Sustainability Briefing
Advantest Corporation
March 30, 2023

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NOTE

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Why We’re Holding This Briefing

➢ Today, we’ll be focusing on two key elements of Advantest’s corporate value improvement:
  ✓ Structural Management Reinforcement Initiatives
  ✓ Human Capital Betterment Initiatives

Why We’re Holding This Briefing

• Welcome to Advantest Corporation’s Sustainability Briefing.

• Thank you all for coming today. I’m Yoshitake Kobayashi from the IR Department of the Corporate Planning & Stakeholder Relations Group. I’ll be the moderator today.

• This is our first Sustainability Briefing.

• Every year, we strive to enhance our disclosure of non-financial information by issuing integrated report and sustainability report. However, our dialogue with our stakeholders suggests that we need more opportunities to explain sustainability-related themes, which are of great interest in the capital markets, so that stakeholders can understand our initiatives more organically and multi-dimensionally.

• Today, three of our executives will explain two key elements of Advantest's corporate value improvement: our structural management reinforcement initiatives, and our human capital betterment initiatives.
Agenda

1. Advantest’s Significance & Our Vision
   1-1. What is the purpose of Advantest's existence?
   1-2. The aims of our mid/long-term management strategy

2. Advantest’s Value Creation Process

3. Human Capital Betterment Initiatives

• This is today's agenda.

• First, President Yoshida will explain Advantest’s significance and our vision, followed by Co-CSO Mihashi on our value creation process, and finally our CHO, Keith Hardwick, will talk about our human capital betterment initiatives.

• The presentation should take about 60 minutes. Afterwards we'll take questions. The briefing should wrap up at about 17:30.

• With that, I'd like to welcome President Yoshida.
1. Advantest's Significance & Our Vision

Yoshiaki Yoshida
Representative Director & Group CEO
1. Advantest's Significance & Our Vision

1-1. What is the purpose of Advantest's existence?

1-2. The aims of our mid/long-term management strategy

Advantest's Significance & Our Vision

- Good afternoon. I'm Yoshiaki Yoshida, President and Group CEO of Advantest.
- I'd like to talk about the purpose of our existence as a company, and how we are contributing as a company to the common good.
Semiconductors Support Global Safety, Security & Comfort

- Advantest delivers safety, security and comfort to people worldwide through semiconductor test.
- Semiconductors are now incorporated into a wide variety of products and infrastructure. They enrich people’s lives, enhance convenience, and help to solve social issues. These same semiconductors are rapidly evolving to deliver even higher performance in their many roles.
Why Semiconductors Need to be Tested

- As semiconductors come to be used in more and more diverse applications, defective semiconductors no longer just cause inconvenience.

- Defects in the semiconductors used in automobiles, medical equipment, and data servers can lead to serious problems and even loss of life.

- Therefore, it is essential for semiconductor manufacturers to carefully check the quality of their devices during the verification process to ensure that they operate as designed, and inspect them thoroughly during mass production. Advantest's products are used for these processes.

- That's why we believe that our products play a key role in everyone's safe, secure, and comfortable lifestyles.

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<th>Semiconductors</th>
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If defective semiconductors were used in these products...

- Your TV would break
- Your car wouldn't start
- Your phone would crash
- Your PC would freeze up
- Your servers would go down

Semiconductor test is essential so that we can live safe, secure, and comfortable lives
Advantest has comprehensively expanded our technology portfolio over the years around the axis of measurement technology

- Our first product was a digital ammeter
- We expanded our lineup to digital, wireless, and optical measurement products

- Putting together various technologies cultivated since our founding, we entered the semiconductor tester business
- Soon, we had the No. 1. global market share

- We have been expanding our business domains to adjacent areas while leveraging our core technologies and market presence in the semiconductor tester field

- Mechatronics
  - High-precision handling technology / Contact technology / High-precision measurement control technology

- High-precision timing generation technology / Massively parallel measurement technology / Data analysis technology / System integration technology / High-efficiency power supply

- Microcurrent/voltage measurement technology / High-speed signal processing technology / High-integration LSI design technology / Digitizer technology / High-speed, high-precision analog circuit technology / Optical measurement technology

- We constantly seek to propose more comprehensive solutions-as-systems while improving the accuracy of each individual measurement technology

- Advantest has comprehensively expanded our technology portfolio over the years around the axis of measurement technology

  - As explained in the previous slide, quality and reliability assurance are essential processes in semiconductor manufacturing. Advantest's products are currently used by almost all major semiconductor manufacturers to support the design and manufacturing quality of their devices.

  - In our R&D, we always look several steps ahead of where our customers, semiconductor manufacturers, are with their product development. In this way we support the constant evolution of semiconductor technology.

  - As shown here, since our founding in 1954, measurement has been our core technological competence. Until the 1970s, mainly we were in the electronic measurement instruments business. Since the 1980s, we have focused on semiconductor test equipment, which is our flagship business today.

  - Along with the evolution of semiconductors, it is becoming increasingly important to support higher processing speeds and to improve throughput by efficiently measuring multiple semiconductors simultaneously. Therefore, our efforts to improve the accuracy of each individual measurement technology we incorporate into our products, and the systems we offer as solutions for customer issues—solutions-as-systems, which combine multiple measurement technologies—contribute to the evolution of the semiconductor industry as a whole.

  - Since our founding, we have fearlessly developed the leading-edge technologies the semiconductor industry has needed in each era, inventing new things at each step, in keeping with our founders’ engineering spirit. This attitude has been handed down from generation to generation and is central to our company’s DNA.
Advantest's Sales History

- This slide shows our sales trends since our founding.

- The structure of our business is such that our performance fluctuates depending on customer CapEx trends, and a couple of times in the past, our performance has fallen off steeply following global economic shocks, such as the bursting of the dot-com bubble in 2000 and the 2008 financial crisis. Nevertheless in recent years, against the backdrop of the progress of the digital and data society, we have been able to steadily increase sales.

- A major turning point for us was our merger with Verigy in 2011. Strengthening our SoC tester business has directly contributed to the stabilization of our business performance. The integration of the Verigy team is also a major factor that has increased sales in recent years, as it brought many overseas employees with differing cultures and backgrounds into the Advantest Group, leading us to overcome many difficulties and fuse our workforce into one team.

- I am confident that we will continue to grow over the medium to long term through our efforts to strengthen the management foundation that supports our global operations, promotes our corporate culture, as well as through the ongoing efforts of our many employees.
Market Share Gains Have Supported Our Recent Sales Growth

- In the tester market, it is essential to have technology and support capabilities that build customer trust, as well as a strong financial base that enables continuous R&D. There are many players in the tester market in Japan, the US, and emerging economies, but companies that lack one or the other of these foundational strengths have been forced out of the market in the past, and will likely meet the same fate in future.

- Market share can therefore be used as an index of the overall sustainability of tester suppliers.

- We have consistently pursued a strategy to capture a wide range of customers, from top semiconductor players to new market entrants, and have made efforts to increase our market share year by year.

- As a result, we have increased our market share to an estimated 55%, maintaining the number one position in the industry in calendar year 2022.

- We will continue to work to maintain and increase our market share through R&D based on our long-term roadmap, which takes semiconductor technology trends as its reference points, and by expanding and refining the tailored solutions we offer for diverse customers and applications.
Purpose & Mission

Enabling Leading-Edge Technologies
We will continue to provide products and services that satisfy customers around the world by improving our company and contributing to the common good through the development of leading-edge technologies.

• As I explained earlier, we are in the business of delivering safety, security, and comfort worldwide through semiconductor test, underpinned by our measurement technologies.

• To maintain and improve our position in the global semiconductor tester market while keeping our focus on safety, security, and comfort, we have defined our purpose and mission as "enabling leading-edge technologies."

• We will continue to improve ourselves as a company and contribute to the common good through the development of leading-edge technologies, based on trends in advanced semiconductor technology, that are embodied in the products and services we provide to all our customers around the world.
1. Advantest's Significance & Our Vision

1-1. What is the purpose of Advantest's existence?

1-2. The aims of our mid/long-term management strategy

Advantest's Significance & Our Vision

- Moving on, I'd like to explain the aims of our medium- to long-term management strategy.
The Corporate Value Enhancement We Aim For:
Expansion of social contributions through business growth

By balancing our activities along three axes, we enhance each activity and continuously increase future profits (cash flows)

1. **Value from Shareholder Perspective**
   - ROE
   - ROIC

2. **Value from Stakeholder Perspective**
   - Increase customer value
   - Partnership with supply chain
   - Employee engagement through human resource development & training

3. **Value from ESG Perspective**
   - Response to climate change
   - Diversity and inclusion
   - Protection and respect for human rights
   - Fair trade
   - Relevance to future generations

Advantest’s corporate value enhancement matrix

- We consistently aim to sustainably improve our corporate value.
- As shown in the image on this slide, we aim to sustainably expand our future cash flow by expanding the "cube" of corporate value through our business activities, along the three axes of shareholder value, stakeholder value, and ESG value.
Aiming to be a Sustainable Company

In this VUCA* era, Advantest's business environment is fluid

<table>
<thead>
<tr>
<th>Politics</th>
<th>Economy</th>
<th>Society</th>
<th>Technology</th>
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<tr>
<td>Increased geopolitical risks</td>
<td>Rising inflation and pronounced foreign exchange fluctuations</td>
<td>The importance of climate change and other ESG considerations is increasing</td>
<td>Semiconductors are evolving into solutions for diverse social issues</td>
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We are building a stronger management foundation to meet these challenges

*A: Volatility, Uncertainty, Complexity, Ambiguity

- Aiming to be a Sustainable Company

  - As shown here, our business environment is constantly changing. The geopolitical risk picture is raising uncertainty, and recently we have seen rapid inflation.
  
  - There is an increasing demand for companies to implement ESG measures, such as transitioning to carbon neutrality, ensuring the soundness of their entire supply chain, and strengthening corporate governance.
  
  - In terms of technology, we anticipate an increase in demand for semiconductors and active technological evolution as the digital transformation progresses, and technological solutions are sought for issues such as energy conservation. The semiconductor industry itself is likely to evolve to become more complex.
  
  - Even amidst all this fluidity, my belief is that we must build a stronger management foundation with the goal of growing sustainably through these challenges so that we can one day celebrate our 100th anniversary.
Grand Design Update: Commitments & Strategies

<table>
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<th>Commitments</th>
<th>Strategies</th>
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<tr>
<td>1. Be the No.1 provider of test &amp; measurement solutions</td>
<td>1. Reinforce Core Businesses, Invest Strategically</td>
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<tr>
<td>2. Partner with leading-edge customers</td>
<td>2. Seek Operational Excellence</td>
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<td>3. Develop leading-edge technologies</td>
<td>3. Explore Value to Reach a Higher Level</td>
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<tr>
<td>4. Attract and retain the best talent in the industry</td>
<td>4. Pioneer New Business Fields</td>
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<td>5. Learning organization</td>
<td>5. Enhance ESG initiatives</td>
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<td>6. Improve financial KPI and increase corporate value</td>
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Based on our external environment outlook, we have added a fifth strategic issue, while adhering to our existing basic policy:

Contribution to humanity’s sustainable future through our business activities

- In 2018, we formulated our Grand Design as a mid/long-term management policy, and set out our ideal future and strategies to get us there.

- In 2021, when we formulated our second mid-term management plan, we added “Enhance ESG initiatives” as a fifth strategy based on our recognition of how the business environment is changing, as mentioned earlier, for ourselves to become more sustainable, and to enhance our contribution to enable more sustainable society.

- In the slides that follow, I will introduce specific examples of the environment and governance initiatives that power our ESG strategy.
How We Contribute to Reducing CO2 Emissions Throughout the Semiconductor Supply Chain

Our continuous development of products that reduce CO2 emissions per test while improving tester performance in line with the evolution of semiconductor technology is an important factor in customers’ decision to choose Advantest.

- Against the backdrop of the accelerating push for Net Zero, our customers, major semiconductor manufacturers, are further emphasizing the importance of reducing CO2 emissions throughout the entire semiconductor supply chain.

- Reducing the power consumption of our products and reducing CO2 emissions in our business activities contributes to our customers’ Scope 3 emissions.

- We have set a renewable energy sourcing target of a 60% reduction in CO2 emissions from business activities by 2030, compared to FY2018. As of FY2021, we already achieved 100% renewable energy sourcing at our locations in Europe and the Americas, as well as at the Gunma Factory, our domestic production base.

- Furthermore, our continuous R&D focus to deliver new products that enable reducing CO2 emissions per test and improving the performance of testers in line with the evolution of semiconductor technology is an important factor when customers choose Advantest. It is directly linked to our competitive advantage.

- For more than 20 years, we have been working on the development of green products with low environmental impact, based on voluntary standards such as energy and resource saving, recycling design, and elimination of hazardous substances in new product development.

- In addition, we obtained SBTi certification in 2021 and have set long-term technology goals for 2030, incorporating CO2 reduction targets based on SBT into our technology and development roadmap.

- These efforts contribute to reducing CO2 emissions throughout the semiconductor supply chain, while accelerating society-wide sustainability and enhancing our sustainability as a company.
A Corporate Governance Structure Optimized for Corporate Value Improvement

- Monitoring and advisory functions demonstrate effectiveness
- The Board of Directors meets monthly, and takes sufficient time for open-ended discussions
- Separate off-site meetings are held in addition to regular board meetings, where directors discuss mid/long-term issues that need further discussion

Some topics raised at BoD and offsite meetings
- Mid/Long-Term Management Policy
- Organizational structure
- Succession planning
- Executive compensation
- Human capital
- Compliance system
- Geopolitical risks

- Next, I would like to touch on our governance.
- Each month, the Board of Directors meets for three to five hours, an adequate amount of time for open-ended discussions.
- Furthermore, separately from these regular meetings, the Board of Directors also gathers at offsite meetings to devote additional discussion to medium- to long-term issues.
- In various cases, outside directors have contributed multifaceted and specialized knowledge at board meetings that has had an impact on corporate management.
- One example is formulation of our mid/long-term management policy, looking ten years into the future.
- Moreover, the transition to a CxO structure was another example of an outcome based on Board of Directors discussions. At the offsite meeting held in FY2020, an outside director expressed the opinion that we should consider a CxO system from the perspective of strengthening our global management system. After discussions among executives, the Nomination and Compensation Committee, and the Board of Directors, we did indeed transition to a CxO structure.
- Thus, I am proud of the effectiveness that our Board of Directors demonstrates in both its monitoring and advisory functions.
A More Sophisticated Execution System (Adoption of Unit System)

We have shifted to a three-unit system to increase operational agility.

- To ensure growth in the globally fluid semiconductor market, it is important to speed up decision-making and execution throughout the Group.
- Local personnel have been appointed as Regional Unit Leaders. In principle, they also serve as Group executive officers. The aim is to ensure unity in group management and enhance our local business execution capabilities. Currently, nearly half of our executive officers are of nationalities other than Japanese.
- We have adopted a matrix system of business units and functional units. By properly assigning responsibilities and authority, all units can directly cooperate to enable quick decision-making and execution.

Next, I would like to explain our global execution system.

- To ensure our growth in the globally fluid semiconductor market, we needed to speed up decision-making and execution throughout the Group.
- We implemented a unit system to increase the flexibility of our operations.
- As shown in the diagram on the left, we have established seven regional units that cover the entire world between them, and we appoint local talent as leaders of each regional unit. As a general rule, we aim to secure a sense of unity in group management and enhance local business execution capabilities by having these leaders concurrently serve as executive officers of the Group.
- As a result, nearly half our executive officers are now non-Japanese nationals.
- In terms of business operations, as shown in the diagram on the right, we have adopted a matrix system of business units and functional units. By allocating responsibility and authority to the leader of each unit, we aim to facilitate prompt decision-making and business execution through direct cooperation between units.
- Running a matrix-style organization is never easy. The key is how efficiently each unit can communicate, and for that reason, it is important to have a fundamental corporate culture that is shared by all the units.
A More Sophisticated Execution System (Adoption of CxO System)

We have appointed executive officers who are qualified in their own areas of expertise as CxOs.

- **In FY2021,** we transitioned to a CxO system.
- The aim was to appropriately delegate authority to senior executive officers, expedite management decisions, and utilize the power of CxOs, including overseas executives who are qualified in their respective fields of expertise.
- In addition, in January 2023, we shifted to a system with three representative directors. This is part of our succession plan and one of our measures to strengthen our management structure, which aims to achieve overall optimization through appointment of global human capital.
- Looking ahead to FY2023 and FY2024, when our next mid-term management plan begins, we will build a strong management team to achieve even greater strides forward.
CxOs Lead ESG Initiatives

- As shown in this table, our ESG Action Plan 2021-2023 sets KPIs for our priority themes of Environment, Society, and Governance, and each CxO takes responsibility for and leads goal achievement activities.

- In this way, we aim to become a sustainable company by working to strengthen and promote our ESG management and building a strong management foundation.

- Next, Mr. Mihashi will explain Advantest's value creation.
2. Advantest’s Value Creation Process

Yasuo Mihashi
Senior Executive Officer
Co-CSO (Co-Chief Strategy Officer)
Executive Vice President, Corporate Planning & Stakeholder Relations Group

- Advantest’s Value Creation Process
  - I’m Yasuo Mihashi, Advantest’s Co-CSO.
  - I’ll speak about our value creation process and the sources of our value.
Value Creation Process

- This figure shows our value creation process as disclosed in our 2022 Integrated Annual Report.

- As shown on the right side of the slide, we define the output of the value creation process as "solving customer issues". We create value for all stakeholders by providing solutions that enable leading-edge technologies and spark innovation in semiconductors through the resolution of customer issues.

- In order to create value by solving customer problems through our business activities, as shown in the blue circle in the center of the slide, the five strategies set forth in our Grand Design are centered as the main drivers of value creation. We are striving to improve corporate value by intensively investing in these forms of capital, which are illustrated as inputs on the left side of the slide.

- In this value creation process, we have established The Advantest Way, our corporate philosophy, as the basis for maximizing our employees' capabilities and achieving the goals of our Grand Design.
Semiconductor Test Delivers Safety, Security, and Comfort

- This slide is a bird's-eye view of our value chain, showing how we contribute to the well-being of individuals and the common good.

- Moving from right to left, semiconductors are indispensable to the creation of a safe, secure, and comfortable world.

- In recent years, the use of semiconductors to help solve environmental and social issues everywhere with technology has been accelerating.

- That makes it essential to improve the performance and energy efficiency of semiconductors while increasing their supply. However, as a result, the difficulty of designing and manufacturing semiconductors is increasing year by year, and semiconductor manufacturers are facing various issues.

- Advantest, on the far left of the picture, solves these issues for semiconductor manufacturers and provides test solutions to speed up the innovation cycle.

- As a result, in the order of the arrows, the high-performance semiconductors that chipmakers produce can be incorporated into everything.

- The value created by our company is returned to each stakeholder directly and indirectly, and as a result, we contribute to the creation of a better world.
Semiconductor Evolution & Customer Issues

- Semiconductors are evolving to meet higher performance and reliability needs. With advancements in SiC and GaN, greater focus is being placed on test solutions.

- Enormous increases in transistor counts necessitate new testing methods.

- 2.5D/3D packaging requires high-precision tests.

- Yield improvements that meet TTM* needs demand larger test sets and more detailed analysis.

- Achieving zero defects requires highly accurate test environments to detect every failure.

- Dramatic improvements in operating speed, etc. necessitate support of power semiconductors made of e.g. SiC and GaN with advanced power characteristics.

- Efficient power supply is crucial for advanced semiconductor devices.

- Huge numbers of test patterns are necessary to check the operation of all transistors.

- Actual operation level test needs must be applied to guarantee the required performance.

- Without detailed explanations today, Advantest is expected to propose test solutions that can solve or minimize these issues.

More advanced quality and performance assurance methods are needed to support the evolution of semiconductors and electronic devices.
The Quest for Comprehensive Solutions to Customer Issues

As I’ve now shown, in the test industry, providing high-quality solutions that address customer issues leads to the creation of a better world, and at the same time secures our own sustainable competitive advantage, which is directly linked to our corporate sustainability.

Based on this industry structure, we have set a medium- to long-term vision of “Adding Customer Value in an Evolving Semiconductor Value Chain” as a part of our Grand Design.

In line with this vision, in order to expand our business domains, we are promoting the organic expansion of our core business while also actively engaging in M&A and alliances. We believe that by developing broader, deeper solutions, we will be able to provide even greater value to our customers in terms of solving their issues.

One example of this is our expansion into SLT, shown on the right side of the slide.

We will continue to build the breadth and depth of our solutions by expanding our business domains, with the goal of resolving customer issues more comprehensively.
Our Sources of Value Creation: The Advantest Way & Capital

Our value creation stems from our R&D capital, customer-facing capital, both of which are underpinned by human capital, manufacturing capital, ecological capital, and financial capital—all supported by The Advantest Way.

Sources of Value Creation

- R&D Capital
- Customer-Facing Capital
- Human Capital
- Manufacturing Capital
- Ecological Capital
- Financial Capital

The Advantest Way

- I've explained our growth strategy, and now I would like to touch on the key elements that support that growth.

- Our value creation stems from our R&D capital and customer-facing capital, both of which are underpinned by human capital, manufacturing capital, ecological capital, and financial capital—all supported by The Advantest Way. These types of capital are interconnected and lead to our company's value creation.

- In order to solve the problems of customers, direct source of most of our value, the two most important types of capital are R&D capital and customer-facing capital, which are shown in pink. We regard these as key drivers of our earning power.
Customer-Facing Capital & R&D Capital

The essence of our business model is the synergistic link between our customer-facing capital and R&D capital, refined over decades to deliver mutual benefits.

- Reinforce customer relationships
- Close communication with customers
- Synergies are maintained and expanded through better foresight
- Identification of cutting-edge test trends
- Information is fed back into R&D of next-generation solutions
- Increased presence in our industry
- We grow the value we provide to customers by maintaining and expanding the synergies between our customer-facing capital and R&D capital

- Greater Customer Value
  - Time to Market
  - Time to Quality
  - Time to Volume

○ Customer-Facing Capital & R&D Capital

- This slide explains how Advantest's earning power has been formed.

- On the left is a visualization of a part of our business model.

- Close communication with customers is our starting point. We feed back the cutting-edge test trends we learn about from them to our next-generation solution development, which further increases our presence in the industry, and strengthens our relationships with customers.

- This is the essence of our business model, which we have refined over the past several decades, in line with our guiding principle of “Quest for the Essence.”

- In order to further grow the value we provide to customers in the future, we will maintain and expand the synergistic cycle shown in the diagram on the left by further improving our ability to develop better foresight into customers’ technological trends, with the goal of contributing to their time to market, time to quality, and time to volume.
Advantest’s Core Competences & Human Capital

In order to contribute to customers’ time to market, time to quality, and time to volume, we need to upgrade each type of capital we possess. Of particular importance is upgrading our human capital from a long-term perspective.

For example, in order to bring products with superior performance to market in a timely manner, accurate and precise analog measurement technology is essential. To stay at the leading edge of the industry, we need engineers with at least 10 years of experience in the field.

Again, to provide our global customers with comprehensive and accurate consultations on complex test and supply chains, we need human capital with abundant career experience and know-how.

We have worked to develop human capital such as R&D, SE/AE (application engineers), sales/marketing, and field support, and this in turn has refined our core competences.

As a result, we have achieved a track record as the industry’s No. 1 technological leader, with comprehensive solution capabilities, including peripheral equipment, and global support capabilities. We have also built the industry’s best customer base and largest installed base.

However, as Mr. Yoshida said, in the age of VUCA, efforts to better our human capital will be even more important for our company in the future.

Keith Hardwick, our CHO (Chief Human Capital Officer), will now explain our human capital betterment initiatives in light of those circumstances.
Advantest's Human Capital Betterment Initiatives

Keith Hardwick
Senior Executive Officer
CHO (Chief Human Capital Officer)

Good afternoon. I'm Keith Hardwick, Chief Human Capital Officer of Advantest. I'm based in San Jose, California, in the heart of the Silicon Valley.

I'm excited to be here today to share with all of you how Advantest is working to better our human capital around the globe. Of course I'm also looking forward to our Q&A session after today's presentation.

Mr. Mihashi just explained the importance of human capital. Personally I believe our human capital is Advantest's most valuable asset and the driving force behind our company's value creation. Our employees drive innovation and efficiency improvements leading to our success and leadership role in the marketplace we serve.

Now let me dive into some more details to explain how we are developing, reinforcing and enhancing Advantest's human capital structure globally.
History of Advantest's Global Human Capital Management

Our 2011 merger with Verigy was a turning point.

✓ Our workforce expanded to include almost 50% non-Japanese nationals
✓ We became a group of individuals with differing cultures and backgrounds
✓ We developed and introduced a globally acceptable personnel system
✓ We strengthened our management foundation to support cross-border and cross-functional operations

These experiences crystallized into our 2019 review of “The Advantest Way”. After that, we raised our personnel strategy to a higher level in line with the strategy of our second mid-term management plan.

History of Advantest’s Global Human Capital Management

• Here you can see a little bit of Advantest's history. Advantest was founded in Japan in 1954 and has grown into a global company over time. Advantest has evolved from a test and measurement company into our primary market of automated test equipment. Over time our business environment has shifted and our customer base has shifted from IDMs to a globally disaggregated fabless model. Along with this shift our revenue has moved to where now over 90% of our revenue comes from overseas. With this shift Advantest has adjusted and we have been committed to utilizing our talented human capital globally to enhance our success and growth.

• This was highlighted with the integration of Verigy into the Advantest Group in 2011. At this time our workforce composition changed dramatically, with the ratio of non-Japanese nationals rising to almost half. Today this is even more, with the majority of our employees being overseas vs. domestic Japan. With this change we took this as an opportunity to move from regionally based human capital systems to a globally unified human capital process where it made sense, while still recognizing the need to have some processes remain regional. Some of the globally unified personal systems we changed were global. We instituted global job levels, standardized salary ranges taking into account regional differences, unified the performance appraisal forms, process and timing, and finally implemented a global bonus program that unified regional bonus systems to a global system that focused on the consolidated results of the company.

• All of these effort were taken to globally unify Advantest and strengthen our management foundation so we were all working toward the same goal.

• This was a lot of change, but this was just the start. Our next step was to build a shared corporate culture that would enhance our transformation into an global company. We knew this transformation would take time and we believe we are still in the process of this journey today.
The Advantest Way

**Purpose & Mission**

**Why does Advantest exist?**

**Enabling Leading-Edge Technologies**

We will continuously improve ourselves so that we can offer products and services that will satisfy our customers worldwide, and contribute to the development of our society through the development of the most advanced technologies.

**Vision**

**What do we want to be?**

Adding Customer Value in an Evolving Semiconductor Value Chain

**Core Values**

**What do we value most?**

INTEGRITY

- "Integrity" means honesty and truthfulness
- When you have integrity, it means being open, honest and respectful at all times with all stakeholders

**The Advantest Way**

- Advantest has always had an action guiding principle, which is represented by “Quest for the Essence.” This was the starting point of our code of conduct. Verigy, originally a Hewlett-Packard spinoff, also had a corporate culture that took pride in the “HP Way.”

- We developed a global team to come together while respecting each other. They worked together to build corporate culture to realize our combined potential.

- After two years of brainstorming and fruitful discussions amongst a team of managers and employees that we felt demonstrated our global values that we wanted to proliferate throughout the company, this team came up with the acronym "INTEGRITY."
Core Values

- INTEGRITY represents the Advantest core values. As you can see on this slide, INNOVATION, NUMBER ONE, TRUST, EMPOWERMENT, GLOBAL, RESPECT, INCLUSION AND DIVERSITY, TEAMWORK, and YES are our Core Values, and they are summed up by the acronym INTEGRITY.

- INTEGRITY is the foundation of a corporate culture that encourages colleagues with different cultures, languages, and values to perform at their best as a team. It’s starting to become a shared language that unites colleagues around the world, transcending regional and organizational boundaries.

- Regarding INTEGRITY, I’ll introduce some specific initiatives we have implemented to inoculate this worldwide to the Advantest employee base in the second half of my presentation.

- Before that, I want to explain how our human capital strategies support our management strategies.
Management Strategy and HR Strategy

- This is an outline of our company’s HR strategies, which are linked to our management strategies.

- From the left side of the slide to the right, you can see how our management vision, and execution of those strategies, leads to our HR strategies, which as Human Capital Officer, I’ve been implementing since 2022. I have been developing HR strategies to aid in the successful execution of our management strategy.

- Our personnel strategy holds that individual strengths and organizational strengths are the foundations of human capital management. We aim to increase engagement, strengthen the comprehensive power of our human capital, and create sustainable value.

- Individual strength and organizational strength are like two wheels on a bicycle. In the following slides, I’ll explain our main measures to enhance these efforts, and nurture a corporate culture that keeps these two wheels pumped and rolling smoothly.

- On the next slide you can see individual strengths and development of abilities.
Individual Strengths – Development of Abilities

- In terms of individual strengths, we will put even more effort into developing our employees’ abilities.

- We have established the "Advantest Development Framework", a skill development framework that stipulates the skills required for each job level inside of Advantest, and a variety of training courses that will help an employee achieve those goals to move to the next job level.

- As an example of skill development programs, we have globally implemented an e-learning platform to allow employees around the world to take online trainings in order to gain the skills to move to the next job level. In addition we've also introduced a "Global Talent Management Program" for global succession candidates for key positions inside of Advantest. The folks in this program receive training that will enable them to take on key positions in Advantest at some point in time in the future.

- As disclosed in our Integrated Annual Report, we invested 400 million yen in education and training in 2021. This represents a 75% increase from the previous year, and we plan to continue to strengthen this investment in 2022 and 2023 so that we can enable our employees to enhance their skills and further develop them.
Organizational Strengths: Retention and Maximization of Diverse Human Capital

- Region/Gender Composition of Workforce
  - Ratio of overseas employees and managers is increasing
  - Executive officers come from all global regions
  - 2 out of 11 directors are Americans
  - The ratio of female employees is similar in Japan and worldwide. However, the ratio of female managers is lower in Japan.

Future Policies & Resources
- The position of CHO (Chief Human Capital Officer), established in 2022, will boost our global efforts
  - Inculcation of corporate culture based on The Advantest Way
  - Optimization of workforce composition by job type for each region
  - Retention (key engineers in highly competitive regions)
  - Review of the personnel system and evaluation system

Employees by Region in FY2021

<table>
<thead>
<tr>
<th>Employees</th>
<th>Japan</th>
<th>Asia</th>
<th>Europe</th>
<th>Americas*</th>
<th>Total Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>42.1%</td>
<td>19.8%</td>
<td>14.3%</td>
<td>23.8%</td>
<td>57.9%</td>
</tr>
<tr>
<td>% Overseas</td>
<td>47.6%</td>
<td>3.2%</td>
<td>3.7%</td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>

Employees by Gender

<table>
<thead>
<tr>
<th>Employees</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Female</td>
<td>Worldwide 19.6%</td>
<td>20.2%</td>
<td>20.8%</td>
</tr>
<tr>
<td></td>
<td>Japan 17.8%</td>
<td>18.1%</td>
<td>18.5%</td>
</tr>
<tr>
<td>% Managers Female</td>
<td>Worldwide 7.7%</td>
<td>8.3%</td>
<td>9.6%</td>
</tr>
<tr>
<td></td>
<td>Japan 2.6%</td>
<td>3.0%</td>
<td>3.7%</td>
</tr>
<tr>
<td>% Engineers Female</td>
<td>Worldwide 8.9%</td>
<td>9.4%</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

*Including employees of U.S. subsidiaries in Asia

We are promoting diversity by actively hiring and promoting diverse human capital.

Organizational Strengths: Retention and Maximization of Diverse Human Capital

- Next, I would like to talk about how we retain diverse human capital and maximize their participation.

- As a company that does business with customers all around the world, we believe diversity is essential for our sustainable growth.

- As explained in previous slides, with the integration of Verigy in 2011 and subsequent acquisitions in the SLT business unit in the US, we've greatly expanded our business domains along the semiconductor supply chain, as set forth in our Grand Design which was released several years ago. As a result of these efforts to expand in the semiconductor supply chain, we now have a workforce that was composed of 57.9% of employees being non-Japanese nationals as of FY2021, and has even grown in 2022.

- Regarding gender, women are 20.8% of all our employees, and 9.6% of our managerial staff are females at this moment. This is partly because we have few female engineers, but we’re not satisfied with this result. In fact we’re putting focus on hiring female employees and further increasing the percentage of female managers inside the company.

- In light of this situation, from 2022, we will begin strengthening and revising our personnel system to connect our individual strengths with our organizational strength. We will consider what kind of personnel system we should implement to achieve our medium- to long-term vision for Advantest.

- We will develop a foundation that allows diverse human capital to feel comfortable and play an active role during long-term careers inside of Advantest.
Individual Strengths: Retention System

Next, I would like to address retention.

In 2002, we introduced stock options as a stock compensation program for executives in Japan and overseas. We’re proud of the fact that we were one of the earliest Japanese companies to include overseas employees in this type of program.

Since then, the stock compensation system has undergone several changes to make it function better as a retention system, and in conjunction with the formulation of our second mid-term plan in 2021, we have built a framework that allows employees to hold our shares globally.

Currently, the competition to acquire human resources is intensifying. This intensity is even stronger overseas. In order to secure world-class engineers, we have expanded the scope of our rewards offering and we’ve introduced RSUs, which will need to be held for five years before vesting, and after that time sale or transfer is possible. We will continue to consider the scope and scale of our retention system.

Regarding employee retention, our turnover rate increased significantly in FY2021. This is due to characteristics of our system-level test business unit in the United States, which was acquired in FY2020. There have been higher turnover rates than we've experienced in the past. Some of this might be expected with this group's acquisition, but we are not happy with these results, and we will try to enhance retention in addition to having appropriate salaries, promotion of a comfortable rewarding workplace through INTEGRITY, to improve our current turnover rates.
Organizational Strengths: Engagement

Employee Engagement

<table>
<thead>
<tr>
<th>Executive in charge</th>
<th>Goal</th>
<th>KPI</th>
<th>2019 Results</th>
<th>2021 Results</th>
<th>2030 Target Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHO</td>
<td>Edification and improvement of attractive corporate culture</td>
<td>Score of Gallup survey</td>
<td>3.48</td>
<td>3.64</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Key points for improvement
✓ Recognition, Praise
✓ Actualization of progress

Future Policies & Measures

- Culture Council & INTEGRITY Ambassador system to reform our corporate culture and improve engagement
- Review of the Leadership Model & measures to further inculcate it

Completed / Ongoing Policies & Measures
- FY2019 「INTEGRITY Workshop」
- FY2021 「Leading with INTEGRITY」
- FY2022 「INTEGRITY Award」

Based on the results of our engagement survey, we identified key issues and are working to improve engagement

Organizational Strengths: Engagement

- Next, I'd like to explain our measures to improve engagement, which is the basis of our organizational strength.
- In order to objectively grasp the engagement level of our global employees, we hired Gallup to conduct an engagement survey.
- Based on our initial score of 3.48 in 2018, we recognized that we had particularly low scores on "recognition, praise" and "actualization of progress," and we've implemented various actions and measures to boost these aspects of employee engagement.
- Our second score in 2021 increased to 3.64, an improvement of 0.16 points from the first survey.
- This doesn't seem like much improvement, but we understand from Gallup that this isn't common, that this is a good improvement going from the first score to the second score.
- However, our 2021 results still fell short of our goals, and the average scores are still below the scores of Gallup customers.
- With this in mind, we will continue our efforts to improve engagement.
Initiatives to Further Inculcate INTEGRITY (1)

- We will introduce specific measures to improve engagement.

- Hiring and retaining excellent people is critical to our success and our goal of becoming a 100-year-old company. We have embarked on a journey of corporate culture transformation under the banner of INTEGRITY.

- The destination of this journey is that each employee should embody INTEGRITY in their daily work life.

- First, from FY2019, we provided INTEGRITY workshops to all employees to instill a shared understanding of our newly initiated core values.

- In FY2021, we expanded this effort with the introduction of “Leading with INTEGRITY.” This training class was given to all managers globally to instill the leadership model required of them now and in the future. We also established a buddy system to help employees form buddy relationships across organizations and borders, promoting cooperation, and helping employees to advise and encourage each other on their individual growth journeys.
Initiatives to Further Inculcate INTEGRITY (2)

- In FY2022, we tried to address the lack of recognition that our employees said they were experiencing. We launched the “INTEGRITY Awards” to recognize behavior in line with INTEGRITY, which allows peers to recognize peers or coworkers by recommending them for an INTEGRITY award.

- By recognizing employees who practice our core values, we will instill a culture of mutual appreciation and recognition for our staff. We believe that we can then create a culture in which employees feel valued, proud, and empowered to do good for Advantest.

- In addition, in order to further promote INTEGRITY, we have launched a Culture Council which is led by President Yoshida and several senior executive officers. The Culture Council recommended employees representing each business/Function & Regional unit to act as an INTEGRITY Ambassador. The Ambassadors are charged with the task of planning and developing activities to further our cultural transformation in upcoming years.

- Going forward, we will continue to reinforce the comprehensive power of our human capital by tuning the wheels of individual strength and organizational strength inside of Advantest. Thank you for your attention and I look forward to answering any questions you might have shortly.
Reference Information

■ Integrated Annual Report 2022
https://www.advantest.com/about/pdf/E_all_IAR2022.pdf

■ Sustainability Data Book 2022
Appendix
Commitment to External Initiatives

*For further details, please refer to Involvement with External Initiatives on our website.*
### Major ESG Evaluations by Third Parties

**Selected for all five ESG Indexes adopted by GPIF**

<table>
<thead>
<tr>
<th>Year</th>
<th>MSCI Japan</th>
<th>FTSE Blossom Japan Sector Relative Index</th>
<th>FTSE Blossom Japan Index</th>
<th>Dow Jones Sustainability Indices</th>
<th>MSCI ESG Ratings</th>
<th>Sustainalytics</th>
<th>CDP Climate</th>
<th>CDP Supplier Engagement</th>
<th>MSCI ESG Ratings</th>
<th>Sustainalytics</th>
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<tbody>
<tr>
<td>2023</td>
<td>CONSTITUENT</td>
<td>FY2022 66/100</td>
<td></td>
<td></td>
<td>BBB</td>
<td>ESG INDUSTRY</td>
<td>B-</td>
<td>A-</td>
<td>AAA</td>
<td>ESG INDUSTRY</td>
</tr>
<tr>
<td>2022</td>
<td>CONSTITUENT</td>
<td>FY2022 66/100</td>
<td></td>
<td></td>
<td>BBB</td>
<td>ESG INDUSTRY</td>
<td>B-</td>
<td>A-</td>
<td>AAA</td>
<td>ESG INDUSTRY</td>
</tr>
</tbody>
</table>

*For further details, please refer to External Recognition on our website.*