advantest.

Do you feel that anything has changed since the new management structure was put in place?

**Urabe** Under the new management structure, we announced revisions to our Grand Design together with MTP3 in June 2024, and updated our vision statement. I believe this was a symbolic

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event for our company. Until now, the Grand Design only envisioned our business expanding along the semiconductor value chain, but with MTP3, I think our story has become clearer. Demand for semiconductors is expanding, as are stringent requirements for semiconductor performance, which leads to greater semiconductor complexity and generates conflicting demands for safety and efficiency. Amidst these developments, Advantest is a crucial hub and partner in the industry ecosystem, with extensive access to semiconductor-related data. When I saw Mr. Lefever and Mr. Tsukui put together a strategy based on this story, I knew that we had chosen well. Of course, it's still too early to evaluate this new strategy, as it has been announced but not yet implemented.

**Sumida** At the press conference when he assumed the position of Group CEO, Mr. Lefever promised that we would keep on winning. I think this indicates his sense of personal responsibility, but it was impressive to hear such a strong message. Japanese people are generally modest, but the message of MTP3 was clear and powerful, and I think this is a sign of the unique strengths Mr. Lefever brings to the table.

You mentioned that nationality was not a consideration in the succession process, but were there any special considerations related to appointing Mr. Lefever, an American, as Group CEO?

**Sumida** Of course, regardless of nationality, we entrusted the CEO position to the person who has the skills that Advantest needs most at the moment. That is logical and right. On the other hand, Advantest is a Japanese company, so we were concerned about whether a non-Japanese CEO would be able to do the job well. In the end, we asked Mr. Tsukui to take on the position of president of Advantest's Japanese entity, striking a balance. "A global company born in Japan" is a phrase that very well describes our company, and we chose the combination of Mr. Lefever and Mr. Tsukui to ensure we would smoothly change gears while also accelerating our growth. I believe this combination will enable us to fully maximize our strengths, and I'm sure our Japanese employees feel the same way. **Urabe** Traditionally, even if a Japanese company expanded its business globally, most of the executives were Japanese nationals who had been with the company from the beginning, and one of them would become CEO. However, in our case, we had already established a global management system, so it was easier to proceed with the CEO succession on a global basis. Overseas executives have been performing a significant portion

of our actual operations for some time. There was a time when they only headed overseas subsidiaries, but now we select the head of a business unit regardless of nationality or place of residence based on individual merit. Currently, we have ten executive officers serving as CxOs and BU leaders--four in Japan, three in the United States, two in Germany, and one in China. They oversee their organizations' activities around the world from the regions where they are based. Given these facts, Group CEO Lefever is the ideal person to identify and lead the talent we need to grow our business. In addition, former CEO Yoshida held the double role of Group CEO and President of Advantest Japan. However, the Group CEO's role is to be the supreme executive authority for the Advantest Group around the world. He is not necessarily required to handle all the business of the Japanese entity. Thus, we now have split the positions of Group CEO and President of

Are there any final thoughts you would like to share on this CEO succession?

Advantest Japan between two people.

Urabe I believe that succession is not a one-and-done initiative, but a process with no end point. Rather than saying that this succession has ended, we have simply moved on to the next phase. We cannot evaluate the results until some time has passed, but I think this succession validated three key aspects of our process. The first point is to do the obvious things properly. In other words, we identified the information necessary for succession consideration, such as business issues and human resources issues, compiled it, and shared it with decision-makers. The second is to objectively verify conclusions from an outside perspective, and the third is to



Toshimitsu Urabe

### // Interview with a Nomination and Compensation Committee Member

reach a consensus within the board. These points are necessary for any company at any time, and we would like to continue implementing them at Advantest. Another important factor was that we started to develop a global headquarters system before the CEO succession took place. Also, although nomination and compensation procedures will differ for other companies, depending on their size and structure, I think that it was appropriate for Advantest to have the entire board take time to discuss the succession as an advisory body.

It was also valuable that former CEO Yoshida was included in the Nomination and Compensation Committee. There are pros and cons to having the CEO involved, so we did sometimes ask him to leave discussions, but I think it was a good thing that he was included as a committee member because it enabled us to share his concerns and issues with the organization, and also facilitated decision-making.

**Sumida** I believe one of the reasons why this change in top management went so smoothly is because we had already launched a succession plan for key executive officer positions as part of our human resources development program and because we started out with more than half of our executive officers being non-Japanese.

Even if we had suddenly tried to move forward with top management succession in isolation, it wouldn't have worked unless the entire group was of a similar mind. I feel that Advantest has changed over a long period of time by reacting to market changes. In this context, I think our challenge for the future is how to connect the executive officer succession program with top management succession, which is handled by the Nomination and Compensation Committee, and keep the cycle going smoothly.

**Urabe** In reality, it is not necessary for key managing executives

"As a global company born in Japan, we chose the combination of Mr. Lefever and Mr. Tsukui to ensure that we would smoothly change gears while also accelerating our growth. I believe this combination will enable us to fully maximize our strengths."

### Sayaka Sumida

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to be directors, but from the perspective of developing top executives, I think it was meaningful in terms of confirming suitability and skillset development to have them sit at the same table and discuss the issues as board members rather than simply making presentations to board meetings and then leaving. Mr. Lefever and Mr. Tsukui also joined the board in 2020, and it seems that the experience honed their awareness of the issues. Whether this is advisable for other companies would depend on their size and business situation. We did have some internal discussion about temporarily increasing the number of directors, but I think it worked to our advantage in this succession.

What are your personal expectations of Mr. Lefever and Mr. Tsukui?

**Sumida** My greatest expectation is that they will get MTP3 on track for success. Of course, the board must provide support, but the top management team must gather more information and proactively make various changes. I have no doubt the strategy itself will be reviewed from time to time, but I expect them to demonstrate strong leadership and move us forward to achieve our MTP3 goals and realize our vision for 2030.

**Urabe** As Ms. Sumida said, I hope that the high aspirations and perspective expressed in our new vision statement, "Be the Most

Trusted and Valued Test Solution Company in the Semiconductor Value Chain," as set forth in our Grand Design, will be embraced not only by management but all our employees worldwide, and they will lead Advantest to make new strides forward, as both a test equipment supplier and a test solutions company. Next, since Advantest is a global company born in Japan, I would like to see Mr. Lefever and Mr. Tsukui spread our culture of "bonds"—that is, the bonds that glue our entire organization together—throughout the company with a long-term perspective, while leveraging their individual strengths and personalities.

In the end, I think it all comes down to valuing individual employees as an asset. In the manufacturing industry, there is a tendency to think of people as a cost. However in the long term, it is people who create the culture of "bonds" I just mentioned, and it is also people who are responsible for technological development and creating our business model as a test solutions company. I hope that our top management team will never cease to be aware of this in their duties.

Thank you very much.



# Company Highlights

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## 11 Year Financial Highlights Advantest corporation and its consolidated subsidiaries. Each fiscal year beginning on April 1

		US GAAP					IF	RS				
		FY2013 (2014/3)	FY2014 (2015/3)	FY2015 (2016/3)	FY2016 (2017/3)	FY2017 (2018/3)	FY2018 (2019/3)	FY2019 (2020/3)	FY2020 (2021/3)	FY2021 (2022/3)	FY2022 (2023/3)	FY2023 (2024/3
Financial Results												
Fiscal year	(Unit)											
Net sales	Million yen	111,878	163,803	162,111	155,916	207,223	282,456	275,894	312,789	416,901	560,191	486,50
Gross profit	Million yen	49,333	91,755	91,475	89,740	106,588	154,039	156,497	168,291	235,907	319,061	246,0
Selling, general and administrative expenses*1	Million yen	85,702	74,897	78,878	75,835	82,101	89,377	97,789	97,565	121,173	151,374	164,40
Operating income	Million yen	-36,369	16,858	12,597	13,905	24,487	64,662	58,708	70,726	114,734	167,687	81,6
EBITDA*2	Million yen	-28,101	21,588	17,562	19,063	29,511	69,629	69,600	82,482	129,702	189,083	107,7
Income (loss) before income taxes	Million yen	-35,501	20,767	11,767	15,022	24,282	66,211	58,574	69,618	116,343	171,270	78,1
Net income (loss) attributable to owners of the parent	Million yen	-35,540	16,753	6,694	14,201	18,103	56,993	53,532	69,787	87,301	130,400	62,2
Cash flows from operating activities	Million yen	-3,776	24,481	7,728	15,833	28,254	44,792	66,475	67,830	78,889	70,224	32,6
Cash flows from investing activities	Million yen	-4,711	-1,310	-2,395	-3,521	-2,329	-15,915	-38,819	-16,831	-46,907	-26,706	-27,9
Cash flows from financing activities	Million yen	27,202	-1,298	-13,531	-1,002	-15,237	-13,724	-17,916	-30,415	-68,736	-77,434	10,7
Free cash flows*3	Million yen	-8,487	23,171	5,333	12,312	25,925	28,877	27,656	50,999	31,982	43,518	4,7
Cash and cash equivalents at end of year	Million yen	68,997	97,574	85,430	95,324	103,973	119,943	127,703	149,164	116,582	85,537	106,7
Fiscal year-end	(Unit)											
Shareholders' equity	Million yen	116,252	101,810	93,619	109,517	124,610	198,731	231,452	280,369	294,621	368,694	431,1
Total assets	Million yen	229,856	233,237	210,451	231,603	254,559	304,580	355,777	422,641	494,696	600,224	671,2
nformation per share*4	(Unit)											
Basic earnings (loss) per share	¥	(51.02)	24.04	9.59	20.27	25.49	75.59	67.53	88.47	112.39	174.35	84.
Diluted earnings (loss) per share	¥	(51.02)	21.92	8.85	18.49	23.17	71.84	67.24	87.96	111.82	173.68	84.
Shareholders' equity per share	¥	166.84	145.82	134.07	154.83	174.01	251.13	291.63	356.82	387.93	500.61	584.
Dividend per share	¥	3.8	3.8	5.0	6.3	8.0	23.0	20.5	29.5	30.0	33.75	34.
Number of shares issued at year-end		798,267,080	798,267,080	798,267,080	798,267,080	798,267,080	798,267,080	798,267,080	798,267,080	798,169,060	766,169,060	766,141,2
Management indicator	(Unit)											
Overseas net sales as a % of total net sales	%	89.1	92.0	92.0	88.2	93.2	94.7	94.6	95.5	96.1	96.3	95
Net sales per employee	Million yen	24.2	35.9	36.1	35.3	46.5	61.0	54.7	59.5	70.2	85.6	7
Gross profit margin	%	44.1	56.0	56.4	57.6	51.4	54.5	56.7	53.8	56.6	57.0	50
Operating Income Margin	%	(32.5)	10.3	7.8	8.9	11.8	22.9	21.3	22.6	27.5	29.9	16
Net income ratio	%	(31.8)	10.2	4.1	9.1	8.7	20.2	19.4	22.3	20.9	23.3	12
SG&A ratio to sales	%	76.6	45.7	48.6	48.7	39.6	31.6	35.4	31.2	29.1	27.0	33
R&D Expenses	Million yen	32,670	29,507	31,298	31,170	33,540	37,852	40,070	42,678	48,367	60,094	65,4
R&D as a % of total net sales	%	29.2	18.0	19.3	20.0	16.2	13.4	14.5	13.6	11.6	10.7	13
Capital Expenditures	¥100 million	56	42	40	48	54	66	99	137	180	250	2
Depreciation and Amortization	¥100 million	83	47	50	52	50	50	109	118	150	214	2
EBITDA margin*2	%	(25.1)	13.2	10.8	12.2	14.2	24.7	25.2	26.4	31.1	33.8	22
Cash conversion cycle	Day	192	143	163	186	137	132	162	134	136	178	2
Shareholders' equity ratio	%	50.6	43.7	44.5	47.3	49.0	65.2	65.1	66.3	59.6	61.4	6
ROE	%	(27.6)	18.5	6.9	14.0	15.5	35.3	24.9	27.3	30.4	39.3	15
Dividend payout ratio	%	_	15.6	52.2	30.8	31.4	30.4	30.4	33.3	26.7	19.4	4
Yen exchange rate	US Dollar	100	108	121	108	111	110	109	106	112	134	1
	Euro	133	140	133	119	129	129	121	123	130	140	1

<sup>\*1</sup> Selling, general and administrative expenses from the fiscal year ended March 31, 2014 consist of research and development expenses, selling, general and administrative expenses, and impairment charges.

<sup>\*4</sup> Advantest has issued a 4-for-1 stock split of common stock, effective October 1, 2023. The below information per share figures are based on the assumption that the stock split had been issued at the beginning of fiscal 2013.

	(Unit)	CY2013	CY2014	CY2015	CY2016	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023
Global real GDP growth (Source: IMF)	%	3.4	3.5	3.4	3.3	3.8	3.6	2.8	-3	6	3.5	3.2
Worldwide semiconductor sales (Source: WSTS)	Billion US dollar	306	336	335	339	412	469	412	440	556	574	527
SoC tester market size (Source: Advantest)	Million US dollar	1,450	1,950	1,650	2,000	2,200	2,550	2,700	3,000	4,300	4,000	3,300
Memory tester market size (Source: Advantest)	Million US dollar	420	420	470	470	750	1,150	650	1,200	1,300	1,200	1,100

<sup>\*2</sup> EBITDA= Operating income + Depreciation and amortization, EBITDA margin = EBITDA/Sales

<sup>\*3</sup> Free cash flows= Cash flows from operating activities + Cash flows from investing activities

## **Consolidated Financial Highlights**

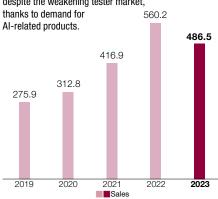
(Each fiscal year starts on April 1st)

### **Financial Highlights**

### >> Sales

(Billion yen)

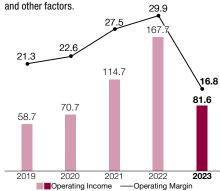
Achieved the second-highest level in Advantest's history, despite the weakening tester market,



### >> Operating Income / Operating Margin (Billion yen /%)

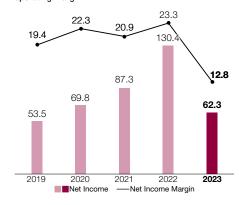
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Decreased due to changes in our sales mix, partial impairment losses on goodwill,



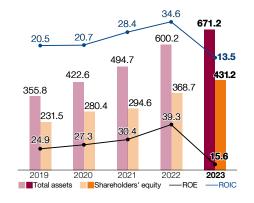
### >> Net Income / Net Income Margin (Billion yen /%)

Decreased due to YoY decline in sales and operating margin



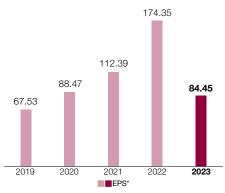
### >> Total Assets / Shareholders' Equity / ROE / ROIC (Billion yen /%/%)

Total assets now exceed ¥650 billion through continuous business investments .



### >> EPS (Yen)

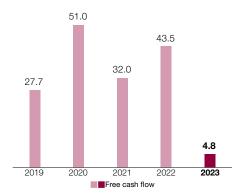
Decreased due to slumping business performance caused by market fluctuations



\*Advantest has issued a 4-for-1 stock split of common stock, effective October 1, 2023. The above EPS figures are based on the assumption that the stock split had been issued at the beginning of fiscal 2019.

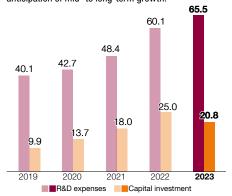
### >> Free cash flow (Billion yen)

Decreased due to higher corporate income tax payments and inventory expansion.



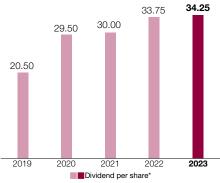
### >> R&D expenses / Capital expenditure (Billion yen)

Advantest continues to make aggressive investments in anticipation of mid- to long-term growth.



### Dividend per share (Yen)

Despite lower profits, Advantest continues to increase our dividend and maintain dividend stability.



\*Advantest has issued a 4-for-1 stock split of common stock, effective October 1, 2023. The above dividend per share figures are based on the assumption that the stock split had been issued at the beginning of fiscal 2019.

## Consolidated Non-Financial Highlights

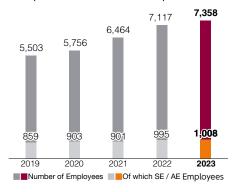
(Each fiscal year starts on April 1st)

### **Non-Financial Highlights**

### » Number of employees\* / Number of SE / AE employees

(Number)

Continuous investment in human capital in anticipation of future business expansion

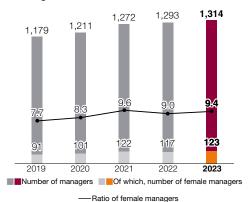


### » Number of managers / Ratio of female managers

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(Number / %)

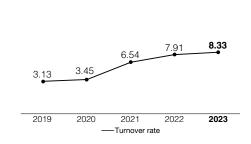
Another slight upswing in the ratio of female managers



### >> Turnover rate

(%)

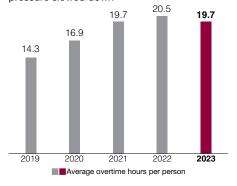
Acquired a North American company in 2021 where the production department had a high turnover rate relative to the overall labor market



### Average overtime hours per person (Japan, China, South Korea)

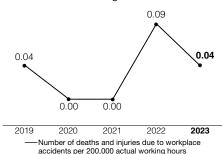
(Hours / Month)

Overtime hours slightly decreased as production increases and delivery time pressure slowed down

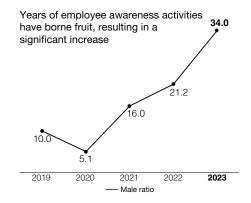


### >> LTIR (number of deaths and injuries due to workplace accidents per 200,000 actual working hours) (Number)

Working to identify causes, prevent recurrence, and further improve our work environments with the aim of achieving zero accidents



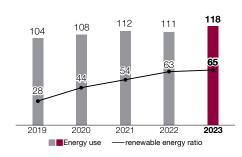
### >> Number of male employees taking maternity or childcare leave (Japan) (Number / %)



### >> Energy usage / renewable energy ratio

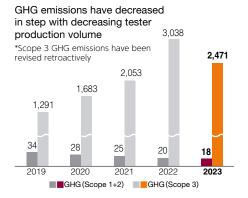
(GWh / %)

Renewable energy ratio target revised to 80% for 2026.



### >> GHG(Scope 1 + 2, and Scope 3)\* emissions

(kt-CO<sub>2</sub>)



<sup>\*</sup> Including temporary employees