

Advantest Corporation  
Summary of Q&A Session at the 82nd Ordinary General Meeting of Shareholders

[Questions received online prior to the meeting]

Q. Does the Company disclose earnings forecasts as ranges?

A. We strive to disclose what we consider to be the best figures for our earnings forecasts at the time of announcement. Even if earnings are announced in a range, the median of the range would be taken as our assumption, and stock price movements would likely be correlated with the median of the range and the average of analysts' earnings estimates. We aim to disclose earnings forecasts based on earnings estimates that are as precise as possible.

Q. Please tell us about your strategy to enhance corporate value. Also, what is your outlook for new areas such as AI-related fields?

A. Our strategy for increasing our corporate value in the market, including AI-related markets, is as explained by Group CEO Lefever in our new Mid-Term Management Plan. Generative AI is central to the age of complexity and is one of our priority areas. In this field, we have established good relationships with various customers and have secured a very high market share.

Q. The percentage increase in compensation for directors and independent directors is higher than it was three years ago; to what extent have employee salaries increased?

A. Japan and other countries have implemented reasonable wage increases based on market trends and labor-management negotiations in each country. In Japan, the rate of increase in base salaries over the past two years has been a few percent per year, but the average Advantest employee's salary is higher than the average for other listed companies in the Prime Market of the Tokyo Stock Exchange.

At the same time, total annual director compensation was approximately 680 million yen as of March 2021 and 762 million yen as of March 2024. This is mainly due to our transition to a system of three Representative Directors and to yen depreciation and inflation in the U.S., as well as the greater role expected of independent directors.

Q. I have heard that there is a labor dispute with one of your employees regarding take-home overtime work. What is your position on this case?

A. We are unfortunately unable to respond to this question due to confidentiality requirements related to employee information.

[Questions received at the meeting]

Q. In recent years, a lot of companies have foregrounded their corporate philosophy. While it is good to see a trend toward development centered on corporate philosophy, I feel that your philosophy is too abstract. We would like to see more concrete details. Also, your INTEGRITY has various meanings when translated into Japanese. What is the specific intent behind this word?

A. (President Tsukui) Our most important asset is our human resources. We are a Japanese company that started out as a manufacturer of measurement instruments, and this year marks the 70th anniversary of our founding. Our corporate culture has been characterized by the continuous pursuit of excellence in measurement, and diligence, teamwork, and steady accumulation of quality. What started as a small measurement instrument business grew into a semiconductor test equipment business, and expanded beyond Japan. Later, through mergers and acquisitions, we expanded our business to Germany, the U.S., and Asia. As the majority of our employees are now overseas, we established our core values as a way to share the corporate culture we have cultivated since our founding in Japan, and adopted INTEGRITY. Certainly, INTEGRITY has many meanings when translated into Japanese. We use the word with multiple connotations, such as “sincere,” “earnest,” and “considerate to others”. To ensure that all employees embody INTEGRITY, we have created the role of INTEGRITY Ambassadors within the group to promote INTEGRITY activities by providing a forum where everyone from management to employees can discuss the concept on a regular basis.

Q. Advantest’s percentage of female directors is 22%. To what extent do you hope to increase the ratio of female directors in the future? In relation to this, what is the current number of female managers? I think that simply increasing the number of female managers is not enough; you need to have a program or a scouting campaign to mentor excellent female managers. What are your thoughts on this?

A. (President Tsukui) We currently have two female directors. In terms of national diversity, we have two directors who are not Japanese nationals. We believe it is important for the Board of Directors to have diverse discussions. At this time, we are unable to answer the question regarding the future structure of the board, but we believe that discussions will be held in the future about increasing the number of female directors. We have disclosed data on the ratio of women in management positions. The percentage of female employees in our global workforce is about 21%, and the percentage of female managers is about 9%. In Japan, the percentage of female employees is about 16%, and the percentage of female managers is 3.6%. Last year, the percentage of female managers in Japan was 3.4%, so that is a slight increase of 0.2%. As we have a large number of

engineers, it is true that we have fewer female employees than some other companies. We will continue to focus on recruitment activities. We also believe it is important to create an environment where women can work comfortably, and we are in the process of implementing various measures in this regard. It may take time, but discussions are underway at the management level as well.

Q. You explained that you have achieved the number one position in the semiconductor test equipment business domain. What risks do you see that could threaten this position? Also, since there has been a lot of talk recently about cyber security, please tell us what measures you are taking.

A. (Group CEO Lefever) Historically, there have always been competitive threats in business areas. New entrants may emerge in some regions or sectors. On the other hand, our technology, highly qualified application engineers, software tools, consumables, and support structure have allowed us to build very good relationships with our key customers over the decades. These are high barriers to entry for competitors. In our presentation on the Third Mid-Term Management Plan, we explained that complexity is increasing. This means not only the complexity of semiconductors, but also the complexity of the supply chain. In this environment, there is a need for companies that can provide integrated solutions. This is why our customers are relying on us more and more. Cyber security is a top priority for our company. We recognize that security is a very important issue and are working on it.

Q. Please explain your view of the semiconductor industry, which is subject to large fluctuations in demand, and your strategy for the future.

A. (Group CEO Lefever) The semiconductor industry has always been an industry with large ups and downs. In order to be able to respond to these waves of demand without simply reacting to events, we have formulated our Mid-Term Management Plan as a three-year plan. Although there are ups and downs in our business performance from year to year, our business performance has been improving over the three-year periods of our Mid-Term Management Plans.

Two important points regarding our future strategy will be explained. The first is the platform strategy that we have adopted as our product strategy. The strength of the platform strategy is its ability to extend the longevity of our products and solutions. The platform can be deployed not for a single customer but for multiple customers and multiple markets, thus achieving longevity. The second point is our cost structure. By being aware of appropriate fixed and variable cost levels, we will be able to flexibly secure revenues even in the event of large surges.

(President Tsukui) In the explanation of the Third Mid-Term Management Plan by Group CEO Lefever, the word "complexity" was mentioned several times. The complexity of semiconductors and related technologies is rapidly increasing. Semiconductors have been miniaturized to 20 nm, 10 nm, and 5 nm, and technologies to combine semiconductors, such as 3D stacked memory and chiplets, have emerged. Under such circumstances of increasing complexity, the importance of test data is also increasing. We will strive to ride the waves of the market by building a business model that recognizes test data as an asset. We value our relationships with our customers and focus on maintaining and expanding our market share.

Q. I believe there is a time lag in stock price movements when comparing front-end and back-end semiconductor manufacturing equipment companies. Looking at your growth strategy, assuming that earnings will double in the future, the need for capital investment will increase. This will have an impact on Advantest's financial situation. I would like to see this as an issue to be considered in the future.

A. (President Tsukui) I will refrain from making statements regarding stock prices, as there are a variety of factors involved. It is true that, in general, there is a difference in time horizon between semiconductor customers' capital investment in front-end processes and in back-end processes, which is our principal business area.

Compared to the past, we have seen firsthand that there has been a change in the importance of semiconductor test. Seven years ago, we announced our first mid- to long-term management policy. This time, we also explained our Third Mid-Term Management Plan at the General Meeting of Shareholders. In particular, the manufacture of cutting-edge AI chips consumes a large amount of electricity. If many defective products are detected after the semiconductor manufacturing process, it would be an irresponsible use of global resources. In order to be able to eliminate defective products at the earliest possible stage, the use of test data is of great value. As a leading testing company, we are discussing industry challenges with our customers and partners in the semiconductor value chain. We will continue our discussions to help solve future industry issues.

Q. This is the first time I have attended our shareholder meetings in person, and I was left with a very sincere impression. I hope you will continue to do well in the future.

A. (President Tsukui) This is my first time chairing a general meeting of shareholders, and I admit I am nervous, but I have been able to manage the meeting with the support of our board members and employees. I would like to continue to strive to respond with sincerity

in the future. Our strength is our global teamwork. I will make every effort to live up to expectations.

Q. There is an item in your skills matrix entitled "Communication with the capital market" and five people are marked with an "○". Is it not unusual to identify such a skill? It seems like an indication of your intention to manage the company in line with the capital market in the future. What information do you think is helpful in terms of communication with the capital market?

A. (Group CEO Lefever) Looking at the composition of our Board of Directors, we have many members who are skilled in dialogue with the capital markets. It depends on the other parties and the content of the dialogue, but as you mentioned, we have a great deal to learn from our dialogue with investors, analysts, and the capital markets. In the past month, we have met with a variety of investors. One investor wanted to talk about our corporate culture, as it seems to be an important factor in his investment decisions. Another investor asked specific questions about gross profit margin and product profitability of this fiscal year. Although the examples presented here are only extreme cases, we have learned a lot from these conversations, which varied depending on the investor with whom we had the dialogue.

Q. How do you see the semiconductor market growing in the future?

A. (President Tsukui) Semiconductors are entering a stage where performance improvements require overcoming next-generation technological challenges in addition to the evolution of process nodes. The market is showing signs of major technological advances, such as the 3D stacked memory called HBM. And we hope to work with our AI and HPC customers to overcome new technological challenges to improve product performance and reduce power consumption at the same time.

Q. I would like an answer as to whether you allow take-home overtime work. If you are going to continue to talk about INTEGRITY, I would like you to manage your business with your employees in mind.

A. (President Tsukui) As I responded earlier regarding labor disputes, we place importance on communication to build our corporate culture and relationships with our employees. We are trying to develop an open corporate culture through activities to instill our INTEGRITY core values, as well as 1-on-1s that provide opportunities for managers and employees to talk one-on-one, and "cross 1-on-1s" that provide opportunities for managers in other departments and employees to talk one-on-one. The company is taking these measures seriously.

Q. Many Gunma residents do not seem to know that your major development center and factory is located in Gunma Prefecture. Are you considering sponsorship or contributing to cultural activities as local cultural and social contributions?

A. (President Tsukui) We have a development and production centers in Gunma Prefecture that employ over 2,000 people. We intend to promote the fact that we have a base in Gunma in our company brochures and in press coverage. On the other hand, we have not pursued sponsorships at this time, although we have done so several times in the past. We believe that building a corporate image and contributing to the local community are important from the perspective of sustainability in the future.

**【Questions received from viewers of the livestream】**

Q. Please tell us about the feasibility of your Mid-Term Management Plan and what level of confidence you have in achieving its goals. Also, what are your plans for increasing product manufacturing capacity?

A. (President Tsukui) The strategy of the Third Mid-Term Management Plan was explained today by Group CEO Lefever. We utilize a hybrid product manufacturing method that combines manufacturing at our own factories and at the factories of our business partners. We are having long-term discussions with our suppliers on both aspects. We are presently considering targets that will allow us to fully achieve the Third Mid-Term Management Plan.

Q. With the yen weakening, do you have any plans to return more R&D to Japan?

A. (President Tsukui) Since we have global development and manufacturing bases, we would like to maintain a global presence. In this context, it is conceivable that we could strengthen our domestic bases in Japan, but we are considering our strategy on a global basis.

Q. What is the significance of Mr. Yoshida, the former president, assuming the position of Chairperson of the Board?

A. (President Tsukui) Effective April 1 of this year, we changed to a new management structure. Mr. Lefever became Group CEO and I became Group COO. Previously, Mr. Yoshida was in charge of three areas: Chairperson of the Board, Group CEO, and President of the Japanese entity. From now on, Mr. Yoshida will concentrate on his position as Chairperson of the Board of Directors. We have made this change to accommodate the expansion of the scale of our business and operations.

Q. I would like to have your comments on what you respect about our competitors in the semiconductor test system business.

A. (The Group CEO, Lefever) We are fortunate to be in a good position in the market. We consider the presence of tough competitors to be very important and have respect for them, as we believe that their presence allows us to grow even more.

Q. Please tell us about your future plans for the Indian market.

A. (President Tsukui) This is a new market in the semiconductor industry and a new region for manufacturing bases. This is a point of focus for us as well. We already have customers and a subsidiary there. We will continue to focus on this market.

Q. I would like to know more about your market share situation and that of your competitors.

A. (President Tsukui) As indicated in the Third Mid-Term Management Plan, our market share is 58% in 2023. We refrain from commenting on the situation of our competitors. We intend to continue to expand our business.

【Question received from viewers of the livestream that could not be answered on the day of the meeting】

Q. Do memory tester customers need to buy a new tester for each semiconductor generation, or can they simply update the tester software?

A. It is not always necessary to buy a new tester for each generation. In some cases, we can upgrade testers to accommodate faster memory speeds. However, if there is a significant technological evolution due to generational change, it may be more efficient to introduce a tester suitable for the new generation, and we will make such a proposal to customers.

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