Advantest Corporation

Summary of Q&A Session at the 83rd Ordinary General Meeting of Shareholders

[Questions received online prior to the meeting]

Q. Do customers need to purchase a new tester every time their device specifications are upgraded, or is it possible to keep using the same tester with software updates or other changes? I would appreciate your clarification.

A. When semiconductor device specifications are upgraded, it generally results in greater complexity. This increased complexity leads to longer testing times for semiconductors, thereby boosting demand for testers. Whether a tester needs to be replaced or can be adapted through software depends on the nature of the device upgrade; in either case, it drives sales of testers or software. Therefore, device upgrades have a positive impact on our business.

Q. What will the ratio of AI GPU tester sales and ASIC tester sales be in FY26/27? Do you think ASIC tester sales will exceed AI tester sales? If so, when will that happen?

A. ASICs are custom semiconductors designed for specific applications. We have a positive outlook on tester demand and are steadily expanding our ASIC customer base. While we refrain from disclosing our sales breakdown by device, the ASIC tester market generally operates under a disaggregated business model. Companies that manufacture ASICs (wafers, packages) and OSATs (Outsourced Semiconductor Assembly and Test companies) use a large number of V93000s. The V93000 is capable of testing a wide range of semiconductors, not only general-purpose AI GPUs and ASICs but also other SoCs, making it a trusted choice for ASIC design companies looking to secure compatibility with diverse manufacturing environments and production volumes. As such, we expect to continue expanding our market share not only in the AI GPU tester market but also in the growing ASIC tester market.

Q. What measures does Advantest take to prevent the leakage of advanced technology?

A. We regard cybersecurity and countermeasures against cyberattacks as one of our top priorities. To prevent cyber threats such as viruses, we deploy the latest protective software. In addition, all employees undergo regular training and education using simulated phishing emails based on real-world examples. Regarding countermeasures against information leaks via cyberattacks and other network-based threats, we have established a system that sets up multiple checkpoints along the network path, allowing only authorized employees to access the network, with their activities logged for record-keeping. Additionally, for servers storing information, in addition to access controls, we

have a system that issues alerts when a large number of downloads are performed at once or when highly confidential information is accessed, and which identifies the employees who accessed the information.

For physical information leakage countermeasures, printed documents are classified into four categories—"Strictly Confidential," "Confidential Limited Access," " Confidential," and "Public"—with the appropriate designation indicated on each document. Documents classified as "Confidential" or higher are stored in locked cabinets at the workplace, and access records are maintained.

Q. Please share how you plan to respond to the rapid evolution of technology going forward, in the short, mid, and long term.

A. We consider "increasing semiconductor complexity" to be a key theme going forward. In the short term, we will continue to provide test solutions for the most complex semiconductors currently in demand—namely AI-related SoCs and memory devices. In the medium to long term, as Group CEO Douglas Lefever explained earlier, we aim to strengthen our core business and "Automation of Test" by expanding into adjacent markets related to semiconductor testing. To differentiate ourselves by delivering better solutions to the market more quickly, especially for increasingly advanced devices such as 3D semiconductors, chiplets (which combine multiple heterogeneous dies), and optical semiconductors, we will continue to actively explore strategic partnerships and M&A opportunities.

[Questions received at the meeting]

Q. Who is the Chief Compliance Officer (CCO)? Is he an internal person or an external person, or a licensed attorney?

A. (President Tsukui) The CCO position is held by Mr. Keith Hardwick, Senior Executive Officer. He is a U.S. national. While he is not a licensed attorney himself, his department includes staff who are qualified lawyers. Given the global nature of our business, we have compliance teams not only in Japan but also in other regions, and Mr. Hardwick oversees their operations as the Chief Compliance Officer.

Q. The term "INTEGRITY" is used in "The Advantest Way," your corporate philosophy. What is the intended Japanese interpretation of this word?

A. (President Tsukui) Corporate culture is a priority for management. Following M&A activity, overseas employees now make up over half of our workforce. As a globally operating company, we have adopted the corporate philosophy of "INTEGRITY" with a

view to instilling our corporate culture in all employees. We use the term in English internally, and it is understood to include nuances of sincerity, honesty, and moral uprightness. A unique feature of our philosophy is that each letter of "INTEGRITY" stands for a key concept we value: for example, "I" for Innovation, "N" for Number One, "T" for Trust.

Q. Regarding Agenda Item No.1 on the partial amendment of the Articles of Incorporation, I believe changing the record date for voting rights is a historic innovation. I would like to hear from Mr. Benes about the background behind this decision.

A. (President Tsukui) As stated in the Purposes of the Amendments for Agenda Item No.1, we would like shareholders to have sufficient time to read the Annual Securities Reports and Business Reports by integrating them before the General Meeting of Shareholders. This point was thoroughly discussed by the Board of Directors.

(Outside Director Benes) Currently, two systems based on the Companies Act and the Financial Instruments and Exchange Act, respectively, coexist. For years, companies have faced the issue of submitting an Annual Securities Report to the Financial Services Agency only after their Ordinary General Meeting of Shareholders, even though it's crucial information for shareholders. We believe that disclosing essential information before the meeting and allowing sufficient time for shareholder analysis, including institutional investors, leads to better governance. Therefore, this decision was made.

Q. At a information session during former President Yoshida's term, there was a question regarding partnerships with probe card manufacturers. At the time, the response was that the company was monitoring the situation. However, today's presentation on the Progress Update on the 3rd Mid-Term Plan mentioned that partnerships with three probe card companies have already been formed. I understand this to be part of the strategy to expand into adjacent businesses. Could you explain the reason for selecting these three companies and whether consumables business is also in view?

A. (Group CEO Lefever) We invested in the probe card business for two reasons: First, as devices become more complex, multiple chiplets are used in a package, increasing the importance of wafer sorting (electrical testing on wafers) and die-level testing (electrical testing of chips (dies) cut from wafers). Second, the neutral relationship between probe card companies and tester companies has been affected by a competitor's investment in a certain probe card company. Customers demand neutrality, so we invested in the three companies you mentioned to ensure their neutrality with respect to us.

(Director Tsukui) As devices become more complex, semiconductor manufacturing

processes are also becoming longer. Complex devices are expensive, so if they are determined to be defective after packaging, the loss is significant. Therefore, wafer level testing has become extremely important, and probe cards are necessary for wafer testing. Against this backdrop, the importance of partnerships with probe card manufacturers is increasing.

Q. I would like to ask about risk management associated with manufacturing and selling in China. How are you dealing with the risk of technology leakage in China?

A. (President Tsukui) We have been operating a local subsidiary in China for 30 years. Despite rising U.S.-China tensions, China remains a critical market for us. We operate strictly in compliance with applicable laws and regulations. On information security, both U.S. and Chinese regulations apply, and we implement robust measures—including staffing, data handling protocols, and local development and production controls--to manage information thoroughly. However, no measures can eliminate risk entirely. We consider this a key corporate-level risk and discuss it in the Executive Management Committee and at Board of Directors meetings. We also maintain close communication with local staff around the world and continuously improve our countermeasures.

Q. Currently, stock prices are on an upward trend, and I believe that Advantest's stock price has significantly exceeded the guidance issued by the Tokyo Stock Exchange regarding your reduction of the size of the minimum trading unit. What are your thoughts on this, and how do you view the possibility of executing another stock split in future?

A. (President Tsukui) We recognize that stock splits are a means to make shares more accessible to investors and to enhance liquidity. On October 1, 2023, we implemented a 4-for-1 stock split. Moving forward, we will continue to evaluate the situation comprehensively, considering market trends, our stock price level, and shareholder composition.

Q. I appreciate the company's outstanding performance over the past year. You mentioned expanding into adjacent markets as a strategy for long-term growth, which I understand as building an ecosystem. This seems challenging for a Japanese company. What differentiates Advantest from other firms? Also, how do you foresee this impacting ROIC?

A. (Group CEO Lefever) Each adjacent business segment has the potential to independently establish a strong foundation and drive overall corporate growth. At the same time, it is crucial for us to maintain our leadership in testing for HPC (High-Performance Computing) and AI chips, where we already hold a dominant position. As these markets

are expected to continue growing, preserving this leadership will be key to further accelerating our growth. Regarding our ecosystem, our solid market position makes us an attractive partner for many companies. We intend to leverage this strength to build a robust ecosystem.

(President Tsukui) Our position in the semiconductor equipment industry is quite unique. While many semiconductor manufacturing tools are used in mass production, our testers are also utilized by semiconductor design companies. Our customer base includes fabless design firms, wafer foundries, and OSATs (Outsourced Semiconductor Assembly and Test companies). This wide range of customer touchpoints provides us with abundant information and creates a strategic advantage when developing an ecosystem.

Regarding ROIC, we have set targets in our latest Mid-Term Management Plan and aim to enhance corporate value by executing the strategies explained by Group CEO Lefever.

Q. Since fabless companies typically select their foundries and wafer suppliers in advance, does supplying your products to fabless firms naturally lead to business with those foundries and wafer suppliers? Would this structure serve as an entry barrier for competitors?

A. (President Tsukui) This question relates to the general horizontal division of labor in the SoC semiconductor sector, which includes three main types of entity: fabless companies that handle design, wafer foundries that perform manufacturing, and OSATs that conduct assembly and testing. Each customer makes independent decisions regarding the testers they use, so a uniform answer is not possible. That said, recently we've seen customers who want to design and manufacture their own new semiconductors. When moving from prototype to mass production, securing consistency becomes a challenge. Our company has a 58% market share, and our V93000 series has a particularly high share in the fabless, foundry, and OSAT markets. We believe that our strength lies in our ability to support customers who want to enter the market or increase production.

Q. Could you share your sales ratio by country within Asia and names of specific customers?

A. (President Tsukui) We are unable to disclose details regarding individual customers. However, as disclosed, our regional sales are categorized based on the shipping destination. For example, if an order is placed by a company outside Asia but shipped to Asia, it is counted as an Asian sale. Within Asia, Taiwan accounts for the largest share, particularly due to strong demand related to AI and HPC, followed by South Korea and China.

Q. Is the after-sales service market for testers relatively small? Also, are profits in this segment relatively low?

A. (President Tsukui) Our installed base of testers is growing significantly, and we believe the potential of the after-sales service market is substantial. As semiconductors become more complex, the importance of test data increases. We aim to expand our recurring business by integrating these services.

Q. What are your thoughts on the feasibility of commercializing quantum computers, and how do you envision the impact on the tester business if quantum computers become a reality?

A. (Group CEO Lefever) Quantum computing is an area we are closely monitoring. In order for quantum computers to be implemented on a large scale, quantum-level testing will be necessary for various applications. Technologies to isolate devices from external environment are important. (This is because quantum bits are extremely delicate, and their state can change even with slight interference from the external environment.) We consider this a promising future domain and will continue to invest in related R&D.
(President Tsukui) Our CTO (Chief Technology Officer) is leading our research in this field. It is known that quantum computers require extremely complex semiconductor systems in order to operate. By supporting ongoing research, we aim to clarify the technological challenges that may emerge in the future.

Q. Who holds the final responsibility for the Advantest Group—Group CEO Douglas Lefever or President Tsukui?

A. (President Tsukui) Group CEO Lefever holds the highest level of responsibility within the Group.

Q. Employees are the foundation of a company. What is your strategy for personnel expenses from the perspective of securing top talent?

A. (President Tsukui) Employees are our most valuable assets. We have a global strategy for attracting and developing talent. Under this human resource strategy, both competitive compensation and corporate culture are important. We believe it is essential to maintain a compensation scheme that is competitive in the market.

Q. Do you have any long-term plans for 20, 50, or even 100 years into the future?

A. (President Tsukui) Given the high level of uncertainty in today's world, long-term forecasting is difficult. Rather than planning unilaterally, we believe it is important to

define our direction through dialogue with customers. Our extensive customer network is a major asset that helps us envision the future. One key metric we emphasize is market share. Building and maintaining strong, trust-based relationships with customers is vital. While we cannot outline a 100-year plan, we aim to continue evolving based on our core strength in measurement technologies.

(Group CEO Lefever) Looking back on our 70+ year history, Advantest began as Takeda Riken, focusing on benchtop measurement instruments. Since then, we have expanded into semiconductor manufacturing equipment and evolved into a provider of test cell solutions. Our ultimate long-term vision is to deliver a comprehensive suite of test solutions across the entire back-end manufacturing process.

Q. Are there any competitors to Advantest in the Japanese semiconductor industry?

A. (President Tsukui) That would be a very limited category.

Q. Does the company have any plans to provide non-monetary compensation to employees, such as an ESOP (Employee Stock Ownership Plan)? While executive compensation seems high, what about rewards for general employees?

A. (President Tsukui) We currently offer stock-based compensation to general employees as part of our retention program. Going forward, we will explore various approaches to further strengthen our competitiveness.

Q. What is the turnover rate among engineers?

A. (President Tsukui) The turnover rate for engineers remains very low, even by industry standards. Management closely monitors this metric.

【Questions received from viewers of the livestream】

Q. It appears that a ceremony was held to celebrate the company's 70th anniversary last year. Were factory workers included in the celebrations?

A. (President Tsukui) We were able to celebrate our 70th anniversary last year thanks to the strong support of our shareholders. In July 2024, we held a commemorative event for employees, their families, and company alumni. Employees working at the Gunma plant were also invited, but due to an exceptionally high order volume at the time, many were unable to attend due to production demands. Therefore, we held a separate appreciation event at the Gunma plant in October specifically for those employees.

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