(The following is an unofficial English translation of the Convocation Notice of the 82nd Ordinary General Meeting of Shareholders of Advantest Corporation (the "Company"). The original is divided into three volumes, but this translation is compiled into one volume. Therefore, please understand that the order may differ from the original. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.
Pictures, graphs and reference matters in the Japanese have been omitted from this translated document.)

(Stock Code Number: 6857)

CONVOCATION NOTICE OF THE 82nd ORDINARY GENERAL MEETING OF SHAREHOLDERS

Date and time: June 28, 2024 (Friday) at 10:00 a.m.
(The reception desk will open at 9:00 a.m.)

Place: Otemachi Mitsui Hall, Otemachi One 3F,
2-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
(The venue is different from the one in the last year. Please refer to the venue guide map on the back cover for details.)

Subject matters of the General Meeting of Shareholders:

Matters to be reported:

Item No.1: Matters concerning the business report, consolidated financial statements and non-consolidated financial statements reporting for the 82nd Fiscal Year (from April 1, 2023 to March 31, 2024)

Item No.2: Matters concerning the results of audit of the Company's consolidated financial statements by the Independent Auditors and the Audit and Supervisory Committee

Matters to be resolved:

Agenda Items:

Agenda Item No.1: Election of 6 directors (excluding directors who are Audit and Supervisory Committee members)

Agenda Item No.2: Election of 1 director who is an Audit and supervisory Committee member

Agenda Item No.3: Election of 1 director who is a substitute Audit and Supervisory Committee member

Agenda Item No.4: Revision of amount of compensation for directors (excluding directors who are Audit and supervisory Committee members)

Agenda Item No.5: Revision of the restricted stock compensation plan for directors (excluding outside directors and directors who are Audit and Supervisory Committee members)

Agenda Item No.6: Revision of the performance share unit system for directors (excluding outside directors and directors who are Audit and Supervisory Committee members)

Agenda Item No.7: Introduction of a restricted stock compensation plan for outside directors (excluding directors who are Audit and Supervisory Committee members)

Agenda Item No.8: Introduction of a restricted stock compensation plan for directors who are Audit and Supervisory Committee members

<u>Message to Shareholders</u>

To Our Shareholders

We are pleased to send you this Convocation Notice for the 82nd Ordinary General Meeting of Shareholders.

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

As a result, in the consolidated fiscal year ended March 31, 2024, net sales were JPY486.5 billion, operating income was JPY81.6 billion, income before income taxes was JPY78.2 billion and net income was JPY62.3 billion. FY2023 was the final year of the Second Mid-Term Management Plan. In May 2021, the Company unveiled the plan and in July 2022, targets were revised upward to reflect a larger than originally expected size of the semiconductor test-related market. Although Company was able to achieve all of the targets as originally set in our Second Mid-Term Management Plan, Company failed to achieve the revised targets except for sales.

With respect to the year-end dividend distribution to shareholders, we resolved at the meeting of the Board of Directors held on May 21, 2024 to distribute a year-end dividend of 18 yen per share, with a payment date of June 7, 2024.

We hope that we may rely on you for your continued support and guidance in the future.

June 2024

Douglas Lefever
Representative Director,
Senior Executive Officer, Group CEO
Koichi Tsukui
Representative Director,
Senior Executive Officer and President, Group COO

(Stock Code Number: 6857)
June 6, 2024
(Date of commencement of electronic provision measures: May 30, 2024)

To Our Shareholders

Koichi Tsukui
Representative Director
Senior Executive Officer and
President, Group COO
ADVANTEST CORPORATION
1-6-2 Marunouchi, Chiyoda-ku,
Tokyo

CONVOCATION NOTICE OF THE 82nd ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

Notice is hereby given that the 82nd Ordinary General Meeting of Shareholders of ADVANTEST CORPORATION (the "Company") will be held as set forth below.

If you cannot attend the General Meeting of Shareholders in person, you can exercise your voting rights via the Internet or in writing. As such, the Company requests that you exercise your voting rights by 5:00 p.m. (All the times listed below will be in Japanese Standard Time) on June 27, 2024 (Thursday).

1. Date and time: June 28, 2024 (Friday) at 10:00 a.m.
   (The reception desk will open at 9:00 a.m.)
2. Place: Otemachi Mitsui Hall, Otemachi One 3F,
   2-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
   (The venue is different from the one in the last year. Please refer to the venue guide map on the back cover for details.)
3. Subject matters of the General Meeting of Shareholders:

Matters to be reported:

Item No.1: Matters concerning the business report, consolidated financial statements and non-consolidated financial statements reporting for the 82nd Fiscal Year (from April 1, 2023 to March 31, 2024)

Item No.2: Matters concerning the results of audit of the Company's consolidated financial statements by the Independent Auditors and the Audit and Supervisory Committee

Matters to be resolved:

Agenda Items:

genda Item No.1: Election of 6 directors (excluding directors who are Audit and Supervisory Committee members)

Agenda Item No.2: Election of 1 director who is an Audit and supervisory Committee member

Agenda Item No.3: Election of 1 director who is a substitute Audit and Supervisory Committee member

Agenda Item No.4: Revision of amount of compensation for directors (excluding directors who are Audit and supervisory Committee members)

Agenda Item No.5:	Revision of the restricted stock compensation plan for directors (excluding outside directors and directors who are Audit and Supervisory Committee members)
Agenda Item No.6:	Revision of the performance share unit system for directors (excluding outside directors and directors who are Audit and Supervisory Committee members)
Agenda Item No.7:	Introduction of a restricted stock compensation plan for outside directors (excluding directors who are Audit and Supervisory Committee members)
Agenda Item No.8:	Introduction of a restricted stock compensation plan for directors who are Audit and Supervisory Committee members

* In convening the General Meeting of Shareholders, the Company has taken electronic provision measures, by which it provides information contained in the Reference Documents for the General Meeting of Shareholders (the "matters subject to electronic provision measures") in electronic format, and has posted the information on its website as the "Convocation Notice of the 82nd Ordinary General Meeting of Shareholders (Notice of Access)," "Reference Documents for the 82nd Ordinary General Meeting of Shareholders and Business Report (Matters for Document Delivery)," and "Reference Documents for the 82nd Ordinary General Meeting of Shareholders and Business Report (Matters for which Document Delivery is Omitted)." Please access our website as shown below to review the information. The matters subject to electronic provision measures have also been posted on the websites of Tokyo Stock Exchange (TSE) and the convocation website provided by TAKARA Printing in addition to the Company's website.

[The Company's website]
https://www.advantest.com/investors/shares-and-corporate-bonds/meeting/
(note: QR code is omitted)

[The Tokyo Stock Exchange (TSE) website]
https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show
Please access the TSE website (Listed Company Search), enter our issue name (Advantest) or stock exchange code (6857). Then, click "Basic information," and "Documents for public inspection/PR information" to review the information.
(note: QR code is omitted)

[TAKARA Printing's website]
https://s.srdb.jp/6857/
(note: QR code is omitted)

Notice of Items to be listed on our website

- Among the matters subject to electronic provision measures, following information is not included in the paper copy to shareholders who made a request for delivery of documents in paper copy, because the information is available on the Company's website, etc. in accordance with laws and regulations and the Company's Articles of Incorporation: in Business Report, "Significant Sales Offices and Factories," "Employees," "Major Lenders," "Other significant matters with respect to the current status of the Company group," "Stock Acquisition Rights," "Overview of limited liability agreements," "Overview of indemnification agreements," "Overview of the contents of the directors and officers liability insurance contracts," "Independent Auditor," "The system to ensure the appropriateness of business," and "Status of implementation of the system to ensure the appropriateness of business;" among consolidated financial statements, "Consolidated Statement of Comprehensive Income," "Consolidated Statement of Changes in Equity," and "Notes to Consolidated Financial Statements;" and among non-consolidated financial statements, "Balance Sheet (Non-Consolidated)," "Statement of Operations (Non-Consolidated)," "Statement of Changes in Net Assets," and "Notes to Non-Consolidated Financial Statements."

Business Report, Consolidated Financial Statements, and Non-Consolidated Financial Statements audited by the Audit and Supervisory Committee; and Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Independent Auditors include above information, and the paper copy sent to shareholders who made a request for delivery of documents in paper copy is a part of documents audited by the Audit and Supervisory Committee and the Independent Auditors when preparing the Audit Reports.

- Any amendments to the matters subject to the electronic provision measures will be posted on the respective websites where these matters are posted.
- Any significant changes in the operation of the General Meeting of Shareholders will be posted on the Company's website.
- Presentation materials concerning matters to be reported will be posted on the Company's website.
- The resolutions adopted at the meeting will be posted on the Company's website instead of issuing a written notice of the resolutions.
- On-demand streaming of the General Meeting of Shareholders will be available on our website at a later date.

The Company's website:

https://www.advantest.com/investors/shares-and-corporate-bonds/meeting/

(note: QR code is omitted)

Notice regarding the Operation of the General Meeting of Shareholders

- The Company will not be presenting a gift to shareholders who attend the meeting.
- The company introduction video/materials will be displayed in the lobby of the venue.
- Shareholders who require assistance or Japanese interpretation are allowed to be accompanied by one caregiver or interpreter. However, unless these accompanying individuals are shareholders with voting rights, their speech and conduct will be limited to their capabilities as a caregiver or interpreter.

Instructions for the Exercise of Voting Rights

If you attend the General Meeting of Shareholders

When attending the meeting, please submit the enclosed voting rights exercise form to the reception desk at the site of the meeting. If you attend the meeting, you do not need to exercise your voting rights via the Internet or in writing.

Date and time: June 28, 2024 (Friday) at 10:00 a.m.

If you exercise your voting rights or via the Internet or in writing
Exercise of voting rights via the Internet

Please indicate your intention to vote "for" or "against" each agenda item by following the "Instructions for the Exercise of Voting Rights via the Internet."

Deadline: By 5:00 p.m. of June 27, 2024 (Thursday)

Exercise of voting rights in writing

Please indicate your intention to vote "for" or "against" each agenda item on the enclosed voting right exercise form, and then return the form to us.

Deadline: To be delivered by 5:00 p.m. of June 27, 2024 (Thursday)

- If you exercise your voting rights via the Internet, you do not need to exercise your voting rights in writing.
- If voting rights are exercised both by mail and via the Internet, the exercise of voting rights via the Internet shall be deemed valid.
- In exercising your voting right in writing, if your intention to vote "for" or "against" each agenda item is not indicated, your vote will be counted as approval for the agenda item."
- If you exercise your voting rights by proxy, one other shareholder with voting rights can attend the meeting as a proxy. In this case, you will be required to submit a document to prove the validity of the proxy rights.

Instructions for the Exercise of Voting Rights via the Internet

How to read the QR code printed on the enclosed voting rights exercise form

1. Read the QR code printed on the right-hand side of the enclosed voting rights exercise form. You do not need to enter the "Login ID" and "Password."
2. The screen displays options for exercise of voting rights. Please select your preferred option for exercise of voting rights.
3. Follow the on-screen instructions and enter "for" or "against."

* "QR Code" is a registered product of DENSO WAVE INCORPORATED. (note: QR code is omitted.)

How to login with the login ID and password

1. Access the website for casting votes.

   https://evote.tr.mufg.jp/

2. Enter the "Login ID" and "Temporary password" printed on the right-hand side of the enclosed voting rights exercise form.

3. Follow the on-screen instructions and enter "for" or "against."

- If voting rights are exercised via the Internet multiple times, the last exercise of voting rights shall be deemed valid.
- In some cases, you may not be able to use the website for casting votes due to your Internet environment, network service, or communication device model.
- Internet connection charges, communication fees, and other costs incurred by accessing the website for casting votes by smartphone, PC, etc. shall be the responsibility of each shareholder.
- The website for casting votes is not available from 2:30 a.m. to 4:30 a.m. everyday.
- Institutional investors can use the electronic voting platform operated by ICJ, Inc. by submitting an application in advance.

[Contact for inquiry on how to operate the website for casting votes]
Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation
Phone number: 0120-173-027 (toll-free number within Japan)

Business hours: 9:00 a.m. to 9:00 p.m. (JST)

Notice of Live streaming via the Internet

The General Meeting of Shareholders will be streamed live on the Internet. (note: shareholders only)

Streaming date/time: Starting at 10:00 a.m., June 28, 2024 (Friday)
* The live stream will go online from 9:30 a.m.

How to watch the streamed meeting on the day

1. How to read the QR code printed on the enclosed voting right exercise form:

(1) Read the QR code printed on the back of the enclosed voting right exercise form. You can log in to the website for viewing without entering the "login ID" and "password."
(2) Click the "View live streaming" button after logging in.
(3) After reading the terms of use regarding the viewing of the live streaming, check "Agree to the terms of use" and then click the button of "View".

*"QR Code" is a registered trademark of DENSO WAVE INCORPORATED. (note: QR code is omitted.)

2. How to log in with your login ID and password:
URL: https://engagement-portal.tr.mufg.jp/ (note: QR code is omitted.)

(1) Access the website from the above URL.
(2) Enter your "login ID" and "password" on the shareholder authentication screen (login screen). Your "login ID" and "password" are printed on the back of the enclosed voting right exercise form.
(3) Read the terms of use and check "Agree to the terms of use."
(4) Click the button of "Login".
(5) Click the "View livestreaming" button after login.
(6) After reading the terms of use regarding the viewing of the livestreaming, check "Agree to the terms of use," and then click the button of "View".

Inquiries regarding IDs, passwords, or the live streaming of the General Meeting of Shareholders

(Inquiries)
Mitsubishi UFJ Trust and Banking Corporation
Phone number: 0120-676-808 (toll-free number within Japan)
Business hours: 9:00 to 17:00 (JST) on Monday through Friday. Closed on Saturday, Sunday, and holidays; provided, however, that June 28, 2024, from 9:00 a.m. until the meeting ends.

Important notes

- Viewing the stream of the meeting is not considered attending the General Meeting of Shareholders under the Companies Act. Accordingly, shareholders viewing the live stream will not be able to make comments, exercise voting rights, or make objections at the General Meeting of Shareholders. Advantest requests that shareholders exercise their voting rights in advance via the Internet or by mail.
- In order to protect the privacy of shareholders attending the meeting, only the areas near the chairperson and the officers will be shown in the stream. However, please be aware that, when unavoidable, shareholders attending the meeting may be visible in the stream.
- Please keep your login ID and password before mailing voting right exercise form.
- If you lose the enclosed voting right exercise form, you can request that it be reissued at the contact information for the Inquiries above. However, please note that the reissue may not

be accepted depending on the timing of the inquiry, such as when approximately one week has passed before the date of the General Meeting of Shareholders.

- Opinions from shareholders will be received on the day of the General Meeting of Shareholders.
- The General Meeting of Shareholders will only be streamed live in Japanese.
- You can also test your viewing environment from our website, so please perform confirmation in advance.
- If the live streaming cannot be carried out due to unavoidable circumstances, the Company will notify you via the Company's website.
- Individual shareholders are responsible for any expenses such as Internet connection fees or communication fees involved in viewing the streamed meeting.
- Please note that you may experience audio or video issues depending on your computer environment (model, capabilities, etc.) and Internet connectivity environment (traffic conditions, connection speed, etc.).
- Internet Explorer is not available on this site. Please use browsers such as Microsoft Edge, Google Chrome, or Safari. Details regarding viewing environments, etc., will be posted separately on the "Shareholders' Meeting" section of our website.
- Only shareholders may view the live streamed meeting.
- Please refrain from filming, making video recordings, making audio recordings, saving, or posting the streamed meeting to social media.
- Disclosing or providing the personal information of shareholders or other information involving the privacy of shareholders, obtained through the video or audio of the meeting, to third parties is strictly prohibited.
- Live streaming of the meeting may not be possible in the event of a natural disaster. Information regarding whether or not live streaming will be performed, streaming conditions, and the like will be provided as necessary on our website.

<< The Company's website:>>

https://www.advantest.com/investors/shares-and-corporate-bonds/meeting/

(note: QR code is omitted)

Notice of Registration of questions in advance

We can receive questions from shareholders in advance regarding the subject matters of the General Meeting of Shareholders.

1. How to register questions

(1) Log in to the website of Registration of questions in advance from the following URL or QR code.

(2) Click the "Questions in advance" button shown on the screen after entering your name, shareholder number and questions.

(3) After confirming the content of your questions, etc., click the button of "Send".

* "QR Code" is a registered product of DENSO WAVE INCORPORATED.

the website of Registration of questions in advance: https://www2.advantest.com/sh_ask/en/

(note: QR code is omitted)

2. Receipt of questions: By 5:00 p.m., June 21, 2024 (Friday)

3. Important notes

Of the questions we received in advance, we plan to address matters of high interest to our shareholders on the day of the General Meeting of Shareholders. Please be aware that we will refrain from answering questions that are not related to the subject matters of the General Meeting of Shareholders, that duplicate other questions, or which, by answering, would violate the rights or interests of our customers, our employees, or other persons.

Reference Documents for the General Meeting of Shareholders

Agenda Items and Reference Matters:

Agenda Item No. 1: Election of 6 directors (excluding directors who are Audit and Supervisory Committee members)

The term of office of all 6 current directors (excluding directors who are Audit and Supervisory Committee members) will expire upon the closing of this Ordinary General Meeting of Shareholders. The Company therefore requests that you elect 6 directors (excluding directors who are Audit and Supervisory Committee members). The Company has received a report from the Audit and Supervisory Committee stating that this agenda was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee, taking into consideration the career, capabilities, personalities, and other attributes of each candidate in a comprehensive manner, and that the candidate nomination procedure was appropriate and there were no specific findings.

The profiles of the Director candidates (excluding directors who are Audit and Supervisory Committee members) are set forth below.

Candidate No.	Name	Present position and assignment	Number of attendances at the meetings of the Board of Directors
1	Reappointed Douglas Lefever	Representative Director, Senior Executive Officer, Group CEO (Corporate Strategy, Business Promotion, Technology in charge)	13/13 (100%)
2	Reappointed Koichi Tsukui	Representative Director, Senior Executive Officer and President, Group COO (Administration, Production, Business Process Innovation in charge)	13/13 (100%)
3	Reappointed Yoshiaki Yoshida	Director, Chairperson of the Board	13/13 (100%)
4	Reappointed Independent Toshimitsu Urabe	Outside Director	13/13 (100%)
5	Reappointed Independent Nicholas Benes	Outside Director	13/13 (100%)
6	Reappointed Independent Naoto Nishida	Outside Director	10/10 (100%)

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company’s shares owned
1	 Douglas Lefever Reappointed (December 10, 1970) Number of Years as Director: 4 years	June 1998 Joined Advantest America, Inc. August 2014 Executive Officer, Advantest Corporation September 2014 Director, President and CEO, Advantest America, Inc. June 2017 Managing Executive Officer, Advantest Corporation June 2020 Director, Managing Executive Officer June 2021 Director, Senior Executive Officer CSO (Chief Strategy Officer) January 2023 Representative Director, Corporate Vice President & Group COO (Chief Operating Officer) June 2023 Representative Director, Corporate Vice President Group COO (Corporate Strategy, Business Promotion, Technology in charge) Chairman, Advantest America, Inc. (present position) April 2024 Representative Director, Senior Executive Officer, Group CEO (Corporate Strategy, Business Promotion, Technology in charge) (present position)	0 Number of Company’s shares to be provided under the Restricted Stock Compensation 75,104
	The reasons for nomination as a candidate for a director Mr. Douglas Lefever is responsible for promoting business development mainly in the US (Silicon Valley). Mr. Douglas Lefever had served as Representative Director, Corporate Vice President & Group COO of the Company since January 2023 and has been serving as Representative Director, Senior Executive Officer, Group CEO since April 2024. He has a wealth of knowledge and experience concerning the Company group’s business and corporate management and is expected to contribute to enhancing and galvanizing the diversity of the Board of Directors. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for a director.		

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any		Number of the Company's shares owned
2	 Koichi Tsukui Reappointed (December 11, 1964) Number of Years as Director: 4 years	April 1987	Joined Advantest Corporation	53,361
		June 2014	Executive Officer	
		June 2015	Managing Executive Officer	
		June 2020	Director, Managing Executive Officer	
		June 2021	Director, Senior Executive Officer CTO (Chief Technology Officer)	
		January 2023	Representative Director, Corporate Vice President & Group Co-COO	
		June 2023	Representative Director, Corporate Vice President Group Co-COO (Production, Business Process Innovation in charge)	
		April 2024	Representative Director, Senior Executive Officer and President, Group COO (Administration, Production, Business Process Innovation in charge) (present position)	

The reasons for nomination as a candidate for a director
Mr. Koichi Tsukui has been engaged in business operations and sales and marketing operations for many years including assignment to Germany. Mr. Koichi Tsukui had served as Representative Director, Corporate Vice President & Group Co-COO of the Company since January 2023 and has been serving as Representative Director, Senior Executive Officer and President, Group COO since April 2024. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for a director.

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
3	 Yoshiaki Yoshida Reappointed (February 8, 1958) Number of Years as Director: 11 years	April 1999 Joined Advantest Corporation June 2006 Executive Officer June 2009 Managing Executive Officer June 2013 Director, Managing Executive Officer June 2016 Director, Senior Executive Officer January 2017 Representative Director, President and CEO January 2023 Representative Director, President and Group CEO June 2023 Representative Director, President Group CEO (Administration, New Area Business Development Initiative in charge) April 2024 Director, Chairperson of the Board (present position)	268,249
	The reasons for nomination as a candidate for a director After his duties as the representative director of a subsidiary of the Company, Executive Vice President of the Corporate Planning Group, Executive Vice President of the Corporate Relations Group, and Executive Vice President of the Nanotechnology Business Group, Mr. Yoshiaki Yoshida had served as Representative Director, President and CEO of the Company since January 2017 and Representative Director, President and Group CEO of the Company since January 2023. From April 2024, as Chairperson of the Board, he has been responsible for supervision of management from a non-executive position. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for a director.		

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
4	 Toshimitsu Urabe Reappointed Independent (October 2, 1954) Number of Years as Outside Director: 5 years	April 1978 Joined Mitsubishi Corporation April 2009 Senior Vice President and Deputy Chief Representative for China of Mitsubishi Corporation, and President for Mitsubishi Corporation (Hong Kong) Ltd. April 2011 Senior Vice President and Senior Assistant to Senior Executive Vice President, Human Resources of Mitsubishi Corporation April 2013 Executive Vice President, Group CEO, Business Service Group of Mitsubishi Corporation April 2017 Advisor, Mitsubishi Corporation June 2017 Deputy President and Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) (Resigned as Executive Officer in March 2021) (Resigned as Director in April 2021) June 2019 Outside Director of Advantest Corporation (present position) April 2021 Outside Director of Japan Business Systems, Inc. (present position)	4,131

The reasons for nomination as a candidate for an outside director and expected roles

Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company and a nonbank financial institution, particularly overseas experience in the United States and Asia, experience in business investment decisions, etc., and extensive experience in administrative management, for example human resources and IT. He is expected to reflect his knowledge in the Company group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him again as a candidate for an outside director.

Independence

The Company has no special transactions with Mr. Toshimitsu Urabe. Although the Company has transactions with Japan Business Systems, Inc. where he has been serving as an outside director, including capital investments in IT operations, etc., the amount of transactions between the two companies in FY2023 was less than 1% of the total of the Company's consolidated cost of sales and selling, general and administrative expenses.

Therefore, the Company judges that he is sufficiently independent in light of the Independence Criteria of Independent Outside Directors specified by the Company. And since he also satisfies the requirements for independent directors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director.

<table>
<tr><th></th><th>Name
(Date of Birth)</th><th>Brief personal history; position and assignment; and other significant concurrently held positions, if any</th><th>Number of the Company’s shares owned</th></tr>
<tr><td rowspan="2">5</td><td>
Nicholas Benes

Reappointed

Independent

(April 16, 1956)

Number of Years as Outside Director:
5 years</td><td>September 1983 Joined Morgan Guaranty Trust Company of New York (currently JPMorgan Chase & Co.)
November 1983 Joined California State Bar Association.
October 1984 Joined New York State Bar Association.
May 1994 Senior Managing Director, Kamakura Corporation
April 1997 President and Founder, JTP Corporation
March 2000 Outside Director, Alps Mapping Co., Ltd.
December 2006 Outside Director, Livedoor Holdings Co., Ltd.
March 2007 Outside Director, Cecile Co., Ltd.
November 2009 Representative Director, The Board Director Training Institute of Japan (present position)
June 2016 Outside Director, Imagica Robot Holdings Inc. (currently IMAGICA GROUP Inc.)
June 2019 Outside Director of Advantest Corporation (present position)</td><td>2,400</td></tr>
<tr><td colspan="3">The reasons for nomination as a candidate for an outside director and expected roles
Mr. Nicholas Benes has extensive knowledge and experience about corporate governance matters, and experience in investment banking including M&A transactions. He is expected to reflect his knowledge of corporate governance and the shareholder-oriented perspective in the Company group’s global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him again as a candidate for an outside director.

Independence
Mr. Nicholas Benes does not have any dealings with the Company that would affect his independent judgement. The Company has paid an annual fee to and received executive training from the Board Director Training Institute of Japan, where he has been a representative director. The amount of payment to the Board Director Training Institute of Japan in FY2023 was less than JPY 1,000,000. Therefore, the Company judges that the institute is not a major business partner as defined in the Independence Criteria of Independent Outside Directors specified by the Company, and accordingly he is sufficiently independent. And since he also satisfies the requirements for independent directors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director.</td></tr>
</table>

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company’s shares owned
6	 Naoto Nishida Reappointed Independent (February 11, 1954) Number of Years as Outside Director: 1 year	April 1978 Joined Toshiba Corporation June 2007 Director, Production Engineering Center, Toshiba April 2009 General Manager, Productivity Planning Division, Toshiba Corporation April 2011 General Manager, Technology Planning Division, Toshiba Corporation June 2012 Executive Officer, Corporate Vice President (General Manager, Technology Planning Division), Toshiba Corporation June 2013 Executive Officer, Corporate Senior Vice President (In charge of Procurement & Logistics Group, In charge of Production Control Group), Toshiba Corporation June 2014 Board of Director, Executive Officer, Corporate Executive Vice President (In charge of Technology & Innovation Dept., New Business Dept., Research & Development Center, Software Technology Center Software Technology Center), Toshiba Corporation September 2015 Executive Officer, Corporate Executive Vice President (In charge of Research & Development Management Dept.), Toshiba Corporation April 2016 Executive Officer, Corporate Executive Vice President (In charge of Technology Management Dept.), Toshiba Corporation November 2017 Special Commission, Toshiba Corporation (present position) June 2023 Outside Director of Advantest Corporation (present position)	529

The reasons for nomination as a candidate for an outside director and expected roles

Mr. Naoto Nishida has a wealth of knowledge and experience as a laser technology expert, in addition to his experience in the fields of technology, supply chain management (SCM), production, and research & development at a global company deeply involved in semiconductors. He is expected to reflect his insights into our business, industry and technology and the perspectives on strategic innovation in the Company group’s global management, thereby contributing to the sustainable enhancement of corporate value and invigoration of the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him again as a candidate for an outside director.

Independence

Mr. Naoto Nishida does not have any dealings with the Company that would affect his independent judgement. The Company has transactions with Toshiba Corporation and its affiliates, including the sales of our products and the purchase of raw materials, etc. The amount of such transactions with Toshiba Corporation and its affiliates in FY2023 is less than 1% of the total of the Company’s consolidated cost of sales and selling, general and administrative expenses.

Therefore, the Company judges that Toshiba Corporation is not a major business partner as defined in the Independence Criteria of Independent Outside Directors specified by the Company, and accordingly he is sufficiently independent. And since he also satisfies the requirements for independent directors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director.

Notes:

1. These candidates do not have any special interest in the Company.
2. Messrs. Toshimitsu Urabe, Nicholas Benes and Naoto Nishida are candidates for an outside director.
3. The Company has entered into a limited liability agreement pursuant to the Article 427, Paragraph 1 of the Companies Act with each of Messrs. Toshimitsu Urabe, Nicholas Benes and Naoto Nishida. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances. As Mr. Yoshiaki Yoshida becomes a non-executive director, if he is elected as a director as originally proposed, the Company will conclude the said agreement with him.
4. The Company has concluded a directors and officers liability insurance contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with insurance companies. The insurance policy insures all directors, executive officers and employees of the Company, including employees in managerial and supervisory positions, and all employees of Company subsidiaries, including executives and employees in managerial and supervisory positions, against legal damages and litigation expenses that may arise when the insured party assumes liability for the execution of his or her duties or is subject to a claim for the pursuit of the said liability. However, the insurance policy has certain exclusions, such as providing no coverage for damages suffered by insured parties arising from actions taken by said insured parties with the knowledge that they were in violation of the law, to ensure that the insured parties execute their duties in an appropriate manner. The insurance premiums, including riders, are borne in their entirety by the company to which the insured party belongs, and no insurance premiums are borne by the insured parties themselves. Messrs. Douglas Lefever, Koichi Tsukui, Yoshiaki Yoshida, Toshimitsu Urabe, Nicholas Benes and Naoto Nishida are currently directors of the Company (excluding directors who are Audit and Supervisory Committee members) and are covered by the insurance policy as insured. If they are reappointed as a director, they will continue to be covered by the insurance policy as insured. The Company plans to renew the insurance contract while each director is in office.
5. The Company has concluded indemnification agreements with Messrs. Douglas Lefever, Koichi Tsukui, Yoshiaki Yoshida, Toshimitsu Urabe, Nicholas Benes and Naoto Nishida pursuant to the Article 430-2, Paragraph 1 of the Companies Act. Under the said agreement, the Company shall indemnify the directors against expenses listed in Item 1 of the Paragraph and losses listed in Item 2 of the Paragraph to the extent permitted by laws and regulations.
6. The Company has introduced a restricted stock compensation plan and a performance share unit system as stock compensation plans for its directors (excluding outside directors and directors who are Audit and Supervisory Committee members). As Mr. Douglas Lefever is a non-resident of the Company, the post delivery restricted stock unit plan (a plan to deliver the Company's shares after a certain period) is applied to the restricted stock compensation plan. Since the shares are to be delivered after the restricted period, Mr. Douglas Lefever has not yet received the restricted shares, but the number of shares to be delivered is shown as “Number of Company’s shares to be provided under the Restricted Stock Compensation”. The number of shares to be delivered under the Performance Share Unit System is calculated based on the achievement of numerical targets for the Company's performance for the fiscal year corresponding to the mid-term management plan (performance evaluation period), and is not fixed during the current fiscal year. Therefore, they are not included in the “Number of the Company’s shares owned” and “Number of Company’s shares to be provided under the Restricted Stock Compensation” above. The total number of shares of the Company's common stock to be delivered to the subject directors under the Performance Share Unit System is limited to 600,000 shares for each period covered by each mid-term management plan (three fiscal years).

Agenda Item No. 2: Election of 1 director who is an Audit and Supervisory Committee member

The term of office of the current director who is an Audit and Supervisory Committee member, Ms. Sayaka Sumida will expire upon the closing of this Ordinary General Meeting of Shareholders. The Company therefore requests the election of 1 director who is an Audit and Supervisory Committee member. The Company has obtained the consent of the Audit and Supervisory Committee with respect to this agenda.

The profile of the candidate for director who is an Audit and Supervisory Committee member is set forth below.

Name		Present position and assignment	Number of attendances at the meetings of the Board of Directors and the meetings of the Audit and Supervisory Committee
Reappointed Independent	Sayaka Sumida	Outside Director, Audit and Supervisory Committee member	Meetings of the Board of Directors: 13/13 (100%) Meetings of the Audit and Supervisory Committee: 13/13 (100%)

Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any		Number of the Company’s shares owned
 Sayaka Sumida Reappointed Independent (January 28, 1961) Number of Years as Director: 4 years	October 1984 May 1988 May 2006 August 2007 July 2010 January 2015 February 2017 June 2020 June 2024	Joined Asahi Accounting Company (current KPMG AZSA LLC) Registered as a Certified Public Accountant Partner, KPMG Azsa & Co. (current KPMG AZSA LLC) (resigned in March 2020) Chairman, Auditing Standards Committee, The Japanese Institute of Certified Public Accountants (JICPA) Executive Board Member, JICPA (Quality Control Standards and Auditing Standards) Board Member, International Auditing and Assurance Standards Board (IAASB), International Federation of Accountants (IFAC) Member, Business Accounting Council of Financial Services Agency Outside Audit and Supervisory Board Member of Furukawa Electric Co., Ltd. (present position) Outside Audit and Supervisory Board Member of The Nisshin OilliO Group, Ltd. (present position) (Scheduled to resign in June 2024) Director, Audit and Supervisory Committee Member (present position) Outside Director of Japan Exchange Group, Inc. (Scheduled to appoint)	3,234

The reasons for nomination as a candidate for an outside director who is an Audit and Supervisory Committee member and expected roles

Although Ms. Sayaka Sumida has not been directly involved in the management of a company in the past, she has a wealth of knowledge and experience concerning finance and accounting gained through her engagement in accounting auditing services and internal control-related services as a certified public accountant at an accounting firm for many years. She is expected to reflect her knowledge of finance and accounting in the Company group’s audit and supervision, thereby contributing to the enhancement of corporate accounting and internal control. Thus, the Company believes that she is a suitable person as an outside director who is an audit and supervisory committee member, and therefore, has nominated her again as a candidate for an outside director who is an Audit and Supervisory Committee member.

Independence

The Company has no special transactions with Ms. Sayaka Sumida. The Company has transactions with Furukawa Electric Co., Ltd., including the purchase of raw materials, etc. The amount of such transactions with Furukawa Electric Co., Ltd., in FY2023 is less than 1% of the total of the Company’s consolidated cost of sales and selling, general and administrative expenses. Ms. Sayaka Sumida will become an outside director (an audit committee member) of Japan Exchange Group, Inc. in June 2024, but the amount of transactions between Japan Exchange Group, Inc. and the Company in FY 2023 is less than 1% of the Company's consolidated cost of sales and selling, general, and administrative expenses.

Therefore, the Company judges that Furukawa Electric Co., Ltd., and Japan Exchange Group, Inc. are not a major business partner as defined in the Independence Criteria of Independent Outside Directors specified by the Company, and accordingly she is sufficiently independent. And since she also satisfies the requirements for independent directors specified by Tokyo Stock Exchange, Inc., the Company has registered her as an independent director.

Notes:

1. Ms. Sayaka Sumida does not have any special interest in the Company.
2. Ms. Sayaka Sumida is a candidate for an outside director.
3. The Company has entered into a limited liability agreement pursuant to the Article 427, Paragraph 1 of the Companies Act with Ms. Sayaka Sumida. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.
4. The Company has concluded a directors and officers liability insurance contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with insurance companies. The insurance policy insures all directors, executive officers and employees of the Company, including employees in managerial and supervisory positions, and all employees of Company subsidiaries, including executives and employees in managerial and supervisory positions, against legal damages and litigation expenses that may arise when the insured party assumes liability for the execution of her duties or is subject to a claim for the pursuit of said liability. However, the insurance policy has certain exclusions, such as providing no coverage for damages suffered by insured parties arising from actions taken by said insured parties with the knowledge that they were in violation of the law, to ensure that the insured parties execute their duties in an appropriate manner. The insurance premiums, including riders, are borne in their entirety by the company to which the insured party belongs, and no insurance premiums are borne by the insured parties themselves. Ms. Sayaka Sumida is currently a director who is an Audit and Supervisory Committee member of the Company and is covered by the insurance policy. If the candidate is reappointed as a director who is an Audit and Supervisory Committee member, she will continue to be covered by the insurance policy as insured. The Company plans to renew the insurance contract while the director is in office.
5. The Company has concluded an indemnification agreement with Ms. Sayaka Sumida pursuant to the Article 430-2, Paragraph 1 of the Companies Act. Under the said agreement, the Company shall indemnify her against expenses listed in Item 1 of the Paragraph and losses listed in Item 2 of the Paragraph to the extent permitted by laws and regulations.

Agenda Item No. 3: Election of 1 director who is a substitute Audit and Supervisory Committee member

Mr. Nicholas Benes, who was elected as a substitute audit & supervisory committee member at the 81st Annual General Meeting of Shareholders held on June 27, 2023, has expressed his intention to resign from the position of substitute audit & supervisory committee member as of the commencement of the 82nd General Meeting of Shareholders. Accordingly, based on the resolution of the 81st Annual General Meeting of Shareholders, the Board of Directors, with the Audit & Supervisory Committee’s consent, resolved to revoke his appointment as a substitute audit & supervisory committee member as of the commencement of the 82nd General Meeting of Shareholders. Therefore, the Company requests that you elect one director who is a substitute Audit and Supervisory Committee member to fill the vacancy, if the number of directors who are Audit and Supervisory Committee members falls short of the quorum pursuant to laws and regulations. The Company has obtained the consent of the Audit and Supervisory Committee with respect to this agenda.
The election of the substitute audit & supervisory committee member may be cancelled by resolution of the Board of Directors’ Meeting with the consent of the Audit & Supervisory Committee, provided that the party elected to assume the office has yet to do so.
The candidate for director who is a substitute Audit and Supervisory Committee member is as below.

Name
Naoto Nishida

For the date of birth, brief personal history and other items to be described in the reference documents for the General Meeting of Shareholders for the above candidate, please see Agenda Item No. 1 “Election of 6 directors (excluding directors who are Audit and Supervisory Committee members)” candidate number 6 and the notes.

Agenda Item No. 4: Revision of amount of compensation for directors (excluding directors who are Audit and Supervisory Committee members)

At the 79th Ordinary General Meeting of Shareholders held on June 23, 2021, the amount of compensation for directors (excluding outside directors and directors who are audit and supervisory committee members) of the Company shall not be “not more than JPY 900 million per year” and the amount of compensation for outside directors (excluding directors who are audit and supervisory committee members) shall be “not more than JPY 60 million per year”. We have decided to make this resolution in order to realize even greater progress for the rapidly changing, fast-growing semiconductor industry under our management philosophy "Enabling Leading-Edge Technologies" and our vision "Adding Customer Value in an Evolving Semiconductor Value Chain", and to establish an optimal global management structure regardless of nationality or country of residence, the Company proposes that the amount of compensation for directors (excluding outside directors and directors who are audit and supervisory committee members) be set at “not more than JPY 1.2 billion per year” and that for outside directors (excluding those who are audit and supervisory committee members) be set at “not more than JPY 150 million per year”. The specific amount and timing of payment to each of these directors will be determined by a resolution of the Board of Directors of the Company after deliberation by the Nomination and Compensation Committee, of which the majority of members are outside directors.

The Board of Directors determined this agenda appropriately, taking into consideration the above-mentioned purpose, the size of the Company's business, and the Policies and Procedures for Determining Compensation for Directors and Executive Officers (if this agenda is approved, we plan to change details in the policy as stated in the ((Reference) Directors and Executive Officers Compensation Policy and Procedure (after revisions)) section below, so that it is consistent with the approved details), the compensation system, its payment level, the current number of directors and executive officers, and future trends, and other factors, after deliberation by the Nomination and Compensation Committee.

With regard to this agenda, the Company has received a report from the Audit and Supervisory Committee stating that this agenda was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee, that the procedure for determining the compensation, etc. was appropriate, and that there were no specific findings. The Company believes the details to be appropriate.

The current number of directors (excluding directors who are audit and supervisory committee members) is 6 (including 3 outside directors). If Agenda Item No. 1, "Election of six (6) directors (excluding those who are Audit and Supervisory Committee members)," is approved and passed as proposed, there will be no change in the number of such directors.

Agenda Item No. 5: Revision of the restricted stock compensation plan for directors (excluding outside directors and directors who are audit and supervisory committee members)

At the 79th Ordinary General Meeting of Shareholders held on June 23, 2021, based on a resolution of the Board of Directors of the Company, the Company shall issue restricted stock compensation (hereinafter referred to as "RS" in this agenda) to the directors of the Company (excluding outside directors and directors who are Audit and Supervisory Committee members. Hereinafter referred to as "Eligible Directors") as a mid- to long-term incentive. The total amount of compensation claims to be paid to the Eligible Directors for this item shall be "not more than JPY 200 million per year" and the total number of the Company's common stocks to be issued or disposed of to the Eligible Directors by payment of all such compensation claims as assets contributed in kind shall be "not more than 200,000 shares per year (number of shares after October 2023 stock split)".

The purpose of the RS is to provide the Eligible Directors with an incentive to further improve the corporate value of the Company in a sustainable manner and to promote further value sharing with shareholders, and also to establish an optimal global management structure regardless of nationality or country of residence, the Company proposes to set the total amount of compensation claims to be provided with the Eligible Directors for RS at “not more than JPY 1 billion per year” and the total number of shares of common stock to be issued or disposed of to the Eligible Directors by payment in kind of all such compensation claims at “not more than 400,000 shares per year”.

In addition to the existing RS (the outline of which is described in 1. and 2. (1) below), which set the transfer restriction period from the date of allotment to the time immediately after retirement from any of the positions of director or executive officer of the Company for the purpose of mid- to long-term incentives, the Company proposes that the Company may grant RSs (the outline of which is described in 1. and 2. (2) below) with a new restriction period of three years or longer to the directors within the framework of the total amount of compensation claims and the total number of shares of common stock as a recruiting and retention program in order to respond to differences in the human resource market conditions in regions and industries, and to secure management and special skills, etc.

The maximum number of shares of our common stock to be issued or disposed of as RS is 400,000 shares per year as described above, and the maximum dilution rate will be approximately 0.05% per year at the time of the resolution of this agenda. Even if Agenda Item No. 5, No. 6, No. 7 and No. 8 are approved as proposed, the maximum number of shares of common stock of the Company to be issued or disposed of pursuant to those propositions is 1.63 million shares per year, and the maximum dilution rate will be approximately 0.21% per year at the time of resolution of this agenda.

The outline of the RS system and other details based on this agenda are as described in 1. through 3. below. The specific timing and allocation to each Eligible Director will be determined by the Company's Board of Directors after deliberation by the Nomination and Compensation Committee.

With regard to this agenda, the Company has received a report from the Audit and Supervisory Committee stating that this agenda was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee, that the procedure for determining the compensation, etc. was appropriate, and that there were no specific findings. The Company believes the details to be appropriate.

The current number of directors (excluding outside directors and directors who are Audit and Supervisory Committee members) is three. If Agenda Item No. 1, "Election of six (6) directors (excluding directors who are Audit and Supervisory Committee members)," is approved and passed as proposed, there will be no change in the number of said directors. If Agenda Item No. 1, "Election of six (6) directors (excluding directors who are Audit and Supervisory Committee members)," is approved and passed as originally proposed, there will be no change in the number of such directors.

1. Overview of RS

Based on the resolution of the Board of Directors, the Eligible Directors shall make in-kind payment of all cash compensation claims paid to the Eligible Directors and shall in return receive shares of common stock of the Company that shall be issued or disposed of as RS, and the total number of shares of common stock of the Company to be issued or disposed of under this agenda shall not exceed 400,000 shares per year. However, if the Company splits (including an allotment of common shares without consideration) or consolidates its common stock after the date of the resolution for this agenda, or if the total number of shares of common stock of the Company to be issued or disposed of as RS needs to be adjusted, the total number of such shares shall be adjusted to a reasonable extent.

The amount to be paid-in per share of common stock of the Company that has been issued or disposed as stated above shall be determined by the Board of Directors, within a scope in which the amount is not particularly favorable to the Eligible Directors who subscribe for such shares of common stock of the Company, based on the closing price of shares of common stock of the Company on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding each date of the resolution by the Board of Directors regarding such issuance or disposal (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto). The issuing or disposal of shares of common stock of the Company under this agenda and in-kind payment of cash compensation claims shall be subject to the conclusion of an agreement on the allotment of restricted stock including the terms and conditions set forth in Section 2(1) below for RS as a mid- to long-term incentive, and Section 2(2) below for RS as a recruiting and retention program. respectively (hereinafter referred to as the "Allotment Agreement" in this agenda) with each Eligible Director that includes the following details.

2. Outline of details of the Allotment Agreement
(1) RS as a mid- to long-term incentive

1) Transfer restriction period

The Eligible Directors may not transfer, create a security interest on, or otherwise dispose of shares of common stock of the Company allotted to them under the Allotment Agreement (hereinafter referred to as "Allotted Shares" in this Item (1)) during the period from the date of allotment in accordance with the Allotment Agreement until the time immediately after their resignation as either director or executive officer of the Company (hereinafter referred to as the "Transfer Restriction Period" in this Item (1)) (this restriction hereinafter referred to as the "Transfer Restriction" in this Item (1)).

2) Handling when resigning for reasons other than those justifiable prior to the expiration of the Term of Service

In the event that an Eligible Director resigns as either director or executive officer of the Company before the expiration of the period determined in advance by the Board of Directors (hereinafter referred to as the "Term of Service" in this Item (1)), the Company shall automatically acquire the Allotted Shares without consideration, unless such resignation is due to expiration of term of office, death or for other justifiable reasons.

3) Lifting the Transfer Restriction

The Company shall lift the Transfer Restriction for all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the condition that the Eligible Director continuously remained in the position as either director or executive officer of the Company throughout the Term of Service. If the Eligible Director resigned from the position as either director or executive officer of the Company prior to the expiration of the Term of Service due to expiration of term, death or for other justifiable reasons, the Company shall make reasonable adjustments, as necessary, to the number of Allotted Shares for which the Transfer Restriction will be lifted and the timing at which the Transfer Restriction will be lifted. The Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted in accordance with the above-stated provisions.

4) Treatment in the event of organizational restructuring, etc.

Notwithstanding the provisions in 1) above, if, during the Transfer Restriction Period, matters concerning a merger agreement in which the Company becomes the dissolving company, a stock-for-stock exchange agreement or a stock-transfer plan in which the Company becomes a wholly-owned subsidiary or any other matters concerning organizational restructuring, etc. is approved at the General Meeting of Shareholders of the Company (or the Board of Directors of the Company in cases where approval at a general meeting of shareholders is not required for the such organizational restructuring, etc.), the Company shall, by resolution of the Board of Directors, lift the Transfer Restriction prior to the effective date of such organizational restructuring, etc., for the number of Allotted Shares that is reasonably determined based on the period from the date of commencement of the Transfer Restriction Period until the date of approval of such organizational restructuring, etc. In the cases set forth above, the Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted.

5) Other Matters

Other matters concerning Allotment Agreement shall be determined by the Board of Directors of the Company.

(2) RS as a recruiting and retention program

1) Transfer restriction period

The Eligible Directors may not transfer, create a security interest on, or otherwise dispose of shares of common stock of the Company allotted to them under the Allotment Agreement (hereinafter referred to as “Allotted Shares” in this Item (2)) for a period of not less than three (3) years from the date of allotment under the Allotment Agreement, as determined by the Board of Directors of the Company (hereinafter referred to as the “Transfer Restriction Period” in this Item (2)) (this restriction hereinafter referred to as the “Transfer Restriction” in this Item (2)).

2) Handling when resigning or retiring for reasons other than those justifiable prior to the expiration of the term of service

In the event that an Eligible Director resigns or retires from any of the positions of director, corporate auditor, executive officer, employee (including contract employees) or any other similar position at the Company or any of its subsidiaries before the expiration of the Transfer Restriction Period, the Company shall automatically acquire the Allotted Shares without consideration, unless such resignation or retirement is due to expiration of term of office, death or for other justifiable reasons.

3) Lifting the Transfer Restriction

The Company shall lift the Transfer Restriction for all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the condition that the Eligible Director continuously remained in the position of director, corporate auditor, executive officer, employee (including contract employees) or any other similar position at the Company or any of its subsidiaries. If the Eligible Director resigned or retired from the position of director, corporate auditor, executive officer, employee (including contract employees) or any other similar position at the Company or any of its subsidiaries, prior to the expiration of the Transfer Restriction Period due to expiration of term, death or for other justifiable reasons, the Company shall make reasonable adjustments, as necessary, to the number of Allotted Shares for which the Transfer Restriction will be lifted and the timing at which the Transfer Restriction will be lifted. The Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted in accordance with the above-stated provisions.

4) Treatment in the event of organizational restructuring, etc.

Notwithstanding the provisions in 1) above, if, during the Transfer Restriction Period, matters concerning a merger agreement in which the Company becomes the dissolving company, a stock-for-stock exchange agreement or a stock-transfer plan in which the Company becomes a wholly-owned subsidiary or any other matters concerning organizational restructuring, etc. is approved at the General Meeting of Shareholders of the Company (or the Board of Directors of the Company in cases where approval at a general meeting of shareholders is not required for the such organizational restructuring, etc.), the Company shall, by resolution of the Board of Directors, lift the Transfer Restriction prior to the effective date of such organizational restructuring, etc., for the number of Allotted Shares that is reasonably determined based on the period from the date of commencement of the Transfer Restriction Period until the date of approval of such organizational restructuring, etc. In the cases set forth above, the Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted.

5) Other Matters

Other matters concerning Allotment Agreement shall be determined by the Board of Directors of the Company.

3. Post-delivery restricted stock unit plan

If an Eligible Director is a non-resident of Japan at the time of receiving the allotment of the above RSs, the restricted stock unit ("RSU") plan (a plan in which shares of the Company are delivered after a certain period of time) may be applied instead of the above RSs for the purpose of avoiding the need to comply with laws and regulations and disadvantages in terms of taxation in the country of residence of such Eligible Director. Even in such case, the terms shall be the same as those of the above RSs, except for the timing of the issuance or disposal of shares of common stock of the Company and a payment of money to the heirs of the directors in lieu of shares in the event of the death of the subject director. The RSs and RSUs together will be operated within the total amount of monetary compensation claims and the total number of shares of the Company's common stock set forth above. The RSs and RSUs together will operate within the framework of the total cash compensation claims and the total number of shares of the Company's common stock set forth above.

Agenda Item No. 6: Revision of the performance share unit system for directors (excluding outside directors and directors who are Audit and Supervisory Committee members)

At the 79th Ordinary General Meeting of Shareholders held on June 23, 2021, the Board of Directors of the Company resolved to grant Performance Share Units ("PSUs") to the Eligible Directors. The total amount of compensation claims to be paid to the Eligible Directors as compensation for the execution of their duties over the three fiscal years covered by the mid term management plan is "not more than JPY 600 million for each of the three fiscal years" (not more than JPY 200 million per fiscal year), and all such compensation claims are to be paid as assets contributed in-kind. The total number of shares of the Company's common stock to be issued or disposed of to the Eligible Directors as a result of payment of all of these compensation claims as assets contributed in kind shall be "not more than 600,000 shares in each of the three fiscal years (number of shares after October 2023 stock split)" (not more than 200,000 shares per fiscal year (number of shares after October 2023 stock split)).

The purpose of the PSU is to give the Eligible Directors an incentive to further improve the corporate value of the Company in a sustainable manner and to promote further value sharing with our shareholders, and also to establish an optimal global management structure regardless of nationality or country of residence, the Company has decided that the total amount of compensation claims to be provided with the Eligible Directors as compensation for their performance of duties over three fiscal years, the period covered by the mid term management plan, shall be "not more than JPY 3 billion per three fiscal years" (not more than JPY 1 billion per fiscal year) and that all such compensation claims will be paid as assets contributed in kind, which will be issued or disposed of to the Eligible Directors. The total number of shares of the Company's common stock to be issued or disposed of to the Eligible Directors as a result of payment of all such compensation claims as assets contributed in kind shall be "not more than 1.2 million shares in each of the three fiscal years" (not more than 400,000 shares per fiscal year).

The maximum number of our common shares to be issued or disposed of as PSUs is 1.2 million shares for each of the three fiscal years as described above, and the maximum dilution rate will be approximately 0.05% per year at the time of the resolution of this agenda. Even if Agenda Item No. 5, No. 6, No. 7 and No. 8 are approved as proposed, the maximum number of shares of our common stock to be issued or disposed of pursuant to those propositions is 1.63 million shares per year, and the maximum dilution rate will be approximately 0.21% per year at the time of resolution of this agenda.

The outline of the system of PSUs under this agenda and other details are as described in 1. through 5. below. The specific timing and allocation of the PSUs to each eligible director will be determined by the Company's Board of Directors after deliberation by the Nomination and Compensation Committee.

With regard to this agenda, the Company has received a report from the Audit and Supervisory Committee stating that this agenda was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee, that the procedure for determining the compensation, etc. was appropriate, and that there were no specific findings. The Company believes the details to be appropriate.

The current number of directors (excluding outside directors and directors who are Audit and Supervisory Committee members) is three. If Agenda Item No. 1, "Election of six (6) directors (excluding directors who are Audit and Supervisory Committee members)," is approved and passed as proposed, there will be no change in the number of said directors.

1. Overview of the PSU system

PSUs will be granted to Eligible Directors as the right to receive the issuance or disposal of shares of common stock of the Company after the Performance Evaluation Period in accordance with the achievement rate, etc. of numerical targets, etc. set in advance by the Board of Directors of the Company with respect to the Company's performance, etc. during the period covered by the Company's medium-term management plan (the "Performance Evaluation Period"). Whether or not the Eligible Directors can receive delivery of shares of common stock of the Company as a result of the PSUs, and if so, the number of shares of common stock of the Company to be delivered (the "Number of Shares to be Delivered"), will be determined based on the achievement rate, etc. of the numerical targets set above. Therefore, at the time the PSUs are granted to the Eligible Directors, neither the number of shares to be delivered nor the amount of monetary compensation claims to be paid to the Eligible Directors for the delivery of the Company's common shares is fixed.
The initial performance evaluation period, if this agenda is approved at this General Meeting of Shareholders, will be the three fiscal years from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027, which is the period of the Company's Mid-term Management Plan, and thereafter, within the scope of this agenda approved at this General Meeting of Shareholders, the Company's Board of Directors may approve the granting of PSUs for the three fiscal years covered by the Mid-term Thereafter, the Company's Board of Directors may approve the granting of PSUs to eligible directors for the three fiscal years covered by the Management Plan as the performance evaluation period, within the scope of this agenda approved at this General Meeting of Shareholders.

2. PSU Structure

The specific mechanisms of PSUs are as follows:

1) The Board of Directors shall determine the numerical targets to be used in the PSUs, the performance-based factor and other indicators that are necessary for the calculation of the specific Number of Shares to be Delivered.

2) After the expiration of the Performance Evaluation Period, the Company shall determine the number of shares of common stock of the Company to be allotted to each Eligible Director in accordance with the achievement rate of each numerical target during the Performance Evaluation Period.

3) The Company shall pay cash compensation claims to each Eligible Director in proportion to the number of shares of common stock of the Company determined in 2) above based on a resolution of the Board of Directors, and each Eligible Director shall be allotted such number of shares of common stock of the Company by making in-kind payment of all such cash compensation claims. The amount to be paid-in for shares of common stock of the Company shall be determined by the Board of Directors, within a scope in which the amount is not particularly favorable to the Eligible Directors who subscribe for such shares of common stock of the Company, based on the closing price of shares of common stock of the Company on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors pertaining to the above-stated allotment (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto).

4) Requirements and other details concerning the delivery of shares to each Eligible Director shall be in accordance with that determined the Board of Directors.

3. Method of calculating the Number of Shares to be Delivered and cash compensation claims

The maximum of the total number of shares of common stock of the Company to be delivered by the Company to the Eligible Directors in (2) 3) above shall be a maximum of 1,200,000 shares (400,000 shares per fiscal year) during the target period of each mid-term management plan (three fiscal years). If the Company splits (including an allotment of common shares without consideration) or consolidates its common stock after the date of the resolution for this agenda, or if the total number of shares of common stock of the Company needs to be adjusted, the total number of such shares shall be adjusted to a reasonable extent.

The Company shall calculate the number of shares of common stock of the Company to be delivered to each Eligible Director based on the formula in 1) below (fractions of less than one share shall be rounded down), and the amount of cash compensation claims to be paid to each Eligible Director based on the formula in 2) below. In the event that an Eligible Director resigns from any of the positions of director or executive officer of the Company for justifiable reasons during the Performance Evaluation Period, the number of shares of common stock of the Company or the amount of money to be delivered to the Eligible Director or his/her heir may be reasonably adjusted in proportion to their terms of office and determined by the Board of Directors as set forth in 4. below.

In the event that the delivery of the number of shares of common stock of the Company to each of the Eligible Directors calculated by the formula in 1) below is likely to exceed the maximum total number of shares of common stock of the Company or the maximum total amount of monetary compensation claims set forth above, the Company shall reduce the Number of Shares to be Delivered to each Eligible Director in a reasonable manner determined by the Board of Directors, such as on a pro rata basis, within a scope that does not exceed the maximum cash compensation claim and the maximum number of shares of common stock of the Company to be delivered.

1) Number of shares of common stock of the Company to be issued or disposed of to each Eligible Director

Base number of shares (*1) x payment ratio (*2)

2) Cash compensation claims to be paid to each Eligible Director

Number of shares of common stock of the Company calculated in 1) above x share price at time of delivery (*3)

(*1) Determined in advance by the Board of Directors
(*2) Determined in advance by the Board of Directors within the range of 60 - 140% according to the achievement of each performance indicator during the Performance Evaluation Period.
(*3) Determined by the Board of Directors, within a scope in which the amount is not particularly favorable to the Eligible Directors who subscribe for such shares of common stock of the Company, based on the closing price of shares of common stock of the Company on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution to be made by the Board of Directors pertaining to the issuance or disposal of shares of common stock of the Company after the end of the Performance Evaluation Period (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto).

4. Payment conditions for payments to the Eligible Directors

In principle, the Company shall issue or dispose of the number of shares of common stock of the Company calculated based on (3) above to the Eligible Directors after the end of the Performance Evaluation Period if the Eligible Directors fulfill the following requirements.

1) Eligible Directors have continuously remained in the position of either director or executive officer of the Company throughout the Performance Evaluation Period

2) Eligible Directors have not engaged in any misconduct as defined by the Board of Directors

3) Other requirements deemed necessary by the Board of Directors to achieve the purpose of the PSUs.

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

If an Eligible Director dies during the Performance Evaluation Period, cash shall be paid in lieu of shares of common stock of the Company to his/her heir. The amount of cash to be paid to the heir of such director shall be the amount obtained by multiplying the number of base number of shares reasonably adjusted according to the term of office of such director by a price determined by the Board of Directors, within a scope in which the amount is not particularly favorable to any person who subscribe for such shares of common stock of the Company based on the closing price of shares of common stock of the Company on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors pertaining to the cash payment (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto).

5. If, during the Performance Evaluation Period, matters concerning a merger agreement in which the Company becomes the dissolving company, a stock-for-stock exchange agreement or a stock-transfer plan in which the Company becomes a wholly-owned subsidiary or any other matters concerning organizational restructuring, etc. is approved at the General Shareholders Meeting of the Company (or the Board of Directors of the Company in cases where approval at a general shareholders meeting is not required for the such organizational restructuring, etc.), the Company shall pay in cash based on a resolution of the Board of Director, instead of in shares of common stock of the Company, in the amount obtained by multiplying the base number of shares that has been reasonably adjusted based on the period from the date of commencement of the Performance Evaluation Period until the date of approval for organizational restructuring, etc. by a price determined by the Board of Directors, within a scope in which the amount is not particularly favorable to any person who subscribe for such shares of common stock of the Company based on the closing price of shares of common stock of the Company on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto).

Agenda Item No. 7: Introduction of a restricted stock compensation plan for outside directors (excluding directors who are Audit and Supervisory Committee members)

I. Reason for Proposal

The amount of compensation for outside directors of the Company (excluding directors who are Audit and Supervisory Committee members) will be revised to “not more than JPY 150 million per year” if Agenda Item No.4, “Revision of amount of compensation for directors (excluding directors who are Audit and Supervisory Committee members)” is approved and passed as proposed.

In order to further promote value sharing with shareholders, the Company proposes to issue new restricted stock compensation (hereinafter referred to as “RS” in this agenda) to Outside Directors, which will be paid separately from the above-mentioned compensation. With respect to the RS, the total amount of compensation claims to be paid to outside directors shall be “not more than JPY 45 million per year” and the total number of shares of common stock of the Company to be issued or disposed of to outside directors as a result of payment of all such compensation claims as assets contributed in kind shall be “not more than 18,000 shares per year”. The amount of compensation claims to be paid to each outside director with respect to RS shall be not more than 30% of the amount of monetary compensation to be paid to such outside director and not more than JPY 5 million.

The eligible outside directors have the dual responsibilities of deciding important matters such as management policies and strategies for the Company group, and monitoring and supervising the execution of business operations. From the former perspective, it is necessary for the outside directors to have a shareholder perspective, and therefore, we would like to introduce RS for the outside directors. On the other hand, from the latter perspective, it is necessary to avoid excessive risk-taking in achieving performance targets. Therefore, the RS will not be linked to business performance, and the amount of compensation receivable per outside director to be paid to the eligible outside director in relation to the RS will be not more than 30% of the amount of monetary remuneration to be paid to such subject outside director, and to not more than JPY 5 million.

The maximum number of shares of our common stock to be issued or disposed of as RS is 18,000 shares per year as described above, and the maximum dilution rate will be approximately 0.002% per year at the time of the resolution of this agenda. Even if Agenda Item No. 5, No. 6, No. 7 and No. 8 are approved as proposed, the maximum number of shares of common stock of the Company to be issued or disposed of pursuant to those propositions is 1,630,000 shares per year, and the maximum dilution rate will be approximately 0.21% per year at the time of resolution of this agenda.

The outline of the RS system and other details based on this agenda are described in Section II. 1. through 3. below. The specific timing and allocation of payments to each eligible outside director will be determined by the Company's Board of Directors after deliberation by the Nomination and Compensation Committee.

With regard to this agenda, the Company has received a report from the Audit and Supervisory Committee stating that this agenda item was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee, and that the procedure for determining the compensation, etc. was appropriate, and that there were no specific findings. The Company believes the details to be appropriate.

The current number of outside directors (excluding those who are members audit and supervisory committee members) is three. If Agenda Item No.1, "Election of six (6) directors (excluding those who are Audit and Supervisory Committee members)," is approved and passed as proposed, there will be no change in the number of outside directors.

II. Overview of a RS for eligible outside directors

(1) Outline of the RS system

Based on the resolution of the Board of Directors, the eligible outside directors shall make in-kind payment of all cash compensation claims paid to the eligible outside directors and shall in return receive shares of common stock of the Company that shall be issued or disposed of as RS, and the total number of shares of common stock of the Company to be issued or disposed of under this agenda shall not exceed 18,000 shares per year. However, if the Company splits (including an allotment of common shares without consideration) or consolidates its common stock after the date of the resolution for this agenda, or if the total number of shares of common stock of the Company to be issued or disposed of as RS needs to be adjusted, the total number of such shares shall be adjusted to a reasonable extent.

The amount to be paid-in per share of common stock of the Company that has been issued or disposed as stated above shall be determined by the Board of Directors, within a scope in which the amount is not particularly favorable to the eligible outside directors who subscribe for such shares of common stock of the Company, based on the closing price of shares of common stock of the Company on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding each date of the resolution by the Board of Directors regarding such issuance or disposal (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto). The issuing or disposal of shares of common stock of the Company under this agenda and in-kind payment of cash compensation claims shall be subject to the conclusion of an agreement on the allotment of restricted stock including the terms and conditions set forth below (hereinafter referred to as the “Allotment Agreement” in this agenda) with each eligible outside director that includes the following details.

(2) Outline of details of the Allotment Agreement
1) Transfer restriction period
The eligible outside directors may not transfer, create a security interest on, or otherwise dispose of shares of common stock of the Company allotted to them under the Allotment Agreement (hereinafter referred to as “Allotted Shares” in this agenda) during the period from the date of allotment in accordance with the Allotment Agreement until the time immediately after their resignation as a director of the Company (hereinafter referred to as the “Transfer Restriction Period” in this agenda) (this restriction hereinafter referred to as the “Transfer Restriction” in this agenda).

2) Handling when resigning for reasons other than those justifiable prior to the expiration of the Term of Service
In the event that an eligible outside director resigns as a director of the Company before the expiration of the period determined in advance by the Board of Directors (hereinafter referred to as the “Term of Service” in this agenda), the Company shall automatically acquire the Allotted Shares without consideration, unless such resignation is due to expiration of term of office, death or for other justifiable reasons.

3) Lifting the Transfer Restriction
The Company shall lift the Transfer Restriction for all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the condition that the eligible outside director continuously remained in the position as a director of the Company throughout the Term of Service. If the eligible outside director resigned from the position as a director of the Company prior to the expiration of the Term of Service due to expiration of term, death or for other justifiable reasons, the Company shall make reasonable adjustments, as necessary, to the number of Allotted Shares for which the Transfer Restriction will be lifted and the timing at which the Transfer Restriction will be lifted. The Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted in accordance with the above-stated provisions.

4) Treatment in the event of organizational restructuring, etc.
Notwithstanding the provisions in 1) above, if, during the Transfer Restriction Period, matters concerning a merger agreement in which the Company becomes the dissolving company, a stock-for-stock exchange agreement or a stock-transfer plan in which the Company becomes a wholly-owned subsidiary or any other matters concerning organizational restructuring, etc. is approved at the General Meeting of Shareholders of the Company (or the Board of Directors of the Company in cases where approval at a general meeting of shareholders is not required for the such organizational restructuring, etc.), the Company shall, by resolution of the Board of Directors, lift the Transfer Restriction prior to the effective date of such organizational restructuring, etc., for the number of Allotted Shares that is reasonably determined based on the period from the date of commencement of the Transfer Restriction Period until the date of approval of such organizational restructuring, etc. In the cases set forth above, the Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted. 5) Other matters
Other matters concerning Allotment Agreement shall be determined by the Board of Directors of the Company.

3. Post-delivery restricted stock unit plan
If an eligible outside director is a non-resident of Japan at the time of receiving the allotment of the above RSs, the restricted stock unit ("RSU") plan (a plan in which shares of the Company are delivered after a certain period of time) may be applied instead of the above RSs for the purpose of

avoiding the need to comply with laws and regulations and disadvantages in terms of taxation in the country of residence of such eligible outside director. Even in such case, the terms shall be the same as those of the above RSs, except for the timing of the issuance or disposal of shares of common stock of the Company and a payment of money to the heirs of the directors in lieu of shares in the event of the death of the subject director. The RSs and RSUs together will be operated within the total amount of monetary compensation claims and the total number of shares of the Company's common stock set forth above. The RSs and RSUs together will operate within the framework of the total cash compensation claims and the total number of shares of the Company's common stock set forth above.

Agenda Item No. 8: Introduction of a restricted stock compensation plan for directors who are Audit and Supervisory Committee members

I. Reason for Proposal

The amount of compensation for directors who are Audit and Supervisory Committee members of the Company was resolved at the 73rd Ordinary General Meeting of Shareholders held on June 24, 2015 to be “not more than JPY 100 million per year”, and has remained unchanged to this day.
In order to further promote value sharing with shareholders, the Company proposes to issue new restricted stock compensation (hereinafter referred to as "RS" in this agenda) to directors who are Audit and Supervisory Committee members, in addition to the above-mentioned compensation, for the purpose of further promoting value sharing with shareholders. The total amount of compensation claims to be paid to directors who are Audit and Supervisory Committee members with respect to RS shall be “not more than JPY 30 million per year” and the total number of shares of common stock of the Company to be issued or disposed to directors who are Audit and Supervisory Committee members by payment of all such compensation claims as assets contributed in kind shall be “not more than 12,000 shares per year”. The amount of monetary compensation claims to be paid to each director who is Audit and Supervisory Committee members with respect to RS shall not be more than 30% of the amount of monetary compensation to be paid to such director who is an Audit and Supervisory Committee member and not more than JPY 5 million.

Directors who are Audit and Supervisory Committee members have the dual responsibilities of deciding important matters such as management policies and strategies for the Company group and monitoring and supervising the execution of business operations. From the former perspective, it is necessary for directors who are Audit and Supervisory Committee members to have a shareholder perspective, and therefore, we would like to introduce RS for directors who are Audit and Supervisory Committee members. On the other hand, from the latter perspective, it is necessary to avoid excessive risk-taking in achieving performance targets. Therefore, the RS will not be linked to business performance, and the amount of compensation receivable per director who are Audit and Supervisory Committee members in relation to the RS will not be more than 30% of the amount of monetary compensation to be paid to such director who are Audit and Supervisory Committee members, and to not more than JPY 5 million.

The maximum number of shares of our common stock to be issued or disposed of as RS is 12,000 shares per year as described above, and the maximum dilution rate will be approximately 0.002% per year at the time of the resolution of this agenda. Even if Agenda Item No. 5, No. 6, No. 7 and No. 8 are approved as proposed, the maximum number of shares of common stock of the Company to be issued or disposed of pursuant to those propositions is 1,630,000 shares per year, and the maximum dilution rate will be approximately 0.21% per year at the time of resolution of this agenda.

The outline of the RS system and other details based on this agenda are described in Section II. 1. through 3. below. The specific timing and allocation of payments to each director who are Audit and Supervisory Committee members will be determined by the Audit and Supervisory Committee.

With regard to this agenda, the purpose and details of the introduction of this plan were discussed by all Audit and Supervisory Committee members, and the Company has received a report from the

Audit and Supervisory Committee stating that this agenda was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee, that the procedure for determining the compensation, etc. was appropriate, and that there were no specific findings. The Company believes the details to be appropriate.

The current number of Directors who are Audit and Supervisory Committee members is three, and if Agenda Item No. 2, " Election of 1 director who is an Audit and Supervisory Committee member," is approved and passed as proposed, there will be no change in the number of Directors who are Audit and Supervisory Committee members.

II. Overview of a RS for directors who are Audit and Supervisory Committee members

(1) Outline of the RS System

Based on the resolution of the Board of Directors, the eligible directors who are Audit and Supervisory Committee members shall make in-kind payment of all cash compensation claims paid to the eligible directors and shall in return receive shares of common stock of the Company that shall be issued or disposed of as RS, and the total number of shares of common stock of the Company to be issued or disposed of under this agenda shall not exceed 18,000 shares per year. However, if the Company splits (including an allotment of common shares without consideration) or consolidates its common stock after the date of the resolution for this agenda, or if the total number of shares of common stock of the Company to be issued or disposed of as RS needs to be adjusted, the total number of such shares shall be adjusted to a reasonable extent.

The amount to be paid-in per share of common stock of the Company that has been issued or disposed as stated above shall be determined by the Board of Directors, within a scope in which the amount is not particularly favorable to the eligible directors who are Audit and Supervisory Committee members who subscribe for such shares of common stock of the Company, based on the closing price of shares of common stock of the Company on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding each date of the resolution by the Board of Directors regarding such issuance or disposal (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto). The issuing or disposal of shares of common stock of the Company under this agenda and in-kind payment of cash compensation claims shall be subject to the conclusion of an agreement on the allotment of restricted stock including the terms and conditions set forth below (hereinafter referred to as the “Allotment Agreement” in this agenda) with each eligible director who are Audit and Supervisory Committee members that includes the following details.

(2) Outline of details of the Allotment Agreement

1) Transfer restriction period

The eligible directors who are Audit and Supervisory Committee members may not transfer, create a security interest on, or otherwise dispose of shares of common stock of the Company allotted to them under the Allotment Agreement (hereinafter referred to as “Allotted Shares” in this agenda) during the period from the date of allotment in accordance with the Allotment Agreement until the time immediately after their resignation as a director of the Company (hereinafter referred to as the “Transfer Restriction Period” in this agenda) (this restriction hereinafter referred to as the “Transfer Restriction” in this agenda).2) Handling when resigning for reasons other than those justifiable prior to the expiration of the Term of Service

In the event that an eligible director who is an Audit and Supervisory Committee member resigns as a director of the Company before the expiration of the period determined in advance by the Board of Directors (hereinafter referred to as the “Term of Service” in this agenda), the Company shall automatically acquire the Allotted Shares without consideration, unless such resignation is due to expiration of term of office, death or for other justifiable reasons.

3) Lifting the Transfer Restriction

The Company shall lift the Transfer Restriction for all of the Allotted Shares upon expiration of the

Transfer Restriction Period, on the condition that the eligible director who is an Audit and Supervisory Committee member continuously remained in the position as a director of the Company throughout the Term of Service. If the eligible director who is an Audit and Supervisory Committee member resigned from the position as a director of the Company prior to the expiration of the Term of Service due to expiration of term, death or for other justifiable reasons, the Company shall make reasonable adjustments, as necessary, to the number of Allotted Shares for which the Transfer Restriction will be lifted and the timing at which the Transfer Restriction will be lifted. The Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted in accordance with the above-stated provisions.

4) Treatment in the event of organizational restructuring, etc.

Notwithstanding the provisions in 1) above, if, during the Transfer Restriction Period, matters concerning a merger agreement in which the Company becomes the dissolving company, a stock-for-stock exchange agreement or a stock-transfer plan in which the Company becomes a wholly-owned subsidiary or any other matters concerning organizational restructuring, etc. is approved at the General Meeting of Shareholders of the Company (or the Board of Directors of the Company in cases where approval at a general meeting of shareholders is not required for the such organizational restructuring, etc.), the Company shall, by resolution of the Board of Directors, lift the Transfer Restriction prior to the effective date of such organizational restructuring, etc., for the number of Allotted Shares that is reasonably determined based on the period from the date of commencement of the Transfer Restriction Period until the date of approval of such organizational restructuring, etc. In the cases set forth above, the Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted.

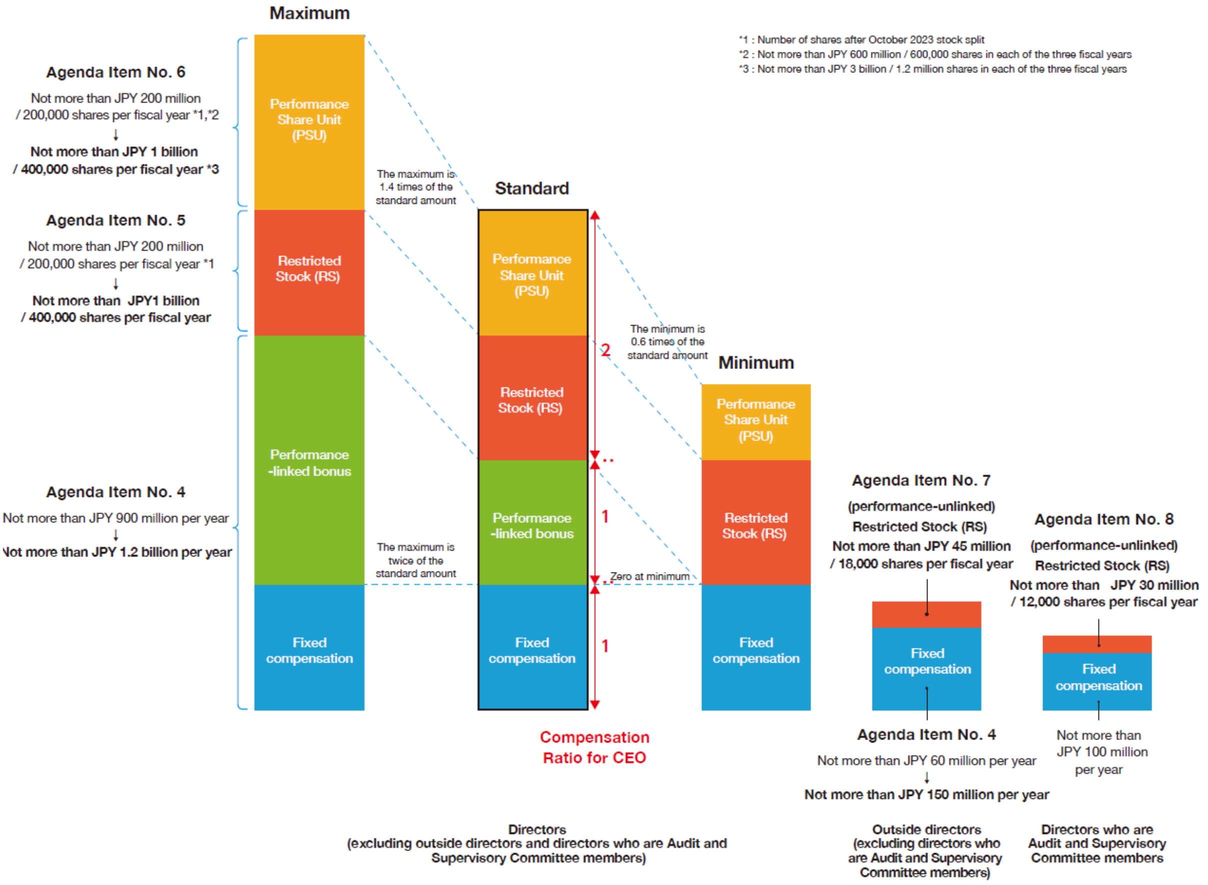
5) Other matters

Other matters concerning Allotment Agreement shall be determined by the Board of Directors of the Company with the consent of the Audit and Supervisory Committee.

3. Post-delivery restricted stock unit plan

If an eligible director who is an Audit and Supervisory Committee member is a non-resident of Japan at the time of receiving the allotment of the above RSs, the restricted stock unit ("RSU") plan (a plan in which shares of the Company are delivered after a certain period of time) may be applied instead of the above RSs for the purpose of avoiding the need to comply with laws and regulations and disadvantages in terms of taxation in the country of residence of such eligible outside director. Even in such case, the terms shall be the same as those of the above RSs, except for the timing of the issuance or disposal of shares of common stock of the Company and a payment of money to the heirs of the directors in lieu of shares in the event of the death of the subject director. The RSs and RSUs together will be operated within the total amount of monetary compensation claims and the total number of shares of the Company's common stock set forth above. The RSs and RSUs together will operate within the framework of the total cash compensation claims and the total number of shares of the Company's common stock set forth above.

(Reference)



New directors’ compensation scheme

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

1.Basic policy
Based on the Company's corporate mission and vision, we aim to create a system for the compensation of directors and executive officers that contributes to the enhancement of corporate value. The ground rules of the system are as follows.

(1) Compensation mix and compensation level that shall attract international human resources who support the Company's global business development.
In order to continue to grow globally in the complex and rapidly evolving semiconductor industry, we will appoint talented people from all over the world and compensate them appropriately by global standards.
(2) Bonus that is strongly linked to business performance
Given the inevitability of fluctuations in business performance, strongly indexing bonuses to performance will fully reward the contributions of officers when business performance is strong and will reduce the burden on the Company during downturns in business performance.
(3) Stock compensation that incentivizes directors and officers to share values with shareholders and promotes management from a medium- to long-term perspective
We will combine transfer-restricted stock compensation, which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders, and performance-linked stock compensation, which promotes the achievement of medium-term management goals that lead to corporate value improvement.

2. Policy on the system, timing, conditions, and determination of compensation for director (excluding outside directors and directors who are Audit and Supervisory Committee members)
(1) For directors who also serve as executive officers, base compensation (monetary remuneration) appropriate to their duties and responsibilities will be paid monthly, in addition to the executive officer compensation specified in 5 below.
(2) The compensation of directors who do not serve as executive officers shall be set as follows, in accordance with the basic policy set forth in 1 above.
(a) Structure: Base compensation (monetary remuneration), Stock compensation
(b) Ratio: Base compensation : Stock compensation = 1 : 0.5 (guideline in the standard amount)
(c) Base compensation
Base compensation shall be set at an appropriate level according to duties and responsibilities as such director, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).
(d) Stock compensation
・We will grant restricted stock (RS), which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders.
・Shares of RS will be granted every business year as described above.
・As a general rule, holding is obligatory during the term of office, and transfer restrictions will be lifted when an director retires.
(3) In addition to the above, lump sum payments may be made based on special events such as the anniversary of the Company's founding.

3. Policy on the system, timing, conditions, and determination of compensation for outside directors (excluding directors who are Audit and Supervisory Committee members)
The compensation of outside directors (excluding directors who are Audit and Supervisory Committee members) shall be set as follows in consideration of their roles and independence with the basic policy set forth in 1 above.

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

(3) Base compensation

Base compensation shall be set at an appropriate level according to duties and responsibilities as such director, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).

(4) Stock compensation

- We will grant restricted stock (RS), which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders.
- Shares of RS will be granted every business year as described above.
- As a general rule, holding is obligatory during the term of office, and transfer restrictions will be lifted when an director retires.

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

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

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

(1) Structure: Base compensation (monetary remuneration), Stock compensation
(2) Ratio: Base compensation : Stock compensation = 1 : 0.3 (guideline in the standard amount)
(3) Base compensation

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

(4) Stock compensation

- We will grant restricted stock (RS), which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders.
- Shares of RS will be granted every business year as described above.
- The individual compensation level of directors who are Audit and Supervisory Committee members will be decided through discussions with them.
- As a general rule, holding is obligatory during the term of office, and transfer restrictions will be lifted when an director retires.

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

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

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

(1) Structure: Base compensation (monetary remuneration), Performance-linked bonuses (monetary remuneration), Stock compensation
(2) Ratio: Base compensation : Performance-linked bonuses : Stock compensation =
1 : 1 : 2 (Senior Executive Officer (Group CEO))
1 : 1 : 1.5 (Senior Executive Officer (Group COO))
Between 1 : 1 : 1 and 1 : 1 : 1.2 (Senior Executive Officer)
Between 1 : 0.8 : 0.8 and 1 : 1 :1 (Executive Officer)
*All of the above estimates are based on the standard amount.
(3) Base compensation

Base compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).

(4) Performance-linked bonuses

・Performance-linked bonuses (monetary remuneration) are short-term incentives for the results of a single year, and are paid once a year after the performance of the Group for the relevant business year is confirmed.

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

b. Target amounts will be set by referring to the net income targets of the single-year business plan and mid-term management plan. We will pay the standard amount when the target values are achieved, but the amount paid will fluctuate as described below when actual results undershoot or exceed the target values.

・ Actual results <50% of target values: 0% of standard amount

・ Actual results >150% of target values: 200% of standard amount

・ Actual results 50% -150% of target values: Varies between 0-200% of standard amount

(5) Stock compensation

・We will grant restricted stock (RS) and performance-linked stock compensation (PSU) with the intention of incentivizing the pursuit of medium- to long-term enhancement of corporate value in alignment with shareholder priorities. As a general rule, about half of the stock-based compensation should be RS and about half should be PSU.

a. Shares of RS will be granted every business year as described above. As a general rule, holding is obligatory during the term of office, and transfer restrictions will be lifted when an officer retires.

b. PSU shall be granted in a lump sum for three years in the first year of the three-year mid-term management plan, with the base value being the points that will become shares of a value determined to be as described above. After the expiration of the term of the mid-term management plan, We will grant shares in proportion to the points, which are varied between 60% and 140% of the base value according to the degree of achievement of the mid-term management targets. The indicators for evaluating achievement of mid-term management targets are as follows, and the degree of fluctuation is determined by the total value of both indicators.

・ Main indicator: Earnings per share (EPS) during the mid-term management plan

→ Fluctuation between 70% and 130% of the standard amount

・Sub-indicator: Relative Total Shareholders Return (r-TSR) and ESG evaluation

→ Fluctuation between -5% to 5% of the standard amount

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

Note, officers who take office or retire in the second or third years of the medium-term management plan will be as standard performance, prorated according to the length of time they have served.

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

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

(8) If there are changes in the Company’s financial situation or business environment that are clearly judged to make it difficult to achieve the goals of the mid-term management plan, this system and its operation may be reviewed based on a resolution of the Board of Directors.

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

6. Procedures and methods for determining compensation

(1) Individual compensation for directors (excluding directors who are Audit and Supervisory Committee members) and executive officers is deliberated by the Nomination and Compensation Committee based on consultation with the Board of Directors, and proposed to the Board of Directors. The Board of Directors deliberates on proposals from the Nomination and Compensation Committee and decides on compensation.

(2) However, performance-linked bonuses are determined as follows:

a. Up to 30% of the total amount calculated and determined according to the policies above of performance-linked bonuses for executive officers, excluding the Group CEO, shall be redistributed based on individual evaluations conducted by the Group CEO and approved by the Nomination and Compensation Committee. Results of these evaluations and redistributions shall be reported to the Board of Directors.

b. In principle, the Group CEO's performance-linked bonus is calculated based on the results of performance indicators, but if the Board of Directors deems it necessary and clearly states their reasoning, it may be increased or decreased.

7. Reduction of compensation, clawbacks, etc.

The Company may reduce future compensation or claw back past compensation by resolution of the Board of Directors in the event of certain circumstances, such as violation of relevant laws and regulations or internal rules.

(Supplementary provision)

This amendment is subject to suspension of approval on the condition that all proposals for remuneration of directors are approved at the Ordinary General Meeting of Shareholders scheduled for June 2024.

(Reference)

Skill Matrix for the Board of Directors following the General Meeting of Shareholders

In nomination and selection of Directors and Senior Executive Officers, the Company recognizes that noteworthy issues around the corporate management and communication with stakeholders have to be taken into consideration, in addition to our Purpose & Mission, management strategies, and business strategies. Our business is indispensable for the manufacturing of semiconductors, which support the development of our society, and also assumes the important function of supporting the stable operation of the facilities and systems in our society and industries, creating great opportunities for growth even in the surrounding areas. The Company has selected the following nine areas of management activities which are considered important for the Company to grow the business in the medium to long term and realize the improvement of our corporate value: "Management & Corporate Strategy," "Semiconductor," "Technology," "Sales & Marketing," "Finance & Accounting," "Legal & Compliance," "Human Capital Management," "Global Business," and "Digital Transformation". The Board of Directors and the Nomination and Compensation Committee have discussed the essential "insight and experiences" required for the execution of duties and the fulfilment of the responsibly of supervision in the nine areas, and established the required skill sets for Senior Executive Officers and Directors. If the election of all of the candidates presented in this convocation notice of is approved as originally proposed, the skills of the Directors will be as shown in the table below. Following the environmental changes, the skills required by the Company will be constantly updated.

Details of Skill

Areas for management activities	Items	Experience, knowledge, and abilities expected
① Management & Corporate Strategy	Top management	Management experience at a company or legal entity (as a chairperson, president, representative director or equivalents)
	Management strategy	Experience and knowledge as a head of a management strategies department*1,2
	Business investment and M&A	Experience and knowledge of business investment and M&A
② Semiconductor	Semiconductor-related industries	Experience in semiconductor-related industries and knowledge of the semiconductor industry
③ Technology	Industries & technologies (incl. Environment and Energy)	Knowledge of the electrical/electronics related industry and ICT technologies
	Research & development	Experience and knowledge as a head of an R&D department*1,2
	SCM*3, production, and quality assurance	Experience and knowledge as a head of SCM*3, production, production engineering, and quality assurance departments*1,2
④ Sales & Marketing	Sales and marketing	Experience and knowledge as a head of a sales and marketing department*1,2
⑤ Finance & Accouting	Finance, accounting and audit	Experience and knowledge as a head of a finance, accounting and audit department*1,2 or as a certified public accountant and auditor
	Communication with the capital market	Experience and knowledge as a head of the department responsible for communicating with investors and shareholders*1,2, such as a head of IR (Investor Relations)or SR (Shareholder Relations) department
⑥ Legal & Compliance	Legal affairs, risk management, and compliance	Experience and knowledge as a head of a legal affairs, risk management, or compliance department*1,2 or as an attorney at law
⑦ Human Capital Management	Human capital management	Experience and knowledge as a head of an HR department*1,2, or in recruiting & developing human capital, and talent management
⑧ Global Business	Global business	Experience at a global organization or experience working in a foreign country
⑨ Digital Transformation	IT & DX	Experience and knowledge as a head of an IT department*1,2, and as a head of a DX promotion department*1,2

*1 : 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

Skill Matrix

						Fundamental managerial activities deemed essential for carrying out management duties and guiding/supervising our management team												Key areas of our immediate management issues	
						① Management & Corporate Strategy			② Semiconductor	③ Technology			④ Sales & Marketing	⑤ Finance & Accounting		⑥ Legal & Compliance	⑦ Human Capital Management	⑧ Global Business	⑨ Digital Transformation
		Attribute				Management			R&D, Semiconductor, Industries & Technologies					Finance & Accounting, Communication with Capital Market					
		Gender	Nationality	Member of the Audit and Supervisory Committee	Independent member	Top management	Management strategy	Business investment and M&A	Semiconductor-related industries	Industries & technologies (incl. Environment and Energy)	Research & development	SCM, production, and quality assurance	Sales and marketing	Finance, accounting and audit	Communication with the capital market	Legal affairs, risk management, and compliance	Human capital management	Global business	IT & DX
Inside Directors	Douglas Lefever	Male	American			○	○	○	○	○	○		○		○			○	
	Koichi Tsukui	Male	Japanese			○	○		○		○		○		○			○	
	Yoshiaki Yoshida	Male	Japanese			○	○	○	○				○		○			○	
	Yuichi Kurita	Male	Japanese	○			○	○	○					○	○			○	
Outside Directors	Toshimitsu Urabe	Male	Japanese		○	○	○	○									○	○	○
	Nicholas Benes	Male	American		○		○	○							○	○		○	
	Naoto Nishida	Male	Japanese		○				○	○	○	○						○	
	Sayaka Sumida	Female	Japanese	○	○									○		○		○	
	Tomoko Nakada	Female	Japanese	○	○											○		○	

*Skills of the Senior Executive Officers (excluding those concurrently serving as directors) as of June 28, 2024 will be as follows.

Senior Executive Officers	Keith Hardwick	Male	American					○	○					○			○	○	
	Yasuo Mihashi	Male	Japanese				○	○	○				○		○			○	
	Juergen Serrer	Male	German						○		○							○	
	Makoto Nakahara	Male	Japanese						○			○	○					○	
	Sanjeev Mohan	Male	American						○				○					○	
	Richard Junger	Male	German						○			○						○	○
	Yong Xu	Male	Chinese						○				○					○	
	Toshiaki Adachi	Male	Japanese						○		○							○	○

(Reference)

Independence Criteria of Independent Outside Directors

Outside Director of Advantest Corporation (the “Company”) shall be judged to be independent provided none of the following conditions apply presently and recently.

1. Major Business Partner
   (1) Entity transacts with the Company as Major Business Partner or Executive thereof
   (2) Major Business Partner of the Company or Executive thereof

2. Expert
   (1) Consultant, Accountant or Lawyer who receives a large amount of money or other compensation from the Company. (In case that the receiver of such compensation is a legal entity or group such as union, the person who belongs to such entity.)

3. Relative
   (1) Relative of person who falls in the condition set forth in 1 or 2 above.
   (2) Relative of Executive or Board Director of the subsidiary of Company
   (3) Relative of person who was an Executive or Board Director of Company or subsidiary of Company recently.

Notes
*1 “Recently” shall mean time range substantially identical to presently.
*2 “Major Business Partner” means partner whose revenue from the transaction with the Company shares the considerable part of revenue of the Company or partner supplying the Company with commodities or services indispensable to the Company’s business.
*3 “Executive” means the “executive” defined in the Ordinance for Enforcement of the Companies Act.
*4 “Relative” means the person’s relative within the second degree of kinship.

(Reference)

Information on Shares the Company Group Holds (as of March 31, 2024)

Number and amount of shares the Company group holds for the purposes other than realizing direct investment gains

Holder	Classification	Company	Amount (Millions of yen)	Reason for holding shares
	Listed	—	0	—
	Unlisted	6 companies	373	Mainly for transaction support
The Company			373	
	NASDAQ (US)	PDF Solutions, Inc.	16,859	For joint business development
	KOSDAQ (Korea)	Nepes Ark Corporation	221	For sales transaction strategy
	Unlisted	2 companies	262	Mainly For transaction support
The Company’s subsidiaries			17,342	

(Note) Shares held by the Company as strategic-shareholdings are unlisted, and the amount is stated in the book value in accordance with Japanese standards. The amount of shares held by the Company’s subsidiaries as strategic-shareholdings is stated in market value in accordance with IFRS. Investment return of above shares is evaluated regularly and reported to the Board of Directors.

(Attachments)

Business Report

(April 1, 2023 through March 31, 2024)

1. Current Conditions of the Company group

(1) Business conditions during the fiscal year

(i) Operations and Results of Business

[Overall]

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

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

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

As a result of the above, in the consolidated fiscal year ended March 31, 2024, net sales were JPY486.5 billion (13.2% decrease in comparison to the previous fiscal year). In terms of profit, operating income was JPY81.6 billion (51.3% decrease in comparison to the previous fiscal year) due to factors including a decrease in sales, a change in product mix, an increase in raw material cost, and an impairment loss for a portion of goodwill of approximately JPY9.0 billion in the fourth quarter. Income before income taxes was JPY78.2 billion (54.4% decrease in comparison to the previous fiscal year) due to an increase in financial expenses caused by foreign exchange losses. Net income was JPY62.3 billion (52.2% decrease in comparison to the previous fiscal year) as deferred tax assets of approximately JPY3.8 billion, which are likely to be realized in Japan within a certain period in the future, were recognized in the fourth quarter. Average currency exchange rates in the consolidated fiscal year were 1 USD to 143 JPY (134 JPY in the previous fiscal year) and 1 EUR to 155 JPY (140 JPY in the previous fiscal year). The percentage of net sales to overseas customers was 95.9% (96.3% in the previous fiscal year).

[Business conditions by Business Segment]

Semiconductor and Component Test System Segment

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

As a result of the above, net sales were JPY331.5 billion (18.0% decrease in comparison to the previous fiscal year), and segment income was JPY91.9 billion (43.7% decrease in comparison to the previous fiscal year).

Mechatronics System Segment

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

As a result of the above, net sales were JPY52.7 billion (12.0% decrease in comparison to the previous fiscal year), and segment income was JPY9.2 billion (38.7% decrease in comparison to the previous fiscal year).

Services, Support and Others Segment

In this segment, maintenance services sales increased as Company's installed base grew. However, in our system-level test (SLT) business, Company's ongoing investments in reinforcing SLT production capabilities in anticipation of mid/long-term business growth resulted in an increase in costs. Moreover, an impairment loss of approximately JPY 9.0 billion was recorded for a portion of goodwill, as sales forecast related to test sockets for a large-volume customer of Essai, Inc. is weaker than originally expected, causing future cash flow projections to deteriorate. As a result, profit in this segment fell significantly year-on-year. The segment loss in the consolidated fiscal year includes approximately JPY 3.2 billion in settlement income mainly related to a dispute with the counterparty.

As a result of the above, net sales were JPY102.3 billion (6.4% increase in comparison to the previous fiscal year), and segment loss was JPY2.8 billion (JPY10.5 billion deterioration in comparison to the previous fiscal year).

Sales Breakdown by Business Segment (consolidated)

IFRS						
Fiscal Year Segment	FY2022 (the 81st)		FY2023 (the 82nd)		Change from the previous period	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage increase (decrease) (%)
Semiconductor and Component Test System	404,252	72.2	331,542	68.2	(72,710)	(18.0)
Mechatronics System	59,874	10.7	52,695	10.8	(7,179)	(12.0)
Services, Support and Others	96,104	17.1	102,270	21.0	6,166	6.4
Intercompany transaction elimination	(39)	0.0	-	-	39	-
Total	560,191	100.0	486,507	100.0	(73,684)	(13.2)
Overseas	539,669	96.3	466,784	95.9	(72,885)	(13.5)

(ii) Capital Expenditures

The Company group invested a total of JPY 20.8 billion in capital expenditures in FY2023 centering around new product development and production facilities, in addition to the expansion investment of manufacturing sites in the United States.

(iii) Financing

During the current fiscal year, the Company refinanced US$100 million of existing loans and raised JPY 40 billion in long-term debt. In addition, in order to secure sufficient liquidity of funds, the Company entered into an amendment with a financial institution to increase the committed credit line agreement from JPY 30 billion to JPY 60 billion.

(iv) Acquisition or disposal of shares or other equities or stock acquisition rights of other companies

The Company's subsidiary R&D Altanova, Inc. acquired all the issued shares of Shin Puu Technology Co., Ltd. a supplier of printed circuit boards (PCBs), and made the company a wholly owned subsidiary, effective April 28, 2023 (TST).

(2) Conditions of Assets, Profit and Loss

Conditions of Assets, Profit and Loss of the Company group (consolidated)

	IFRS			
	FY2020 (the 79th)	FY2021 (the 80th)	FY2022 (the 81st)	FY2023 (the 82nd)
Net sales (Millions of yen)	312,789	416,901	560,191	486,507
Operating Margin (%)	22.6	27.5	29.9	16.8
Net income (loss) attributable to owners of the parent (Millions of yen)	69,787	87,301	130,400	62,290
Return on Equity (ROE) (%)	27.3	30.4	39.3	15.6
Basic earnings per share (EPS) (Yen)	88.47	112.39	174.35	84.45
Total equity attributable to owners of the parent (Millions of yen)	280,369	294,621	368,694	431,178
Total assets (Millions of yen)	422,641	494,696	600,224	671,229

(Notes)
1. The name of each item in the category above is presented according to the IFRS terminology.
2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. "Basic earnings per share" is calculated based on the assumption that the share split was implemented at the beginning of the fiscal year 2020.

(3) Significant Subsidiaries

Name of Subsidiary	Common Stock	Percentage of Voting Rights (Note)	Principal Activities
Advantest Laboratories Ltd.	JPY 50 million	100%	Research and development of measuring and testing technologies
Advantest Pre-Owned Solutions Co., Ltd.	JPY 310 million	100%	Sales of the Company's used products
Advantest America, Inc.	USD 4,059 thousand	100%	Development and sales of the Company's products
Advantest Test Solutions, Inc.	USD 2,500 thousand	100%	Design and sales of the Company's products
Essai, Inc.	USD 500 thousand	100%	Design, production and sales of the Company's products
Advantest Europe GmbH	EUR 10,793 thousand	100%	Development and sales of the Company's products
Advantest Taiwan Inc.	NTD 500,000 thousand	100%	Sales of the Company's products
Advantest (Singapore) Pte. Ltd.	SGD 15,300 thousand	100%	Sales of the Company's products
Advantest Korea Co., Ltd.	KRW 9,516 million	100%	Support for sales of the Company's products
Advantest (China) Co., Ltd.	USD 8,000 thousand	100%	Support for sales of the Company's products

(Note)
Percentage of voting rights includes indirectly held shares.

(4) Issues to be Addressed

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

In FY2021, the Grand Design was updated in response to the improvement of our business performance and changes in the Company group's environment, because the first mid-term management plan (FY2018–FY2020) (MTP1) had been successfully completed, and three years had passed since the formulation of the Grand Design. At the same time, the Company group formulated its second mid-term management plan (FY2021-FY2023) (MTP2), which was announced in May 2021, to ensure achievement of the Grand Design's goals. The entire company has worked as one to achieve these targets.

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

<Vision Statement>
Adding Customer Value in an Evolving Semiconductor Value Chain

<Strategy>
The Company is expanding its business domains beyond the development and sales of semiconductor volume production test systems to adjacent markets such as semiconductor design / evaluation processes and product / system level test processes, which are performed before and after semiconductor volume production processes,

with the aim of expanding and growing corporate value. To achieve the above, The Company group engaged with five strategic issues: reinforce core businesses, invest strategically; seek operational excellence; explore value to reach a higher level; pioneer new business fields; and further promote ESG initiatives.

2. Result of Second Mid-Term Management Plan (MTP2, FY2021-FY2023)

<Targeted management metrics>

Under MTP2, the Company will promote efforts to strengthen its business for further growth, expand growth investment as well as shareholder returns, and strive to increase corporate value. Given this framework, the management metrics that are emphasized in MTP2 are sales, operating margin, net income, return on equity attributable to owners of the parent (ROE), and earnings per share (EPS). In order to evaluate the progress of the plan from a mid/long-term perspective, the Company uses three-year averages so as to level the impact of single-year performance fluctuations.

Regarding the management metrics of MTP2, in May 2021, the Company initially announced the outlook of financial metrics calculated based on the mid-term forecast of market trends. In July 2022, targets were revised upward to reflect a larger than originally expected size of the semiconductor test-related market. However, due to the weakness of the semiconductor market from the latter half of the said plan period, demand for semiconductor testers for cornerstone consumer electronics products declined significantly in the fiscal year ended March 31, 2024, compared with the previous fiscal year. As a result, although the Company was able to achieve all of the targets as originally set in our Second Mid-Term Management Plan, the Company failed to achieve the revised targets except for sales.

	FY2021-FY2023 average		FY2021-FY2023 average performance (Note3)
	Published in May 2021 (Note 1)	Published in July 2022 (Note 2)	
Sales	JPY 350-380B	JPY 480-520B	JPY 4,879B
Operating Margin	23-25%	27-30%	24.7%
Net Income	JPY 62-70B	JPY 98-120B	JPY 99.3B
Return on Equity (ROE)	20% or more	30-35%	28.4%
Earnings per share (EPS) (Note 1)	JPY 80-93	JPY 128-158	JPY 124

Note:

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

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

*3 Exchange rate assumption for the FY2021-FY2023 (average actual results): Actual exchange rate for FY2021was 1 USD = 112 JPY and 1 Euro = 130 JPY; Actual exchange rate for FY2022 was 1 USD = 134 JPY and 1 Euro = 140 JPY; Actual exchange rate for FY2023 was 1 USD = 143 JPY and 1 Euro = 155 JPY.

*4 The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. "Earnings per share" is calculated based on the average number of shares issued during the relevant fiscal year less the average number of treasury shares held during the fiscal year on the assumption that the share split was implemented at the beginning of FY 2021.

3. Outlook

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

Given our outlook for each of our business segment against the backdrop of an uncertain business environment, our full-year consolidated earnings forecast for FY2024 calls for net sales of JPY525.0 billion, operating income of JPY90.0 billion, income before income taxes of JPY89.0 billion, and net income of JPY67.0 billion. This forecast is based on exchange rate assumptions of 1 USD to 140 JPY and 1 EUR to 155 JPY. Regarding the tightening of restrictions on the export of semiconductor production equipment to China by the U.S. and its allies, the direct impact on our current fiscal year's earnings is expected to be limited, but the Company will continue to closely monitor the situation.

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

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

4. New mid- to long-term management plan

The Company is currently reviewing our mid- to long-term management policy in light of the significant changes in our own management structure and the external environment since the formulation of the "Grand Design" in 2018. In June 2024, we plan to announce a new mid- to long-term management policy, including the third mid-term management plan. After the announcement, details will be posted at the following URL.

URL: https://www.advantest.com/investors/management-policy/management-policy.html

(5) Primary Areas of Business

The Company group manufactures and sells semiconductor and component test systems products and mechatronics-related products such as test handlers and device interfaces. the Company group also engage in research and development activities and provides maintenance and support services associated with these products.

- Significant Sales Offices and Factories

(i) Japan

Category	Name of Office	Location
Head Office, Sales Offices and Service Offices	Head Office	Chiyoda-ku, Tokyo
R&D Centers, Laboratories	Gunma R&D Center	Meiwa-machi, Ora-gun, Gunma
	Saitama R&D Center	Kazo-shi, Saitama
	Kitakyushu R&D Center	Kitakyushu-shi, Fukuoka
	Sendai Laboratories	Sendai-shi, Miyagi
Factories	Gunma Factory	Ora-machi, Ora-gun, Gunma

	Sendai Laboratories	Sendai-shi, Miyagi

(ii) Overseas

Category	Name of Office	Location
Sales Offices, R&D Centers, Laboratories and Service Offices, Factories	Advantest America, Inc.	U.S.A.
	Essai, Inc.	U.S.A.
	Advantest Europe GmbH	Germany
	Advantest Taiwan Inc.	Taiwan
	Advantest (Singapore) Pte. Ltd.	Singapore
	Advantest Korea Co., Ltd.	Korea
	Advantest (China) Co., Ltd.	China

- Employees (as of March 31, 2024)

Employees of the Company group

Number of Employees	Increase from end of FY2022
6,766(583)	222(35)

(Note) The numbers set forth above indicate the numbers of regular employees. The numbers in brackets indicate the annual average numbers of non-regular employees which are excluded from the numbers set forth above.

- Major Lenders (as of March 31, 2024)

Lender	Balance of borrowings
MUFG Bank, Ltd.	JPY 60,000 million
Mizuho Bank, Ltd.	JPY 15,141 million

- Other significant matters with respect to the current status of the Company group

Not applicable.

2. Company Information

(1) Equity Stock (as of March 31, 2024)

(i) Total number of issuable shares 1,760,000,000 shares

(ii) Total number of issued shares 766,141,256 shares

(Note) 1.Total number of issued shares includes treasury shares (27,729,675 shares).
2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The number of shares after the stock split is stated.

(iii) Number of shareholders 95,779

(iv) Major Shareholders (Top 10 shareholders)

Name of Shareholder	Number of Shares (in: thousand shares)	Percentage of Ownership (%)
The Master Trust Bank of Japan, Ltd. (trust account)	223,054	30.20
Custody Bank of Japan, Ltd. (trust account)	101,314	13.72
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	20,401	2.76
MOXLEY & CO LLC	17,368	2.35
STATE STREET BANK WEST CLIENT - TREATY 505234	15,752	2.13
BBH FOR UMB BANK, NA – WCM FOCUSED INTERNATIONAL GROWTH FUND	10,412	1.41
JP MORGAN CHASE BANK 385781	10,229	1.38
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	8,812	1.19
JPMorgan Securities Japan Co., Ltd.	8,802	1.19
SSBTC CLIENT OMNIBUS ACCOUNT	7,932	1.07

(Notes) 1. Number of Shares is rounded down to the nearest thousand.
2. Percentage of Ownership is calculated excluding treasury shares (27,729,675 shares).
3. Percentage of Ownership is rounded down to the second decimal place.
4. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The number of shares after the stock split is stated

(v) Status of shares issued to officers as compensation for the execution of their duties during the fiscal year 2023

	Number of shares	Number of eligible officers
Directors (excluding directors who are Audit and Supervisory Committee members, and outside directors)	13,444	3
Outside directors (excluding directors who are Audit and Supervisory Committee members)	0	0
Directors who are Audit and Supervisory Committee members	0	0

(Note) 1. Contents of the stock compensation of the Company is stated in 3. (3) of <Directors and Executive Officers Compensation Policy and Procedure> in (ii) of 2. (2) Directors and Audit and Supervisory Committee members.
2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The number of shares after the stock split is stated.

(vi) Important items regarding our shares

(i) The Company implemented a stock split as follows, according to the resolution of the meeting of the Board of Directors held on May 19, 2023.
Purpose of the stock split: The purpose is to expand the investor base by reducing the Company's stock price per investment unit.
Method of the stock split: Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of September 30, 2023 will be split into 4 shares per share.

Number of shares to be increased by the stock split

①	Total number of issued shares before the stock split	:	191,535,314 shares
②	Number of shares to be increased by the stock split	:	574,605,942 shares
③	Total number of issued shares following the stock split	:	766,141,256 shares
④	Total number of authorized shares following the stock split	:	1,760,000,000 shares

Schedule of the stock split

Record date	:	September 30, 2023
Effective date	:	October 1, 2023

(ii) Effective September 8, 2023, the Company canceled 6,951 shares of treasury stock, according to the resolution of the meeting of the Board of Directors held on August 30, 2023.

(2) Directors and Audit and Supervisory Committee Members

(i) Directors and Audit and Supervisory Committee Members (as of March 31, 2024)

Title	Name	Assignment in the Company and significant concurrent positions
Representative Director	Yoshiaki Yoshida *	Administration, New Area Business Development Initiative in charge
Representative Director	Douglas Lefever*	Corporate Strategy, Business Promotion, Technology in charge
Representative Director	Koichi Tsukui*	Production, Business Process Innovation in charge
Director	Toshimitsu Urabe	Outside Director, Japan Business Systems, Inc.
Director	Nicholas Benes	Representative Director, The Board Director Training Institute of Japan
Director	Naoto Nishida	Special Commission, Toshiba Corporation
Director Standing Audit and Supervisory Committee Member	Yuichi Kurita	
Director Audit and Supervisory Committee Member	Sayaka Sumida	Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd. Outside Audit & Supervisory Board Member, The Nisshin OilliO Group, Ltd.
Director Audit and Supervisory Committee Member	Tomoko Nakada	Outside Director, Audit and Supervisory Committee Member, TS Tech Co., Ltd.

(Notes) 1. Mr. Yuichi Kurita has been appointed as a standing Audit and Supervisory Committee member in order to enhance effectiveness of audits and supervisory function by the Audit and Supervisory Committee through information gathering by attending important meetings and conducting hearings about reports on operations received from execution departments as well as through strengthened collaboration between the independent auditor and the internal audit division.

2. Mr. Yuichi Kurita, a director who is an Audit and Supervisory Committee member, has many years of experience in corporate planning and finance, as well as experience serving as an officer of the Company responsible for administration. Ms. Sayaka Sumida, a director who is an Audit and Supervisory Committee member, has experience as a certified public accountant working for an auditing firm. Both Mr. Kurita and Ms. Sumida have considerable knowledge regarding finance and accounting.

3. Mr. Toshimitsu Urabe, Mr. Nicholas Benes, Mr. Naoto Nishida, Ms. Sayaka Sumida and Ms. Tomoko Nakada are outside directors.

4. The Company has registered Directors Toshimitsu Urabe, Nicholas Benes, Naoto Nishida, Sayaka Sumida and Tomoko Nakada as independent directors with the Tokyo Stock Exchange.
5. Directors' positions were changed as described below on April 1, 2024.

	New	Old
Yoshiaki Yoshida	Director, Chairperson of the Board	Representative Director

6. At the conclusion of the 81st Ordinary General Meeting of Shareholders held on June 27, 2023, Directors Osamu Karatsu, Soichi Tsukakoshi, Atsushi Fujita, and Kouichi Nanba retired from their posts due to expiration of their terms of office.
7. Director Sayaka Sumida will retire from the position of Outside Audit and Supervisory Board Member of Nisshin OilliO Group, Ltd. on June 27, 2024.
8. Director Sayaka Sumida will be appointed as an Outside Director (Audit Committee Member) of Japan Exchange Group, Inc. effective June 19, 2024.
9. The Company has in place an Executive Officers System and * indicates a director who also serves as an Executive Officer.

10. The positions of Executive Officers are currently held as follows:

Title	Name	Assignment in the Company and significant concurrent positions
President & Group CEO	Yoshiaki Yoshida	Group CEO (Chief Executive Officer)
Corporate Vice President, Group COO	Douglas Lefever	Group COO (Chief Operating Officer)
Corporate Vice President, Group Co-COO	Koichi Tsukui	Group Co-COO (Co-Chief Operating Officer)
Senior Executive Officer	Soichi Tsukakoshi	CPO (Chief Production Officer)
Senior Executive Officer	Keith Hardwick	CHO& CCO (Chief Human Capital Officer & Chief Compliance Officer)
Senior Executive Officer	Yasuo Mihashi	CFO & CSO (Chief Financial Officer & Chief Strategy Officer)
Senior Executive Officer	Juergen Serrer	CTO (Chief Technology Officer) & Leader, ATE Business Group
Senior Executive Officer	Makoto Nakahara	CCRO (Chief Customer Relations Officer)
Senior Executive Officer	Sanjeev Mohan	Co-CCRO (Co-Chief Customer Relations Officer)
Senior Executive Officer	Richard Junger	CDO & CIO (Chief Digital Officer & Chief Information Technology Officer)
Senior Executive Officer	Yong Xu	China Business Strategy
Executive Officer	Michael Stichlmair	Senior Vice President (Officer)(Europe), Sales Group
Executive Officer	Suan Seng Sim (Ricky Sim)	Managing Director (CEO), Advantest (Singapore) Pte. Ltd.
Executive Officer	Masayuki Suzuki	Executive Vice President, Memory Test Business Unit, ATE Business Group
Executive Officer	Naruo Tanaka	Executive Vice President, New Area Business Development Initiative
Executive Officer	Toshiaki Adachi	Sub Leader, ATE Business Group
Executive Officer	Wan-Kun Wu (Alex Wu)	Chairperson of the Board, President and CEO, Advantest Taiwan Inc.
Executive Officer	Chien-Hua Chang (Titan Chang)	Executive Vice President, Field Service Group
Executive Officer	Akio Osawa	Senior Vice President (Officer)(System Solution), Sales Group
Executive Officer	Yasushi Yoshimoto	Co-CHO & Co-CCO (Co-Chief Human Capital Officer & Co-Chief Compliance Officer)
Executive Officer	Jaehyuk Cha	Director, Advantest Korea Co., Ltd.
Executive Officer	Daisuke Watanabe	Executive Vice President, Technology Development Group, ATE Business Group
Executive Officer	Ralf Stoffels	Division Manager, 93000 Product Unit, SoC Test Business Unit, ATE Business Group
Executive Officer	Katsuhiko Tsunetsugu	Senior Vice President (Officer), Corporate Strategy Group
Executive Officer	Andre Vachenauer	Executive Vice President, Corporate IT Group

(Note) Effective April 1, 2024, Mr. Douglas Lefever has been appointed as Senior Executive Officer, Group CEO, and Mr. Koichi Tsukui as Senior Executive Officer and President, Group COO and Mr. Yoshiaki Yoshida resigned as President and Group CEO.

(ii) Matters concerning policy for determining the details of individual compensation, etc. for directors (excluding directors who are Audit and Supervisory Committee members)

The Company's policy for determining the details of individual compensation for directors (excluding directors who are Audit and Supervisory Committee members) is as follows. This policy was approved by the Board of Directors held on May 21, 2021. The Nomination and Compensation Committee deliberated on individual compensation for directors (excluding directors who are Audit and Supervisory Committee members) for FY2023 based on the policy and reported their findings to the Board of Directors. The Board of Directors deliberated on and determined compensation based on the Nomination and Compensation Committee's findings, and the Company believes that compensation is in line with the policy.

< Directors and Executive Officers Compensation Policy and Procedure >

1.Basic policy

Based on the Company's corporate mission and vision, we aim to create a system for the compensation of directors and executive officers that contributes to the enhancement of corporate value. The ground rules of the system are as follows.

(1) Compensation mix and compensation level that shall attract international human resources who support the Company's global business development.

In order to continue to grow globally in the complex and rapidly evolving semiconductor industry, we will appoint talented people from all over the world and compensate them appropriately by global standards.

(2) Bonus that is strongly linked to business performance

Given the inevitability of fluctuations in business performance, strongly indexing bonuses to performance will fully reward the contributions of officers when business performance is strong and will reduce the burden on the Company during downturns in business performance.

(3) Stock compensation that incentivizes directors and officers to share values with shareholders and promotes management from a medium- to long-term perspective

We will combine transfer-restricted stock compensation, which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders, and performance-linked stock compensation, which promotes the achievement of medium-term management goals that lead to corporate value improvement.

2. Policy on the system, timing, conditions, and determination of director compensation

(1) For directors who also serve as executive officers, fixed compensation (monetary remuneration) appropriate to their duties and responsibilities will be paid monthly, in addition to the executive officer compensation specified in 3 below.

(2) For outside directors (excluding directors who are Audit and Supervisory Committee members), fixed compensation (monetary remuneration) will be paid in consideration of their roles and independence. Fixed compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).

(3) Fixed compensation (monetary remuneration) will be paid to directors who are Audit and Supervisory Committee members in consideration of their roles and independence. The individual compensation level of directors who are Audit and Supervisory Committee members will be decided through discussions with them.

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

3. Policy on the system, timing, conditions, and determination of executive officer compensation

The compensation of executive officers is as described by the basic policy set forth in 1 above. (1) Fixed compensation (monetary remuneration), (2) performance-linked bonuses (monetary remuneration), and (3) stock compensation shall all be set at appropriate levels. The ratio of fixed compensation, performance-linked bonuses, and stock compensation is approximately 1: 1: 1 for Senior Executive Officers (including the president) and 1: 0.8: 0.8 for other Executive Officers.

(1) Fixed compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).
(2) Performance-linked bonuses (monetary remuneration) are short-term incentives for the results of a single year, and are paid once a year after the performance of the Group for the relevant business year is confirmed.
  a. The amount of bonuses is determined using net income as an index.
  b. Target amounts will be set by referring to the net income targets of the single-year business plan and mid-term management plan. We will pay the standard amount when the target values are achieved, but the amount paid will fluctuate as described below when actual results undershoot or exceed the target values.
    ・ Actual results <50% of target values: 0% of standard amount
    ・ Actual results >150% of target values: 200% of standard amount
    ・ Actual results 50% -150% of target values: Varies between 0-200% of standard amount
(3) Regarding stock-based compensation, we will grant restricted stock (RS) and performance-linked stock compensation (PSU) with the intention of incentivizing the pursuit of medium- to long-term enhancement of corporate value in alignment with shareholder priorities. As a general rule, about half of the stock-based compensation should be RS and about half should be PSU.
  a. Shares of RS will be granted every business year as described above. As a general rule, holding is obligatory during the term of office, and transfer restrictions will be lifted when an officer retires.
  b. PSU will be based on indicators that determine the value of the Company's stock as described below, granted in the first year of the Company's 3-year mid-term management plan, and delivered after the conclusion of the period of the mid-term management plan according to the values of these indicators. PSU may fluctuate between 60 to 140% of the standard amount according to how close actual results come to mid-term management targets. The indicators for evaluating achievement of mid-term management targets are as follows, and the degree of fluctuation is determined by the total value of both indicators.
    ・ Main indicator: Earnings per share (EPS) during the mid-term management plan
      → Fluctuation between 70% and 130% of the standard amount
    ・Sub-indicator: Relative Total Shareholders Return (r-TSR) and ESG evaluation
      → Fluctuation between -5% to 5% of the standard amount

Note, officers who take office or retire in the second or third years of the medium-term management plan will be as standard performance, prorated according to the length of time they have served.
(4) Compensation for non-residents in Japan may be different from the above due to laws and other circumstances.
(5) If there are changes in the Company’s financial situation or business environment that are clearly judged to make it difficult to achieve the goals of the mid-term management plan, this system and its operation may be reviewed based on a resolution of the Board of Directors.
(6) In addition to the above, lump sum payments may be made based on special events such as the anniversary of the Company's founding.

4. Procedures and methods for determining compensation

(1) Individual compensation for directors (excluding directors who are Audit and Supervisory Committee members) and executive officers is deliberated by the Nomination and Compensation Committee based on consultation with the Board of Directors, and proposed to the Board of Directors. The Board of Directors deliberates on proposals from the Nomination and Compensation Committee and decides on compensation.
(2) However, performance-linked bonuses are determined as follows:

a. Up to 30% of the total amount calculated and determined according to the policies above of performance-linked bonuses for executive officers, excluding the president, shall be redistributed based on individual evaluations conducted by the president and approved by the Nomination and Compensation Committee. Results of these evaluations and redistributions shall be reported to the Board of Directors.

b. In principle, the president's performance-linked bonus is calculated based on the results of performance indicators, but if the Board of Directors deems it necessary and clearly states their reasoning, it may be increased or decreased.

5. Reduction of compensation, clawbacks, etc.

The Company may reduce future compensation or claw back past compensation by resolution of the Board of Directors in the event of certain circumstances, such as violation of relevant laws and regulations or internal rules.

(iii) Matters concerning policies for determining the details of individual compensation, etc. for directors who are Audit and Supervisory Committee members

The Company has established a policy for determining the details of individual compensation for directors who are Audit and Supervisory Committee members. Under the policy, the amount of compensation for each Audit and Supervisory Committee member is determined through discussions by Audit and Supervisory Committee members, taking into consideration the distinction between standing and non-standing positions, the assignment of auditing duties, the details and level of compensation paid to directors, and other factors. This policy was approved by a resolution of the Audit and Supervisory Committee held on January 27, 2016.

(iv) Total amount of compensation for directors

Officer Category	Company Category	Total Compensation (Millions of yen)	Total Compensation by Category (Millions of yen)				Number of Eligible Officers
			Cash Compensation		Non-Cash Compensation		
			Fixed Compensation	Performance-based Compensation	Restricted stock compensation	Performance-based Stock Compensation	
Directors (excluding Audit and Supervisory Committee members) (excluding outside directors)	the Company	618	205	99	143	171	5
	Consolidated subsidiary	19	19	0	0	0	
Directors (Audit and Supervisory Committee members) (excluding outside directors)	the Company	45	45	0	0	0	1
Outside Directors (not Audit and Supervisory Committee members) (Audit and Supervisory Committee members)	the Company	80 (46) (34)	80 (46) (34)	0 (0) (0)	0 (0) (0)	0 (0) (0)	7 (4) (3)

(Notes) 1. The above list includes three directors (excluding Audit and Supervisory Committee member) and one director (an Audit and Supervisory Committee member) who resigned from its position on June 27, 2023.

2. Performance-linked bonuses are paid to directors (excluding outside directors and directors who are Audit and Supervisory Committee members) as performance-based compensation. Performance-linked bonuses are cash compensation for achievements for a single year and paid out once a year after the corporate performance of the Company group for the said fiscal year is confirmed. Net income is used as the performance indicator of the said bonuses which are positioned as a short-term incentive. The details of the performance-linked bonuses and the reasons for the selection of this indicator are as described in < Directors and Executive Officers Compensation Policy and Procedure > 3 (2) and 4 (2) described in 2 (2) " Directors and Audit and Supervisory Committee members " (ii). The indicators, actual results and payment rates for performance-linked bonuses are as follows.

Indicators	Actual results	Payment rates
Net Income	62,290 million yen	59.7%

3. Restricted stock compensation and performance-based stock compensation are delivered to directors (excluding outside directors and directors who are Audit and Supervisory Committee members) as non-cash compensation. For restricted stock compensation and performance-based stock compensation, the amount recorded as an expense for FY2023 in accordance with IFRS standards is listed. Regarding restricted stock compensation and performance-based stock compensation, the 79th Ordinary General Meeting of Shareholders held on June 23, 2021 resolved that (1) restricted stock compensation for the Company's directors (excluding outside directors and directors who are Audit and Supervisory Committee members) shall not be more than JPY 200 million per year, and the total number of common shares of the Company to be delivered to eligible directors shall be within 200,000 shares per year; and (2) a performance share unit for the said directors shall not be more than JPY 600 million per year, and the total number of common shares of the Company to be delivered to eligible directors shall be within 600,000 shares for each mid-term management plan (three fiscal years). The number of directors (excluding outside directors and directors who are Audit and Supervisory Committee members) at the end of the 79th Ordinary General Meeting of Shareholders was five. The state of delivery of the said stock compensations in FY2023 is described in (v) of 2. (1) Equity Stock. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The number of shares after the stock split is stated. The details of the restricted stock compensation and performance-based stock compensation, as well as the indicators and the reasons for their selection in the performance-based stock compensation, are as described in < Directors and Executive Officers Compensation Policy and Procedure > 3 (3) described in 2.(2) "Directors and Audit and Supervisory Committee members" (ii). The indicators, actual results and payment rates for performance-based stock compensation are as follows.

Indicators	Actual results	Payment rates
[EPS growth rate] The target is 14% average annual EPS growth over the three years of the mid-term management plan Fluctuation between 70% and 130% of the standard units	average annual EPS growth 39.8%	130% of standard value (maximum value)
[Relative Total Shareholders Return (r-TSR)] Comparison between the TSR of TOPIX with our TSR (ourTSR ÷ TOPIX – TSR) Fluctuation between -5% to 5% of the standard units	212%	+5% of standard value (maximum value)
[ESG evaluation] Evaluation scores of the S&P Global Corporate Sustainability Assessment are used as an index Fluctuation between -5% to 5% of the standard units	95%ile	+5% of standard value (maximum value)

4. At the 79th Ordinary General Meeting of Shareholders held on June 23, 2021, shareholders approved that the total amount of cash compensation for the Company's directors (excluding outside directors and directors who are Audit and Supervisory Committee members) shall not be more than JPY 900 million per year. The number of directors (excluding outside directors and directors who are Audit and Supervisory Committee members) at the end of the 79th Ordinary General Meeting of Shareholders was five.
5. At the 79th Ordinary General Meeting of Shareholders held on June 23, 2021, shareholders approved that the total amount of cash compensation for the Company's outside directors (excluding directors who are Audit and Supervisory Committee members) shall not be more than JPY 60 million per year. The number of outside directors (excluding directors who are Audit and Supervisory Committee members) at the end of the 79th Ordinary General Meeting of Shareholders was three.
6. At the 73rd Ordinary General Meeting of Shareholders held on June 24, 2015, shareholders approved that the total amount of compensation for the Company's directors who are Audit and Supervisory Committee members shall not be more than 100 million yen per year. The number of directors who are Audit and Supervisory Committee members at the end of the 73rd Ordinary General Meeting of Shareholders was 3 (including 2 outside directors).
7. Individual compensation of directors (excluding directors who are Audit and Supervisory Committee members) is deliberated by the Nomination and Compensation Committee with consultation to the Board of Directors and proposed to the Board of Directors. The Board of Directors deliberates on proposals from the Nomination and Compensation Committee and decides compensation. However, with respect to the performance-based compensation for Executive Officers (including those concurrently serving as Directors) other than the President and Group CEO, it is considered most appropriate to reflect the evaluation of such Executive Officers by the President, who is the top Executive Officer in charge of business execution. Therefore, the performance-based compensation for the current fiscal year was approved by the Nomination and Compensation Committee (members: Mr. Toshimitsu Urabe, Ms. Sayaka Sumida, and Mr. Yoshiaki Yoshida, whose positions and responsibilities are described in (i) Directors and Audit and Supervisory Committee members of 2 (2) Directors and Audit and Supervisory Committee members). Individual amounts of performance-based compensation which the Nomination and Compensation Committee approves are within the range decided by the Board of Directors, and the amounts are reported to the Board of Directors after the approval by the Nomination and Compensation Committee. The range of individual amounts of performance-based compensation which the Nomination and Compensation Committee approves is stated in 4. (2) a. of <Directors and Executive Officers Compensation Policy and Procedure> in (ii) of 2. (2) Directors and Audit and Supervisory Committee members

(v) Matters pertaining to outside directors and outside Audit and Supervisory Committee members

(a) Significant concurrent positions held and relationship to the Company

Name	Concurrent position(s)	Relationship to the Company
Toshimitsu Urabe (Outside Director)	Outside Director, Japan Business Systems, Inc.	The Company has transactions with Japan Business Systems, Inc., including capital investments in IT operations, etc. The amount of such transactions with Japan Business Systems, Inc., in the current fiscal year was less than 1% of the total of the Company's consolidated cost of sales and selling, general and administrative expenses.
Nicholas Benes (Outside Director)	Representative Director, The Board Director Training Institute of Japan	The Company has paid an annual fee to and received executive training from The Board Director Training Institute of Japan ("BDTI"). The amount of payment to BDTI in the current fiscal year was less than JPY1M.
Naoto Nishida (Outside Director)	Special Commission, Toshiba Corporation	The Company has transactions with Toshiba Corporation and its affiliates, including the sales of our products and the purchase of raw materials, etc. The amount of such transactions with Toshiba Corporation and its affiliates, in the current fiscal year was less than 1% of the total of the Company's consolidated cost of sales and selling, general and administrative expenses.
Sayaka Sumida (Outside Director, Audit and Supervisory Committee Member)	Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd.	The Company has transactions with Furukawa Electric Co., Ltd., including the purchase of raw materials, etc. The amount of such transactions with Furukawa Electric Co., Ltd., in the current fiscal year was less than 1% of the total of the Company's consolidated cost of sales and selling, general and administrative expenses.
	Outside Audit & Supervisory Board Member, The Nisshin OilliO Group, Ltd.	There is no special relationship between The Nisshin OilliO Group, Ltd. and the Company.
Tomoko Nakada (Outside Director, Audit and Supervisory Committee Member)	Outside Director, Audit and Supervisory Committee Member, TS Tech Co., Ltd.	There is no special relationship between TS Tech Co., Ltd. and the Company.

(b) Principal activities

Name	Attendance	Participation at meetings
Toshimitsu Urabe (Outside Director)	Meetings of Board of Directors: 13 out of 13 times	Mr. Urabe is expected to reflect his knowledge of corporate management, investment decisions and administrative management such as human resources and IT in the Company group's global management, thereby contributing to the sustainable enhancement of the Company's corporate value and invigorating the activities of the Board of Directors. During FY2023, based on his experience in business investment in global companies, he performed duties based on his role, such as providing advice on M&A and, as the chairperson of the Nomination and Compensation Committee, making statements based on his own experience in the fields of management and human resources with respect to the execution of succession plans. Mr. Urabe expresses his opinions mainly on business investment decisions, global management, and the promotion of DX, based on his management experience.
Nicholas Benes (Outside Director)	Meetings of Board of Directors: 13 out of 13 times	Mr. Benes is expected to reflect his knowledge of corporate governance and the shareholder-oriented perspective in the Company group's global management, thereby contributing to the sustainable enhancement of the Company's corporate value and invigorating the activities of the Board of Directors. During FY2023, Mr. Benes performed his duties based on his role, including M&A advisory service based on his experience in investment banks, providing advice from the perspective of shareholders including institutional shareholders, and pointing out matters related to the global capital structure and capital allocation. Mr. Benes expresses his opinions based mainly on his knowledge of corporate governance.
Naoto Nishida (Outside Director)	Meetings of Board of Directors: 10 out of 10 times	Mr. Nishida is expected to reflect his knowledge of corporate management, supply chain management (SCM), production, and research & development in the Company group's global management, thereby contributing to the sustainable enhancement of the Company's corporate value and invigorating the activities of the Board of Directors. During FY2023, Mr. Nishida performed his duties based on his role, including M&A advisory service based on his experience including making statements on SCM based on his experience in the production and procurement of a global company. Mr. Nishida expresses his opinions mainly on global management and SCM, based on his management experience.

Name	Attendance	Participation at meetings
Sayaka Sumida (Outside Director, Audit and Supervisory Committee Member)	Meetings of Board of Directors: 13 out of 13 times Meetings of Audit and Supervisory Committee: 13 out of 13 times	Ms. Sumida is expected to reflect her knowledge of finance and accounting in the Company group's audit and supervision, thereby contributing to the enhancement of corporate accounting and internal controls. During FY2023, Ms. Sumida performed her duties based on her role, including providing advice on internal audit and disclosure documents such as the Annual Securities Report, based on many years of experience as a certified public accountant. Ms. Sumida expresses her opinions mainly in relation to corporate accounting and independent auditing from a professional perspective.
Tomoko Nakada (Outside Director, Audit and Supervisory Committee Member)	Meetings of Board of Directors: 10 out of 10 times Meetings of Audit and Supervisory Committee: 10 out of 10 times	Ms. Nakada is expected to reflect her knowledge of laws and compliance in the Company group's audit and supervision, thereby contributing to the enhancement of compliance. During FY 2023, Ms. Nakada performed her duties based on her role, including pointing out matters relating to a risk management and providing advice from a compliance perspective as a member of the Audit and Supervisory Committee based on her many years of experience as an attorney-at-law. Ms. Nakada expresses her opinions mainly in relation to law and compliance from a professional perspective.

(3) Policies on the distribution of surplus

The policy on the distribution of surplus for the current fiscal year is as follows. The Company plans to change this policy in June 2024. The details of the revised policy will be posted on the Company's website.

(Policy for the current fiscal year)

Based on the premise that a sustainable level of business development and mid-to-long term enhancement of corporate value is fundamental to the creation of shareholder value, the Company practices management that is conscious of capital efficiency, financial soundness, and shareholder returns.

The Company has set the capital policy to prioritize business investment for growth such as R&D, facility enhancements, and M&A, while being flexible in utilization of liabilities (debt) from the viewpoint of balance sheet management that considers both capital efficiency and capital cost. In addition, the Company ensures an appropriate capital structure with maintaining financial soundness in order to strengthen the Company's business position and enhance its corporate value.

The shareholder return that is in congruence with second mid-term management plan for the three years starting from April 1, 2021, under the premise of stable business environment, is set to make stable and continuous dividend with a minimum amount of ¥12.5 per share for a semi-annual and ¥25 (*1) per share for annual. In addition to dividends, the Company set the target to achieve total annual return ratio (*2) of 50% or more, including share buybacks. However, there is a possibility that the Company may not be able to disburse shareholder returns due to the occurrence of investment growth opportunities that require more funds than expected and the deterioration of business performance for the changes in the market environment.

(*1) Due to a 4-for-1 stock split of shares of common stock, effective October 1, 2023, the Company has changed its dividend from ¥50 per share for a semi-annual and ¥100 per share for annual.

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

- Stock Acquisition Rights

Stock acquisition rights held by directors and Audit and Supervisory Committee members (as of March 31, 2024)

	Resolution at the meeting of the Board of Directors held on June 26, 2019	Resolution at the meeting of the Board of Directors held on June 25, 2020
Date of issuance	July 12, 2019	July 13, 2020
Issuance Price	JPY 76,608 per unit	JPY 206,283 per unit
Holding status of stock acquisition rights by directors and Audit and Supervisory Committee members	20 units (1 person)	250 units (2 persons)
Directors (excluding Audit and Supervisory Committee members and Outside Directors)	20 units (1 person)	250 units (2 persons)
Outside directors (excluding Audit and Supervisory Committee members)	0 units (0 persons)	0 units (0 persons)
Directors (Audit and Supervisory Committee members)	0 units (0 persons)	0 units (0 persons)
Class and aggregate number of shares to be issued or delivered upon exercise	7,980 shares of common stock (each stock acquisition right is exercisable for 399 shares)	99,750 shares of common stock (each stock acquisition right is exercisable for 399 shares)
Exercise price to be paid upon exercise	¥773 per share	¥1,748 per share
Exercise period	July 13, 2021 to July 12, 2024	July 14, 2022 to July 13, 2025
Terms of exercise	The stock acquisition rights may not be inherited.	
Reasons for the Company's acquisition of the stock acquisition rights	The Company shall automatically acquire the stock acquisition rights, for no consideration, if: (a) the general meeting of shareholders or, if approval by the shareholders' meeting is not legally required, then the board of directors resolves to approve (i) any merger agreement pursuant to which the Company shall dissolve, (ii) any agreement or a plan pursuant to which the Company shall split all or part of its business or (iii) any stock-for-stock exchange agreement or stock-transfer plan pursuant to which the Company shall become a wholly-owned subsidiary of another company; (b) the rights holder becomes a person who does not hold any position as a director, corporate auditor, officer, employee or any other similar position of the Company or its domestic or overseas subsidiaries; except when he/she resigns due to expiration of term of office, and when the Company deems that it is appropriate to allow him/her to exercise his/her stock acquisition rights and notifies him/her; (c) the rights holder dies.	
Restriction on the transfer of the stock acquisition rights	Acquisition of stock acquisition rights by transfer shall require approval by the Board of Directors. Provided, however, if it is the Company acquiring the stock acquisition rights by transfer, such transfer shall be deemed to be approved by the Board of Directors.	

(note) The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The number of shares after the stock split is stated.

- Overview of limited liability agreements

  The Company entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act, with outside directors Toshimitsu Urabe, Nicholas Benes, Naoto Nishida, Sayaka Sumida and Tomoko Nakada, and a director who is a standing Audit and Supervisory Committee member Yuichi Kurita. The upper limit of liability based on each agreement is the minimum liability as provided in the relevant laws and regulations.

- Overview of indemnification agreements

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

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

  The Company has concluded a directors and officers liability insurance contract with an insurance company in accordance with Article 430-3, Paragraph 1 of the Companies Act, covering all employees of the Company, including Directors, Executive Officers, and employees in managerial and supervisory positions, and also all employees of Company subsidiaries, including executives and employees in managerial and supervisory positions.

  The company to which the insured belongs bears the full amount of the insurance premium including the rider part, so there is no substantial insurance premium burden for the insured party.

  The insurance policy covers legal damages and litigation expenses that may arise when the insured party assumes liability for the execution of his or her duties or is subject to a claim for the pursuit of said liability.

  However, under such insurance contracts, measures are taken to ensure that the appropriateness of the execution of duties by the insured person is not impaired by establishing certain conditions of exemption, such as that damage to the insured person caused by an act committed by the insured person in recognition of a violation of laws and regulations is not covered.

- Independent Auditor

(i) Name of independent auditor

Ernst & Young ShinNihon LLC

(ii) Remuneration

	Amount
Remuneration to the independent auditor for this fiscal year	JPY164 million
Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the independent auditor	JPY177 million

(Notes) 1. Under the agreement between the Company and the independent auditor, as the Company has not drawn any distinction between the remuneration for the audit services pursuant to the Companies Act and that pursuant to the Financial Instruments and Exchange Act of Japan, the amount set forth above represents the aggregate amount of these audit services.

2. The Company's significant overseas subsidiaries have been audited by the Ernst & Young group.

(iii) Non-audit remuneration

The Company has entrusted third-party assurance services for non-financial information and ESG consulting services to Ernst & Young ShinNihon LLC, in addition to audit attestation services under Article 2, Paragraph 1 of the Certified Public Accountants Act.

(iv) Reason that the Audit and Supervisory Committee gave consent to the amount of remuneration to the independent auditor

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

(v) Policies on dismissal or non-reappointment of the independent auditor

In the case that the independent auditor falls under any of the items according to Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss the independent auditor upon the unanimous consent of the Audit and Supervisory Committee members. In such case, an audit and supervisory committee member who is appointed by the Audit and Supervisory Committee shall report the dismissal and its reasons at the first general meeting of shareholders convened after such dismissal. In addition, other than the above, if it is deemed to be difficult for the independent auditor to conduct appropriate audits due to the occurrence of events that impair its qualification or independence, the Audit and Supervisory Committee shall determine the content of an agenda item about dismissal or non-reappointment of the independent auditor to be submitted to a general meeting of shareholders.

- The System to Ensure the Appropriateness of Business

The Board of Directors resolved a system that ensures the appropriateness of its business as follows:

Basic Policy for the System to Ensure the Appropriateness of Business

Holding “Enabling Leading-Edge Technologies” as our corporate mission, the Advantest Group established The Advantest Way that clarifies mission, vision, core values, guiding principle and ethical standards of the Advantest Group, and has strived to increase the transparency of its management and achieve a sustainable level of business development and mid-to-long term enhancement of corporate value. To further promote these efforts, the Company will prepare a framework as described in each paragraph below, implement the establishment, development and management of the internal control system, and ensure the sound operations of the Company.

1. Framework to the effective performance of duties by Board Directors of the Company and the Subsidiaries

(i) The Company promotes management efficiency by separating the management decision making function and supervisory function from the function of the execution of operations. The Board of Directors shall make management decisions and supervise management. Regarding execution of operations, executive officers and employees shall execute operations based on the Board of Directors’ clarification of the function and authority of the body executing operations, while delegating necessary authorities to ensure the prompt and efficient performance of duties.

(ii) The Board of Directors of the Company, as the management decision making body, shall make decisions on significant matters concerning the execution of business and basic management policies of Advantest Group, including the Internal Control System, and in its capacity to supervise management, the Board of Directors shall monitor and supervise execution of duties by Directors and executive officers.

(iii) The Board of Directors of the Company shall approve the basic management policy of the Advantest Group, receive reports on business results based on monthly closing account, financial situation, status of the performance of duties by each department, and review the appropriateness of such plans.

2. Framework to ensure the compliance with applicable laws and ordinances as well as the articles of incorporation by directors, executive officers, and employees of the Company and the Subsidiaries in performing their duties

(i) To ensure compliance with all applicable laws and regulations as well as the articles of incorporation, and to ensure that actions are taken faithfully and ethically, the Company shall establish The Advantest Way for all directors, executive officers and employees of the Advantest Group, and notify such directors, executive officers and employees of these codes. Furthermore, the Company shall establish the "Code of Ethics for Executives" for directors and executive officers.

(ii) The Advantest Group shall establish subcommittees such as the Internal Control Committee and the Disclosure Committee in order to ensure the appropriateness of business of Advantest Group.

- The Internal Control Committee shall report to the Board of Directors about the design and operation of Internal Control System as deemed necessary.
- The Disclosure Committee oversees the proper disclosure by management and report to the Board of Directors as deemed necessary.

(iii) Regarding compliance, Chief Compliance Officer (CCO) supervises the compliance of laws and regulations and the implementation of The Advantest Way and report to the Board of Directors as deemed necessary.

(iv) The Company establishes a corporate ethics helpline for whistleblowing such that employees can report behaviors that are illegal or inappropriate in light of applicable laws, Articles of Incorporation or The Advantest Way. The Company stipulates that the reporter / consultant will not treat such persons adversely for having reported an incident or sought consultation regarding a potential violation, and will thoroughly disseminate it.

3. Rules relating to the management of risk of loss and other frameworks of the Company and the Subsidiaries

(i) With respect to potential risks behind management environment, business activities and corporate assets of Advantest Group, the Company shall identify and classify risk factors for each important business process, analyze the magnitude of risks, possibility of actual occurrence and frequency of such occurrence, etc., and create written policies and procedures regarding the appropriate response to and avoidance/ reduction of the risks, as part of the internal control activities.

(ii) With respect to emergency situations such as disasters, the Company shall establish the Risk Management Group, create written emergency action guidelines and prepare by implementing education and training programs on a regular base.

(iii) The Internal Control Committee shall thoroughly manage risks of the Advantest Group and report material risks to the Board of Directors.

(iv) The Company is making efforts to prevent occupational injuries, create a comfortable working environment, and promote the good health of its employees through the establishment of the Safety and Health Committee.

4. Framework regarding the retention and management of information with respect to the performance of duties by Board Directors of the Company

(i) The Company shall properly retain and manage the following information regarding the exercise of duties by directors, pursuant to the internal rules that stipulate details such as the period of retention, person in charge of retention and method of retention.

-Minutes of general meetings of shareholders and reference materials
-Minutes of meetings of the Board of Directors and reference materials
-Other important documents regarding the exercise of duties by directors

(ii) The Company shall establish the Information Security Committee that is responsible for protecting personal information and preventing confidential information from leaking.

5. Framework to ensure the appropriateness of operations of the Company, and the group as a whole, including its subsidiaries

(i) The Advantest Group shall establish and operate the same quality of internal control system for the Company and each company of the Advantest Group in order to conduct the consolidated group management placing an emphasis on business evaluation based on consolidated accounting.

(ii) The internal control system of the Advantest Group is supported by each department of the Company that is responsible for each group company, and is established and operated as a unified system based on the policies of the group created by the Internal Control Committee. Significant matters concerning the status of each group company that is controlled by the Internal Control Committee shall be reported to the Board of Directors.

(iii) Auditing Group of the Company supervises an internal audit to each group company.

6. Matters relating to employee(s) who assist the Audit and Supervisory Committee

The Company shall establish the Audit and Supervisory Committee and assign the employee(s) who assist it.

7. Matters relating to the independence of the employee(s) referred to in the preceding Section from Board Directors of the Company (excluding directors who are Audit and Supervisory Committee members) and the matters for ensuring the effectiveness of direction to the employee(s)

(i) The personnel matters including but not limited to assignment, transfer, performance appraisal and disciplinary action of the employee(s) referred to in Section 6 shall be subject to a prior consent of the Audit and Supervisory Committee.

(ii) The employee(s) referred to in Section 6 shall perform their duties exclusively pursuant to the instruction and order by directors who are Audit and Supervisory Committee members and their independence from any officers or employees other than the directors who are Audit and Supervisory Committee members shall be ensured.

8. Framework for reporting to the Audit and Supervisory Committee of the Company

(i) In the event that any violation or breach of applicable laws, Articles of Incorporation or The Advantest Way or the fact that could cause serious damage is detected or reported, such event shall be reported immediately to the Audit and Supervisory Committee.

(ii) The Company shall adopt a system that allows directors who are Audit and Supervisory Committee members to attend important meetings such as the Executive Management Committee and to keep abreast important matters regarding the execution of operations.

(iii) In the event that a report or consultation is made to the Corporate Ethics Helpline, the Company shall adopt a system that such report or consultation shall be reported immediately to the Audit and Supervisory Committee.

(iv) Under the provisions of section 8. (i) and (iii), The Company stipulates that the reporter to the Audit and Supervisory Committee will not treat such persons adversely for having reported an incident, and will thoroughly disseminate it.

9. Other frameworks to ensure the effective implementation of audit by the Audit and Supervisory Committee

(i) The Company shall ensure that the Audit and Supervisory Committee cooperates with the Accounting Auditors, the Auditing Group (an internal audit division of the Company) and the corporate auditor of each Advantest Group Company, and that there are opportunities to exchange opinions with them as deemed necessary.

(ii) The Company shall ensure that there are opportunities to exchange opinions between the Audit and Supervisory Committee and the Representative Director and shall strive for communication between them.

(iii) In case that a member of Audit Supervisory Committee requests a prepayment of expense necessary to perform his or her duties, the Company shall establish a necessary procedure of the prepayment and execute it without delay in accordance with the designated procedure.

- Status of implementation of the system to ensure the appropriateness of business

The status of implementation of the system to ensure the appropriateness of business during the fiscal year is as follows:

(i) Framework for the effective performance of duties

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

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

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

(ii) Framework concerning compliance

The Company established The Advantest Way, which articulates the Purpose & Mission, the Vision, the Core Values, the Guiding Principle, and the Ethical Standards, under which we raise INTEGRITY as our Core Values. We are promoting initiatives with the aim of materializing INTEGRITY in our daily operations and making INTEGRITY our true corporate culture. Specifically, we launched the “INTEGRITY award” to recognize and express appreciation for employees who have demonstrated INTEGRITY by recommendation from peer employees from FY2022.

In order to ensure that INTEGRITY is integrated into the corporate culture, the Company have established a system in which "INTEGRITY Ambassadors" are appointed from each unit worldwide and supported by a "Culture Council" headed by the Group CEO, instead of the conventional short-term project in FY 2022. The Company group aims to spread INTEGRITY by promoting specific activities throughout the Company group and at each unit.

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

(iii) Framework for risk management

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

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

*1 ERP: Emergency Response Plan
*2 CMP: Crisis Management Plan
*3 BCP: Business Continuity (Recovery) Plan

(iv) Framework for retention and management of information

The Company retains and manages minutes of general meetings of shareholders and minutes of meetings of the Board of Directors and their reference materials, and important documents regarding the exercise of duties by directors pursuant to the internal rules. In addition, in order to implement the Company-wide Basic Policy on Information Security, the existing Information Security Committee was renamed the Global Information Security Committee in August 2023 and reorganized to include members from overseas subsidiaries. The Committee meets once a quarter to share security incidents and take measures to prevent recurrence, protect personal information and prevent leakage of confidential information, and maintain and improve the security of IT systems. In this current fiscal year, the Company conducted a simulation drill for dealing with cyberattacks and alerted all employees whenever phishing emails were received. In 2021, the Company began to obtain ISO 27001 certification for its information security management system. In August 2021, the Company acquired the certification in Japan, followed by our subsidiary in Germany obtained in May 2022 and our subsidiary in the U.S. obtained in May 2023.

(v) Framework to ensure the appropriateness of operations of the group

The Company establishes important business processes for Advantest as a whole, and by providing guidance on risk analysis and appropriate responses to such risks, the Company group establishes and operates the same internal control system. The Internal Control Committee monitors the status of internal controls of each company based on the CSA (Control Self-Evaluation) of each unit conducted by the internal audit division. It also monitors the status through audits by the internal audit division and gives instructions so that each group company can operate in accordance with the policy for building internal control systems. The Internal Control Committee reports to the Board of Directors if important matters concerning internal control of each group company are discovered

The internal audit division reports the audit results to the President and CEO and the Audit and Supervisory Committee, and also to the Board of Directors.

(vi) Framework for the implementation of audit by the Audit and Supervisory Committee

The Company has put in place a system whereby a standing Audit and Supervisory Committee member attends important meetings such as the meeting of the Executive Management Committee and grasp important matters regarding the execution of operations. The Audit and Supervisory Committee holds meetings with the independent auditor and the internal audit division, as necessary, to ensure good communication. The Company provides opportunities for the representative director, President & Group CEO and the Audit and Supervisory Committee to exchange opinions on a periodic basis or on an as-needed basis in order to ensure good communication.

The Company has established the Audit and Supervisory Committee Office to which a full-time employee who assists the Audit and Supervisory Committee is assigned. The employee who assists the Audit and Supervisory Committee performs his duties in accordance with instructions of the Audit and Supervisory Committee members, and thus his independence from directors who are not Audit and Supervisory Committee members and from other officers and employees is ensured.

Consolidated Financial Statements

Consolidated Statement of Financial Position
(As of March 31, 2024)

(Millions of Yen)

	FY2022 (reference)	FY2023
Assets		
Current assets	374,695	420,261
Cash and cash equivalents	85,537	106,702
Trade and other receivables	102,152	88,855
Inventories	169,082	204,389
Other current assets	17,924	20,315
Non-current assets	225,529	250,968
Property, plant and equipment, net	64,046	78,884
Right-of-use assets	17,312	19,106
Goodwill and intangible assets, net	95,767	98,514
Other financial assets	21,488	20,139
Deferred tax assets	26,522	33,423
Other non-current assets	394	902
Total assets	600,224	671,229

	FY2022 (reference)	FY2023
Liabilities		
Current liabilities	174,689	126,277
Trade and other payables	89,262	76,863
Short-term borrowings	13,357	—
Income taxes payable	30,635	10,262
Provisions	9,093	8,668
Lease liabilities	4,587	5,147
Other financial liabilities	4,903	1,868
Other current liabilities	22,852	23,469
Non-current liabilities	56,841	113,774
Long-term borrowings	20,000	75,143
Lease liabilities	12,900	14,153
Retirement benefit liabilities	16,812	19,134
Deferred tax liabilities	5,773	3,934
Other non-current liabilities	1,356	1,410
Total liabilities	231,530	240,051
Equity		
Share capital	32,363	32,363
Share premium	44,622	45,441
Treasury shares	(59,099)	(56,353)
Retained earnings	319,171	355,299
Other components of equity	31,637	54,428
Total equity attributable to owners of the parent	368,694	431,178
Total equity	368,694	431,178
Total liabilities and equity	600,224	671,229

Consolidated Statement of Profit or Loss
(From April 1, 2023 to March 31, 2024)

(Millions of Yen)

	FY2022 (reference)	FY2023
Net sales	560,191	486,507
Cost of sales	(241,130)	(240,477)
Gross profit	319,061	246,030
Selling, general and administrative expenses	(152,042)	(158,963)
Other income	1,003	3,926
Other expenses	(335)	(9,365)
Operating income	167,687	81,628
Financial income	4,458	1,244
Financial expenses	(875)	(4,702)
Income before income taxes	171,270	78,170
Income taxes	(40,870)	(15,880)
Net income	130,400	62,290
Net income attributable to: Owners of the parent	130,400	62,290

Consolidated Statement of Comprehensive Income
(From April 1, 2023 to March 31, 2024)

(Millions of Yen)

	FY2022 (reference)	FY2023
Net income	130,400	62,290
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plan	3,327	(640)
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	5,062	(3,238)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	8,093	26,029
Total other comprehensive income (loss)	16,482	22,151
Total comprehensive income for the year	146,882	84,441
Comprehensive income attributable to:		
Owners of the parent	146,882	84,441

Consolidated Statement of Changes in Equity
(From April 1, 2023 to March 31, 2024)

(Millions of Yen)

	Equity attributable to owners of the parent						
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	Total Equity
FY2023							
Balance as of April 1, 2023	32,363	44,622	(59,099)	319,171	31,637	368,694	368,694
Net income				62,290		62,290	62,290
Other comprehensive income (loss), net of tax					22,151	22,151	22,151
Total comprehensive income for the year	—	—	—	62,290	22,151	84,441	84,441
Purchase of treasury shares			(17)			(17)	(17)
Disposal of treasury shares		(1,218)	2,727	(596)		913	913
Cancellation of treasury shares			36	(36)		—	—
Dividends				(24,890)		(24,890)	(24,890)
Share-based payments		1,639				1,639	1,639
Other		398				398	398
Transfer from other components of equity to retained earnings				(640)	640	—	—
Total transactions with the owners	—	819	2,746	(26,162)	640	(21,957)	(21,957)
Balance as of March 31, 2024	32,363	45,441	(56,353)	355,299	54,428	431,178	431,178

Notes to Consolidated Financial Statements

1. Notes to significant matters based on which the consolidated financial statements were prepared

(1) Basis of presentation

The consolidated financial statements of Advantest Corporation (The "Company") and its consolidated subsidiaries (collectively, The "Company group") have been prepared on the basis of International Financial Reporting Standards ("IFRS"), pursuant to paragraph 1 of Article 120 of the Ordinance on Accounting of Companies (*kaisha keisan kisoku*). However, certain disclosures required on the basis of IFRS are omitted pursuant to the latter part of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies.

(2) Scope of consolidation

Consolidated subsidiaries

(a) Number of consolidated subsidiaries 40

(b) Names of major consolidated subsidiaries are described in "1. Current Conditions of the Company group, (3) Significant Subsidiaries" of the Business Report.

(3) Material accounting policies

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call with banks, and other short term highly liquid investments with maturities of 3 months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(ii) Inventories

The cost of inventories includes purchase costs, processing costs and all other costs incurred to bring inventories to their present location and condition.

Inventories are measured at the lower of cost or net realizable value. If net realizable value is less than the cost, that difference is accounted for as a write off and recognized as an expense. The weighted average method is used to calculate cost. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and estimated costs necessary to make the sale.

(iii) Financial instruments

(a) Non-derivative financial assets

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

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

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

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

Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost in case they meet the following requirements:

・The financial asset is held within a business model with the objective of collecting contractual cash flows.

・The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method, and the expected credit losses are recognized as allowance for doubtful accounts. The expected credit losses are calculated based on historical loss experience or future recoverable amounts.

Financial assets measured at fair value through other comprehensive income

The Company group holds certain instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees. These equity instruments are classified as financial assets measured at fair value through other comprehensive income by designation. They are initially and subsequently measured at fair value, and the changes in fair value are recognized in other comprehensive income (OCI). The cumulative amount of OCI is recognized in equity as other components of equity. If the Company group derecognizes financial assets, the cumulative gain or loss recognized in OCI is reclassified from other components of equity to retained earnings. Dividends on financial assets measured at fair value through other comprehensive income are recognized in profit or loss, except when they are considered to be return of the investment.

Financial assets measured at fair value through profit or loss

The other financial assets are classified as financial assets measured at fair value through profit or loss. These instruments are subsequently measured at fair value and the changes in fair value are recognized in profit or loss.

(b) Non-derivative financial liabilities

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

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

The Company group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

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

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

(iv) Property, plant and equipment (except right-of-use assets)
Except for assets that are not subject to depreciation such as land, assets are depreciated using the straight-line method over their estimated useful lives.

(v) Goodwill and other intangible assets
Goodwill is not amortized. Intangible assets (except right-of-use assets) for which useful lives can be determined are amortized by the straight-line method over their estimated useful lives from the date the assets are available for use.

(vi) Impairment
Property, plant and equipment, right-of-use assets, goodwill and intangible assets are tested for impairment if there is any indication of impairment for the assets. Goodwill is tested for impairment both annually and when there is any indication of impairment. An impairment loss is recognized if the recoverable amount of an asset, cash-generating unit (CGU) or CGU group is less than its carrying amount.

(vii) Provisions
Provisions are recognized when the Company group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made.
When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

(viii) Post-employment benefits
The Company and certain of its subsidiaries have retirement and severance defined benefit plans covering substantially all of their employees. For each defined benefit plan, the present value of defined benefit obligations, related current service cost and past service cost are calculated using the projected unit credit method. The discount rates are the yields of high quality corporate bonds that have maturity terms approximating those of the obligations which the benefits are expected to be paid. Net defined benefit liability (asset) is measured at the present value of the defined benefit obligation less the fair value of plan assets. Remeasurements of net of liabilities or assets for defined benefit plans are recognized in full as other comprehensive income in the period when they are incurred and reclassified to retained earnings immediately. Past service costs are recognized immediately in profit or loss.

(ix) Revenue
The Company group recognizes revenue based on the five-step model.
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations (accounting treatment for goods or services separately)
Step 3: Determine the transaction price (amount of consideration)
Step 4: Allocate the transaction price to the performance obligations
Step 5: Recognize revenue when the entity satisfies a performance obligation
The Company group sells test system products of semiconductor and mechatronics-related products such as test handlers that handling semiconductor devices, the revenue for these is recognized when control of such products is transferred to customers as the performance obligation is satisfied based on contractual terms. The timing at which control of such products transferred to customers is determined upon delivery or acceptance.
Additionally, the Company group has performance obligation towards customers on the service contracts. Revenue from such service contracts is recognized over the contract term on the straight-line basis.

(x) Foreign currency translation
Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of the reporting period, and revenue and expense items are translated using the average exchange rates during the period. Gains or losses derived from translating foreign operations' financial statements are recognized in other comprehensive income and presented in other components of equity.

(xi) Income Taxes
The Company group has adopted exceptions stipulated by the amendments to IAS 12. Therefore, the Company group does not recognize and disclose deferred tax assets and liabilities related to the income taxes arising from the Pillar Two Model rules which were announced by the Organization for Economic Co-operation and Development's (OECD). The impact of applying the exceptions on the Company group's consolidated financial statements is immaterial.

2. Notes to accounting estimates

(1) Valuation of inventories

(i) Amount recognized in the consolidated financial statements as of March 31, 2024.

Inventories	¥204,389 million

(ii) Other information that deepens the understanding of users of the consolidated financial statements regarding the content of accounting estimates

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

(2) Impairment of property, plant and equipment, right-of-use assets, goodwill and intangible assets

(i) Amount recognized in the consolidated financial statements as of March 31, 2024.

Property, plant and equipment, net	¥78,884 million
Right-of-use assets	¥19,106 million
Goodwill and intangible assets, net	¥98,514 million

(ii) Other information that deepens the understanding of users of the consolidated financial statements regarding the content of accounting estimates

The Company group performs an impairment test for property, plant and equipment, right-of-use assets, goodwill and intangible assets when there is any indication that the recoverable amount is less than the carrying amount of the assets. Goodwill is tested for impairment both annually and when there is any indication of impairment.

The impairment test is performed by comparing the carrying amount and the recoverable amount of cash-generating unit (CGU) or CGU group. If the recoverable amount is less than the carrying amount, impairment loss is recognized. The recoverable amount is mainly calculated based on the discounted cash flow model. The estimated future cash flows associated with CGU or CGU group are discounted to present value using a pre-tax discount rate which reflects current market assessments of the time value of money and any risks specific to CGU or CGU group. The estimated future cash flows associated with CGU or CGU group are based on the business plan for 3 years approved by management and the growth rate after 3 years.

CGU that has significant goodwill as of March 31, 2024 are Essai, Inc., and R&D Altanova group and the amount of goodwill allocated to these CGUs are ¥6,356 million and \27,826 million, respectively. Essai, Inc. and R&D Altanova group also have significant intangible assets of ¥16,795 million and \8,901 million as of March 31, 2024, respectively. The key assumptions in the impairment test of CGU above are the sales forecast to existing large-volume customers and prospects for new customers that form the basis of the three-year business plan, discount rate and growth rate after 3 years. Generally, a reduction rate of capital expenditures of semiconductor manufacturers during downturns in the semiconductor industry, including investments in semiconductor test systems, is much greater than a reduction rate of worldwide semiconductor sales.

These assumptions are based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions. Any changes in these assumptions may have a material impact on amount recognized in the consolidated financial statements in future periods. At the end of the fiscal year ended March 31, 2024, Essai, Inc. recognized \8,998 million of impairment loss for a portion of goodwill as sales forecast for a large-volume customer is weaker than originally expected, causing future cash flow projections to deteriorate. The recoverable amount of R&D Altanova group approximates the carrying amount as of March 31, 2024 primarily due to high discount rate that derives from continued trend of high USD interest rate.

(3) Post-employment benefits

(i) Amount recognized in the Consolidated Financial Statements as of March 31, 2024.

Retirement benefit liabilities	¥19,134 million

(ii) Other information that deepens the understanding of users of the consolidated financial statements regarding the content of accounting estimates

The Company and certain of its subsidiaries have retirement and severance plans, which are defined benefit and defined contribution plans covering substantially all of their employees. For defined benefit plans, the present value of defined benefit obligations on each of these plans and the service costs are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables such as discount rates. The key assumptions are discount rate and rate of compensation increase.

The actuarial assumptions are determined based on the best estimates and judgments made by management; however, there is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on amount recognized in the consolidated financial statements in future periods.

(4) Valuation of deferred tax assets

(i) Amount recognized in the Consolidated Financial Statements as of March 31, 2024

Deferred tax assets	¥33,423million

(ii) Other information that deepens the understanding of users of the consolidated financial statements regarding the content of accounting estimates
The Company group judges the recoverability of deferred tax assets depending on taxable income based on the business plan and tax planning.
Key assumption for estimates of taxable income is sales forecast of each business unit as the basis for business plan. Generally, a reduction rate of capital expenditures of semiconductor manufacturers during downturns in the semiconductor industry, including investments in semiconductor test systems, is much greater than a reduction rate of worldwide semiconductor sales due to significant demand volatility in the semiconductor industry. In addition, the semiconductor industry has been highly cyclical with recurring periods of excess inventory, which possibly have a severe effect on the semiconductor industry's demand for semiconductor test systems. Therefore, the Company group estimates the timing, period, and amount of taxable income taking into account deviation of past forecast and actual results as well as uncertainty due to future changes in economic conditions.
Differences in result and forecast of taxable income may have a material impact on the amount of deferred tax assets recognized in the consolidated financial statements in future periods.

3. Notes to consolidated statement of financial position
Accumulated depreciation on property, plant and equipment: ¥108,838 million
(Accumulated impairment losses are included)

4. Notes to consolidated statement of changes in equity

(1) Total number of issued shares as of March 31, 2024

Common shares 766,141,256 shares

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

(2) Dividends from surplus

(i) Dividends paid

Resolution	Class of shares	Amount of dividend	Dividend per share	Record date	Effective date
Board of Directors' meeting held on May 19, 2023	Common shares	¥12,906 million	¥70	March 31, 2023	June 5, 2023
Board of Directors' meeting held on October 31, 2023	Common shares	¥11,995 million	¥65	September 30, 2023	December 1, 2023

(Notes) 1. Dividend of ¥11 million to the Company shares for the BIP Trust and the ESOP Trust was included in the amount of dividend which was resolved at the Board of Directors' meeting held on May 19, 2023.

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

(ii) Dividend with a record date in the current fiscal year and an effective date in the next fiscal year

Resolution	Class of shares	Source of dividend	Amount of dividend	Dividend per share	Record date	Effective date
Board of Directors' meeting held on May 21, 2024	Common shares	Retained earnings	¥13,291 million	¥18	March 31, 2024	June 7, 2024

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

(3) Stock acquisition rights outstanding as of March 31, 2024

(Excluding stock acquisition rights for which the exercise period has not begun)

Pursuant to the resolution adopted at the meeting of the Board of Directors of June 26, 2019

Common shares 247,380 shares

Pursuant to the resolution adopted at the meeting of the Board of Directors of June 25, 2020

Common shares 327,180 shares

(Note) The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. "Stock acquisition rights" present the shares after the share split.

5. Notes to financial instruments

(1) Financial instruments

The Company group limits its fund management to short-term instruments including deposits at financial institutions with high credit ratings. Credit risk of notes receivable and trade accounts receivable pertaining to customers are minimized through credit administration standards.

The Company group keeps track of fair values of shares and other securities it owns, and annually reviews them to determine whether the Company group should continuously hold them. In addition, the Company group obtains financing from bonds issued and bank loans when needed. Furthermore, the Company group will not make any speculative derivative transactions other than to conduct derivative exchange rate transactions in order to cope with actual demand risks, pursuant to its fund management guidelines with high credit rating financial institutions.

(2) Fair value of financial instruments

(Borrowings)

Short-term borrowings are settled on a short-term basis, and their fair values approximate their carrying amounts. The fair value of long-term borrowings with floating rates is assumed to be quite similar to the carrying amounts because it reflects market interest rates in a short period of time and the Company group's credit status is not significantly different after the execution. The fair values of long-term borrowings with fixed rates is calculated by the total sum of the principal and interest discounted by using the interest rates that would be applied if similar new borrowings were conducted.

(Other non-current liabilities)

The fair value of other non-current liabilities is calculated based on the present value discounted by interest rate reflecting the effect of credit risk.

(Others)

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

(3) Fair value hierarchy of financial instruments

Financial instruments are classified into three levels of the fair value hierarchy based on the measurement inputs' observability and materiality as follows:

Level 1: Fair value measured at quoted prices for identical assets or liabilities in active markets
Level 2: Fair value measured by direct or indirect observable inputs other than Level 1
Level 3: Fair value measured by significant unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input with the lowest level in the fair value measurement as a whole.

The transfers between levels in the fair value hierarchy are deemed at the beginning of each quarter period.

There were no transfers of financial instruments between levels during the fiscal year ended March 31, 2024.

(i) The financial assets and financial liabilities measured at amortized cost were classified by hierarchy as follows. The table does not include financial instruments whose fair value approximates their carrying amount or are immaterial:

As of March 31, 2024

Millions of Yen

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

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

As of March 31, 2024

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through other comprehensive income				
Equity instruments (Note)	17,079	—	929	18,008
Total financial assets	17,079	—	929	18,008
Financial liabilities that are measured at fair value through profit or loss				
Derivatives	—	3,030	—	3,030
Total financial liabilities	—	3,030	—	3,030

(Note) The Company group holds equity instruments to accomplish expansion of revenue base by maintaining and enforcing relationships with investees. These equity instruments are designated as financial assets measured at fair value through other comprehensive income (“FVTOCI”).

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

Millions of Yen

	Fiscal year ended March 31, 2024
Balance at beginning of year	866
Gains or losses	
Other comprehensive income (Note)	38
Others	25
Balance at end of year	929

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

6. Notes to revenue recognition

(1) Disaggregation of revenue

The Company group has three reportable operating segments: “semiconductor and component test system business,” “mechatronics system business” and “services, support and others.” Net sales disaggregated by region and segment were as follows:

Millions of Yen

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

The breakdown of semiconductor and component test system business was as follows:
SoC : \245,688 million
Memory : \85,854 million

Revenue is accounted for in accordance with the account policy described in (3) (ix) of note 1, “Notes to significant matters based on which the consolidated financial statements were prepared.”
The transaction price is measured based on the amount promised in the contracts with customers and includes no significant financing components because there are no contracts with long payment terms from the satisfaction of performance obligation to payment of transaction price. Payment terms are generally within 3 months. Additionally, there are no significant revenue including variable consideration.
In case there are multiple performance obligations in the contract, transaction price is allocated to each individual performance obligation based on the standalone selling price which is calculated from reasonably available information including prices of similar transactions.

(2) Contract balances

Receivables and liabilities from contracts with customers were as follows:

Millions of Yen

	As of March 31, 2023 (reference)	As of March 31, 2024
Receivables from contracts with customers		
- Notes and trade accounts receivables	96,477	80,815
Contract liabilities		
- Advance receipt	19,782	18,233

Contract liabilities are mainly cash received from customers before satisfied performance obligations or consideration paid for the unfulfilled service when the service is continuously provided. Both are included in the advance receipt. Advance receipt is included in “Other current liabilities” in the consolidated statement of financial position.

The Company group recognized \17,140 million as a revenue from the balance of contract liabilities as of April 1, 2023 in the fiscal year ended March 31, 2024, and the amount carried forward to the following fiscal years onward is insignificant.

There was no revenue recognized in the fiscal year ended March 31, 2024 from performance obligations satisfied or partially satisfied in past periods.

(3) Transaction price allocated to the remaining performance obligations

The Company group applies the practical expedients for exemption on disclosure of information on remaining performance obligations because it has no significant transactions with performance obligation terms exceeding one year. Additionally, the consideration from contracts with customers, which is not included in the transaction price, is insignificant.

7. Notes to per share information

Equity attributable to owners of the parent per share: ¥584.25

Basic earnings per share: ¥84.45

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

8. Notes to significant subsequent events

Not applicable.

9. Other notes

Amounts less than one million yen are rounded.

Non-Consolidated Financial Statements

Balance Sheet (Non-Consolidated)

(As of March 31, 2024)

(Millions of Yen)

Items	FY2022 (reference)	FY2023
Assets		
Current assets	312,825	346,822
Cash and deposits	53,569	61,446
Trade notes receivable	2	13
Electronically recorded monetary claims	2,304	3,303
Accounts receivable	106,650	89,722
Merchandises and finished goods	21,379	18,739
Work in progress	27,142	33,605
Raw materials and supplies	86,133	114,299
Other current assets	15,646	25,695
Non-current assets	221,035	239,382
Property, plant and equipment	21,660	21,095
Buildings and structures	5,178	5,326
Land	8,089	8,089
Other property, plant and equipment	8,393	7,680
Intangible fixed assets	1,183	941
Patent right	61	36
Other intangible fixed assets	1,122	905
Investments and other assets	198,192	217,346
Investment securities	332	373
Investment in affiliated companies	149,731	149,731
Long-term loans receivable	28,643	38,187
Deferred tax assets	18,090	22,763
Other non-current assets	1,396	6,292
Total assets	533,860	586,204

Items	FY2022 (reference)	FY2023
Liabilities		
Current liabilities	198,518	165,130
Trade accounts payable	58,903	39,670
Current portion of long-term borrowings	13,353	—
Other accounts payable	15,608	12,612
Accrued expenses	7,191	7,786
Income taxes payable	22,816	232
Advance receipt	7,803	7,329
Deposits received	60,087	79,252
Accrued warranty expenses	8,877	8,106
Bonus accrual for directors	171	130
Provision for share-based remuneration	1,097	5,688
Other current liabilities	2,612	4,325
Non-current liabilities	29,353	88,467
Long-term borrowings	20,000	75,141
Provision for retirement benefits	7,705	11,314
Asset retirement obligations	40	40
Provision for share-based remuneration	1,131	1,511
Other non-current liabilities	477	461
Total liabilities	227,871	253,597
Net assets		
Shareholders' equity	305,521	332,324
Common stock	32,363	32,363
Capital surplus	32,973	32,973
Capital reserve	32,973	32,973
Retained earnings	299,284	323,341
Legal reserve	3,083	3,083
Other retained earnings	296,201	320,258
[Retained earnings carried forward]	[296,201]	[320,258]
Treasury shares	(59,099)	(56,353)
Valuation and translation adjustments	18	66
Valuation difference on available for-sale securities	18	66
Stock acquisition rights	450	217
Total net assets	305,989	332,607
Total liabilities and net assets	533,860	586,204

Statement of Operations (Non-Consolidated)
(From April 1, 2023 to March 31, 2024)

(Millions of Yen)

Items	FY2022 (reference)	FY2023
Net sales	482,576	394,694
Cost of sales	216,685	199,551
Gross profit	265,891	195,143
Selling, general and administrative expenses	131,808	140,062
Operating income	134,083	55,081
Non-operating income		
Interest and dividends income	15,762	10,189
Foreign exchange gains	3,166	—
Other	538	374
Non-operating expenses		
Interest expenses	2,669	5,422
Foreign exchange losses	—	1,730
Other	512	424
Ordinary income	150,368	58,068
Income before income taxes	150,368	58,068
Income taxes - current	34,354	13,339
Income taxes - deferred	180	(4,665)
Net income	115,834	49,394

Statement of Changes in Net Assets
(From April 1, 2023 to March 31, 2024)

(Millions of Yen)

	Shareholders' equity						Valuation and translation adjustments	Stock acquisition rights	Total net assets
	Common stock	Capital surplus	Retained earnings		Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
		Capital reserve	Legal reserve	Other retained earnings: Retained earnings carried forward					
Balance at beginning of year	32,363	32,973	3,083	296,201	(59,099)	305,521	18	450	305,989
Changes in the year									
Dividends from retained earnings				(24,901)		(24,901)			(24,901)
Net income				49,394		49,394			49,394
Purchase of treasury shares					(17)	(17)			(17)
Disposal of treasury shares				(400)	2,727	2,327			2,327
Cancellation of treasury shares				(36)	36	—			—
Changes of items other than shareholders' equity, net							48	(233)	(185)
Total changes in the year	—	—	—	24,057	2,746	26,803	48	(233)	26,618
Balance at end of year	32,363	32,973	3,083	320,258	(56,353)	332,324	66	217	332,607

<u>Notes to Non-Consolidated Financial Statements</u>

1. Notes to significant accounting policies
   (1) Valuation of securities
      (i) Investments in subsidiaries: Stated at cost using the moving average method

      (ii) Other securities
         (a) Securities other than ones without market value
             Stated at fair value based on market prices at the end of the relevant period (evaluation difference is accounted for as a component of stockholders' equity; cost of other securities sold is determined using the moving average method)
         (b) Securities without market value
             Stated at cost using the moving average method

   (2) Valuation of inventories
       Stated principally at cost using the gross average method (balance sheet value of assets are calculated using a method in which book values are written down in accordance with decreased profitability)

   (3) Depreciation and amortization of non-current assets
      (i) Depreciation of plant and equipment
          Based on the straight-line method

      (ii) Amortization of intangible fixed assets
          Based on the straight-line method
          However, software for internal use is amortized using the straight-line method over its estimated useful life of 5 years.

   (4) Allowances/Provisions
      (i) Allowance for doubtful accounts
          To prepare for credit losses on accounts receivable and loans, etc., an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on a historical write-off ratio and for bad receivables based on a case-by-case determination of collectability.

      (ii) Accrued warranty expenses
          To reasonably account for repair costs covered under product warranty in the respective periods in which they arise, the allowance for a given year is provided in an amount determined based on the ratio of repair costs in that year to net sales in the preceding year.

      (iii) Bonus accrual for directors
          In preparation for the payment of bonuses to directors of the total amount expected to be paid, an estimated amount for the fiscal year ended March 31, 2024 is reported.

      (iv) Provision for retirement benefits
          To provide for employee retirement benefits, an allowance is provided in an amount determined based on the estimated retirement benefit obligations and pension assets at the end of the fiscal year.
          Prior service cost is amortized on a straight-line basis over the average remaining service period of employees.
          Any actuarial gains and losses are amortized on a straight-line basis over the average remaining service period of employees, and the amount is recorded in the fiscal year subsequent to its occurrence.

      (v) Provision for share-based remuneration
          In preparation for share benefit expected to be paid in the future, an estimated amount for the fiscal year ended March 31, 2024 is reported.

(5) Revenue recognition

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

For details, see (3) (ix) of note 1, "Notes to significant matters based on which the consolidated financial statements were prepared" in the Notes to consolidated financial statements.

(6) Implementation of a group tax sharing system

The Company has implemented a group tax sharing system.

2. Changes in Presentation

(Statement of operations)

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

3. Notes to accounting estimates

(1) Valuation of inventories

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

Merchandises and finished goods	¥18,739 million
Work in progress	¥33,605 million
Raw materials and supplies	¥114,299 million

(ii) Other information that deepens the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

See (1) (ii) of note 2, "Notes to accounting estimates" in the Notes to consolidated financial statements.

(2) Impairment of property, plant and equipment and intangible assets

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

Property, plant and equipment	¥21,095 million
Intangible fixed assets	¥941 million

(ii) Other information that deepens the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

See (2) (ii) of note 2, “Notes to accounting estimates” in the Notes to consolidated financial statements.

(3) Provision for retirement benefits

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

Provision for retirement benefits ¥11,314 million

(ii) Other information that deepens the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

See (3) (ii) of note 2, “Notes to accounting estimates” in the Notes to consolidated financial statements.

(4) Valuation of deferred tax assets

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

Deferred tax assets ¥22,763 million

(ii) Other information that deepens the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

See (4) (ii) of note 2, "Notes to accounting estimates" in the Notes to consolidated financial statements.

(5) Valuation of investment in affiliated companies

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

Investment in affiliated companies ¥53,526 million (Advantest America, Inc. shares)

(ii) Other information that deepens the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

In valuing Advantest America, Inc. shares, the Company reflects the excess earning power of its subsidiaries Advantest Test Solutions, Inc., Essai, Inc., R&D Altanova, Inc. and its sub-subsidiary Shin Puu Technology Co., Ltd. in its valuation of real value. Determining whether the excess earning power is declining is based on estimated future cash flows based on a three-year business plan approved by management, growth rate after 3 years and discount rate.

The key assumptions in determining whether the excess earning power is declining are the sales forecast to existing large-volume customers and prospects for new customers that form the basis of the three-year business plan, discount rate and growth rate after 3 years. Generally, a reduction rate of capital expenditures of semiconductor manufacturers during downturns in the semiconductor industry, including investments in semiconductor test systems, is much greater than a reduction rate of worldwide semiconductor sales.

These assumptions are based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions. Any changes in these assumptions may have a material impact on amount recognized in the non-consolidated financial statements in future periods.

4. Notes to balance sheet

(1)	Accumulated depreciation on property, plant and equipment:	¥29,334 million
(2)	Short-term monetary receivables from affiliated companies:	¥63,851 million
	Long-term monetary receivables from affiliated companies:	¥38,140 million
	Short-term monetary payables to affiliated companies:	¥91,839 million

(3) The Company has a commitment line agreement with a financial institution in order to ensure efficient procurement of funding for business activities. The unexecuted balance of borrowings at the fiscal year ended March 31, 2024 based on this agreement is as follows.

Total amount of loan limit	\60,000 million
Borrowing outstanding balance	−
Balance	\60,000 million

5. Notes to statement of operations
Transactions with affiliated companies

Sales:	¥221,405 million
Purchases:	¥124,852 million
Non-operating transactions:	¥13,234 million

6. Notes to statement of changes in net assets
Total number of treasury shares as of March 31, 2024

Common shares	27,729,675 shares

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

7. Notes to tax effect accounting
The breakdown of deferred tax assets and liabilities was as follows;

	(Millions of Yen)
Deferred tax assets	
Appraised value of inventories	4,505
Provision for retirement benefits	2,125
Fixed assets	16,255
Other	5,427
Subtotal of deferred tax assets	28,312
Valuation allowance for deductible temporary differences	(5,526)
Subtotal of valuation allowance	(5,526)
Total of deferred tax assets	22,786
Deferred tax liabilities	
Other	(23)
Total of deferred tax liabilities	(23)
Net deferred tax assets	22,763

8. Notes to transactions with related parties
(1) Parent company and major corporate shareholders
Not applicable.

(2) Officers and major individual investors
Not applicable.

(3) Subsidiaries

Company name	Address	Common stock	Principal Activities	Percentage of Voting Rights	Description of relationships		Details of transactions	Amount of transactions	Items	Balance at fiscal year end
					Officer of subsidiaries temporarily transferred from the Company	Business relationship				
Advantest America, Inc.	California, U.S.A.	4,059 thousand US Dollars	Development and sale of test systems, etc.	100.0%	Yes	Development and sale of the Company’s products	Sales	¥52,574 million	Accounts receivable	¥34,480 million
							Loans	\9,085 million	Long-term loans receivable	¥37,853 million
Advantest Europe GmbH	Munich, Germany	10,793 thousand Euro	Development and sale of test systems, etc.	100.0%	Yes	Development and sale of the Company’s products	Subcontract cost for R&D etc.	¥35,004 million	Other accounts payable	\3,451 million
							Depositing of cash	–	Deposits received	\9,048 million
Advantest Taiwan Inc.	Hsin-Chu Hsien, Taiwan	500,000 thousand New Taiwan Dollars	Sale of test systems, etc.	100.0%	Yes	Sale of the Company’s products	Sales	¥76,525 million	Accounts receivable	¥13,699 million
							Depositing of cash	–	Deposits received	\6,970 million
Advantest (Singapore) Pte. Ltd.	Singapore	15,300 thousand Singapore Dollars	Sale of test systems, etc.	100.0%	Yes	Sale of the Company’s products	Depositing of cash	–	Deposits received	\53,554 million

Terms and conditions of transactions and determination of policies thereof

1. With respect to sales, the price is determined by referring to the market price, among others.
2. With respect to deposit, it is from cash management system, and the interest rate is determined by taking into account the market interest rate. As the cash are continuously transferred, the amount of transactions are not listed.

9. Notes to revenue recognition

The information that is the basis for understanding the revenue from contracts with customers are omitted, as it is described in note 6, "Notes to revenue recognition” in the Notes to consolidated financial statements.

10. Notes to per share information

Net assets per share: ¥450.14
Net income per share: ¥66.93

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

11. Notes to significant subsequent events

Not applicable.

12. Other notes

Amounts less than one million yen are rounded.

Audit Reports

Copy of Report of Independent Auditors (Consolidated)

Independent Auditor's Report

May 17, 2024

The Board of Directors
Advantest Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

/s/ Toshiyuki Matsumoto
Toshiyuki Matsumoto
Designated Engagement Partner
Certified Public Accountant

/s/ Minoru Ota
Minoru Ota
Designated Engagement Partner
Certified Public Accountant

/s/ Hiroyuki Nakada
Hiroyuki Nakada
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statements of income, comprehensive income, changes in equity, and notes to the consolidated financial statements of Advantest Corporation and its subsidiaries (the Group) applicable to the fiscal year from April 1, 2023 to March 31, 2024.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group applicable to the fiscal year ended March 31, 2024, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Group's business report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

・ Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

・ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

・ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

・ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

・ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report:
This is an English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

Copy of Report of Independent Auditors

Independent Auditor's Report

May 17, 2024

The Board of Directors
Advantest Corporation:

Ernst & Young ShinNihon LLC
Tokyo, Japan

/s/ Toshiyuki Matsumoto
Toshiyuki Matsumoto
Designated Engagement Partner
Certified Public Accountant

/s/ Minoru Ota
Minoru Ota
Designated Engagement Partner
Certified Public Accountant

/s/ Hiroyuki Nakada
Hiroyuki Nakada
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, paragraph 2 (i) of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operations, the statement of changes in net assets, and notes to the financial statements of Advantest Corporation (the Company) applicable to the 82nd fiscal year from April 1, 2023 to March 31, 2024.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended March 31, 2024, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Company's business report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit and Supervisory Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

・Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.

・Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

・Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

・Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

・Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit of the financial information of the components. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor’s Report:
This is an English translation of the Independent Auditor’s Report as required by the Companies Act for the conveniences of the reader.

Copy of Audit and Supervisory Committee's Audit Report

Audit Report

The Audit and Supervisory Committee of Advantest Corporation (the "Company") has audited the performance of duties by Directors during the 82nd fiscal year (from April 1, 2023 to March 31, 2024). We hereby report the method and result thereof as follows.

1. Methods and Content of Audit

Regarding the content of the resolution of the Board of Directors relating to matters stipulated in Article 399-13, Paragraph 1, Item 1(b) and (c) of the Companies Act of Japan and the status of the system being developed pursuant to such resolutions (internal controls system), the Audit and Supervisory Committee periodically received reports from the Directors, Executive Officers, and employees and other personnel concerning the establishment and management of such system, sought explanations as necessary, and expressed opinions. In addition, the Audit and Supervisory Committee carried out audits according to the following method:

(i) In compliance with the Rules for Audit by the Audit and Supervisory Committee established by the Audit and Supervisory Committee, pursuant to the audit policies, audit plans, priority audit items, allocation of duties, etc., and in coordination with the internal audit division and other relevant departments with jurisdiction over internal control, the audit and supervisory committee members attended important meetings such as Executive Management Committee, Business Plan Meeting, Internal Control Committee, received reports from Directors, Executive Officers and employees on the performance of their duties, requested further explanations as deemed necessary, reviewed important approval-granting documents, and inspected the state of business operations and assets at the head office and other important branch offices.

With respect to subsidiaries, we communicated with and exchanged information by interview with the directors and opinion exchange meeting with corporate auditors of the subsidiaries and received business reports from subsidiaries as deemed necessary, and conducted audit to the Company's main consolidated subsidiaries overseas (mainly by interviewing via face to face or web conferences), and confirmed their state of business operations and assets.

As a result of these investigations and audit activities, we shared our views with directors and department heads on what we recognized as a need for feedback.

(ii) In addition, we monitored and reviewed whether the Independent Auditors maintained their independent positions and conducted the audit properly, received reports from the Independent Auditors on the performance of their duties, such as audit plans, group audit status, quarterly review results, and year-end audit results, and requested further explanations as deemed necessary. Furthermore, we were informed by the Independent Auditors that they are establishing a "System to ensure the appropriate performance of duties" (*Syokumu no Suikou ga Tekisei ni Okonawareru Koto o Kakuho Suru Tameno Taisei*) (Matters as defined in each Item of Article 131 of the Company Accounting Regulations) pursuant to "Quality control standards of audit" (*Kansa ni Kansuru Hinshitsu Kanri Kijyun*) (the Business Accounting Counsel, dated on November 16, 2021), and requested their explanations as deemed necessary. We also discussed focus items for audit including key audit matters (KAM) with the Independent Auditors, received reports on the status of implementation of the audit related to such matters, and requested their explanations as deemed necessary, and actively communicated our views as the Audit and Supervisory Committee.

Based on the above methods, we reviewed the business report and the related supplementary schedules, the consolidated financial statements (the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and notes to consolidated financial statements), and the non-consolidated financial statements (the balance sheet, statement of operations, statement of changes in net assets, notes to non-consolidated financial statements) as well as the related supplementary schedules for the 82nd fiscal year.

2. Results of Audit

(1) Results of audit of the business report and other documents

(i) The business report and the related supplementary schedules of the Company accurately present the financial conditions of the Company in conformity with applicable laws and regulations and the Articles of Incorporation of the Company.

(ii) No irregularity or material violation of applicable laws or regulations or the Articles of Incorporation of the Company was found with respect to the activities of the Directors.

(iii) The contents of the resolutions of the meeting of the Board of Directors with respect to the internal control system are appropriate. In addition, there are no matters to be pointed out regarding the entries in the business report and the performance of duties of Directors with respect to the internal control system.

(2) Results of audit of the consolidated financial statements and the related supplementary schedules

The methods and results of audit performed by Ernst & Young ShinNihon LLC, the independent auditor of the Company, are appropriate.

(3) Results of audit of the financial statements and the related supplementary schedules

The methods and results of audit performed by Ernst & Young ShinNihon LLC, the independent auditor of the Company, are appropriate.

May 20, 2024

Audit and Supervisory Committee of Advantest Corporation

Yuichi Kurita
Standing Audit and Supervisory Committee Member

Sayaka Sumida
Audit and Supervisory Committee Member

Tomoko Nakada
Audit and Supervisory Committee Member

Note: Audit and Supervisory Committee Members Sayaka Sumida and Tomoko Nakada are outside directors provided in Article 2, Item 15, and Article 331, Paragraph 6 of the Companies Act of Japan.