ADVANTEST

70th

Facing the future together

Integrated Annual Report **2024**

Enabling Leading-Edge Technologies

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

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

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

Contents

Editorial Policy

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

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

Reporting Period & Scope

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

Disclaimer Regarding Forward-Looking Statements

This report contains forward-looking statements that are based on Advantest's current expectations, estimates and projections. These statements include, among other things, the discussion of Advantest's business strategy, outlook and expectations as to market and business developments, production and capacity plans. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “project,” “should” and similar expressions. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause Advantest's actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements.

Information Disclosure Focus

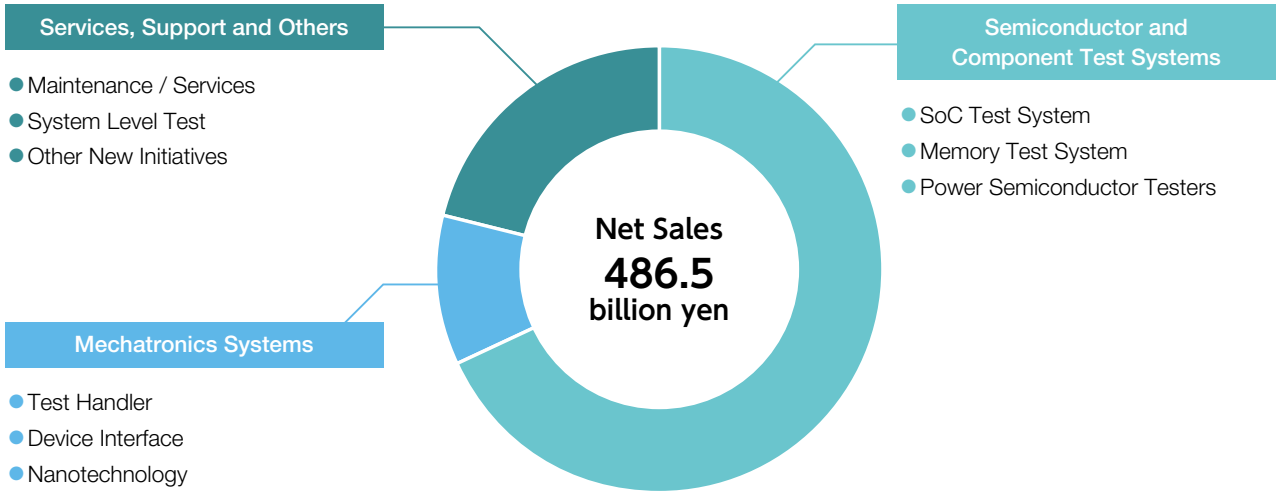
Our corporate value creation initiatives and results are primarily disclosed in our Securities Report, Sustainability Report, and Integrated Report. While the Securities Report is intended primarily for financial professionals and the Sustainability Report for non-financial professionals, the Integrated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

Our Business

(Fiscal year ending March 2024)

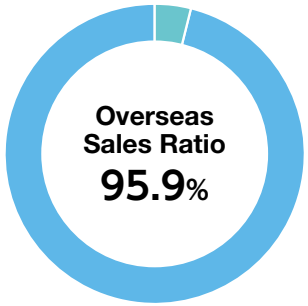
Business Segments

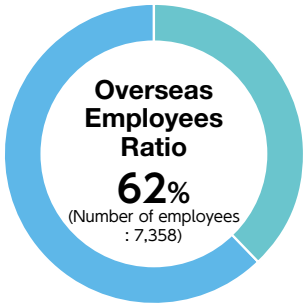
Advantest has three business segments: Semiconductor and Component Test Systems, which account for about 70% of sales; Mechatronics Systems, which comprises test system peripherals; and Services, Support and Other, which mainly provide customer support and system-level test products. In combination,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

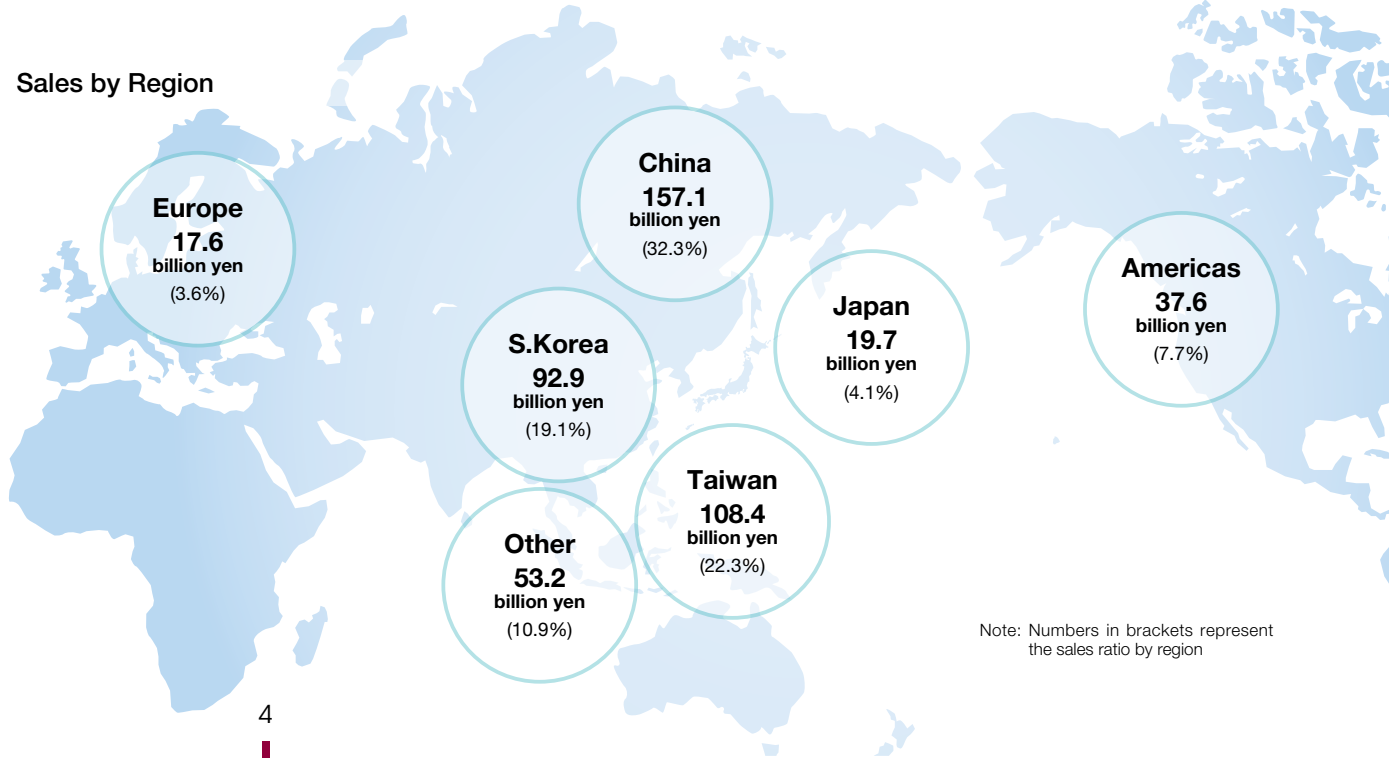


Global Business Operations

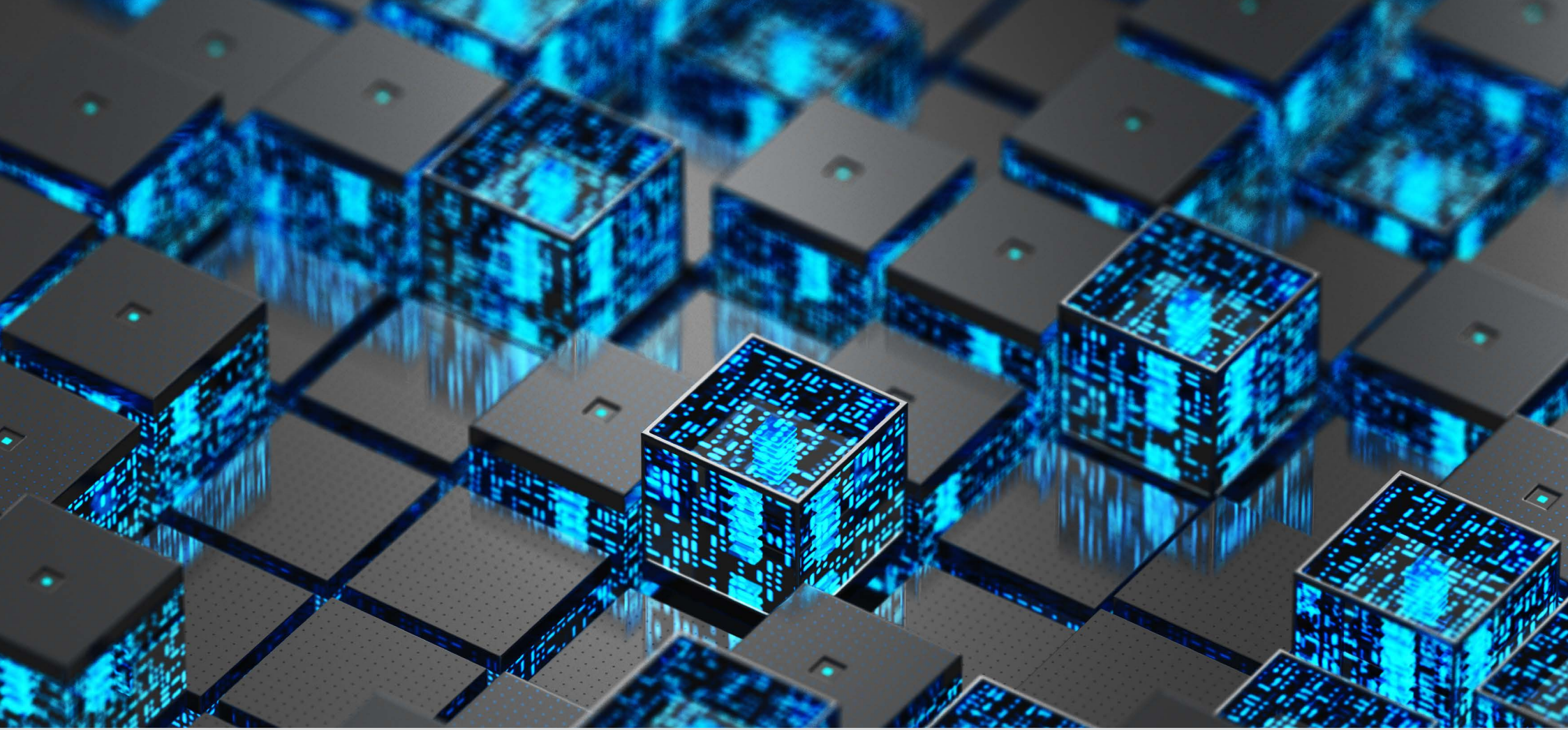
We leverage our diverse human capital and global network to provide solutions to our customers around the world.







Note: Numbers in brackets represent the sales ratio by region



Value Creation

Group CEO Message

Douglas Lefever

Representative Director,
Senior Executive Officer,
Group CEO

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

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

New Beginnings

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

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

Reflecting on our future, two words resonate deeply: trust and

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

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

Looking Back on Our Past Mid-Term Management Plans

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

First, we created an unparalleled product portfolio by investing heavily in the development of semiconductor test equipment. It is no exaggeration to say that our equipment can measure any semiconductor. The investments over the past six years in our core businesses have laid a strong foundation for future growth.

Second, we made strategic and complementary investments in adjacent areas. Consequently, we have not only strengthened our existing core markets but also expanded our business into system-level testing, test interfaces, sockets, and data infrastructure.

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

Goals of MTP3

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

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

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

“The semiconductor industry is entering an "Era of Complexity" which requires advanced manufacturing technology and the diversification of value chains. I believe this is a great opportunity for our company to grow further, as Advantest’s role is becoming increasingly important to the development of complex semiconductor devices.”

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

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

Further Trends and Opportunities

We expect many of the trends that began in 2023 to continue into 2024, especially related to the ongoing growth of AI. Large language models (LLM) and other machine learning (ML) applications require data centers full of hundreds of thousands of GPU/CPU processors running in parallel to power a single model. If one processor malfunctions, the entire model must be restarted at a major cost to the customer. Therefore, quality and reliability are crucial to the development of AI technology, intensifying the need for test as more and more customers push for zero defective parts per million (DPPM).
High-bandwidth memory (HBM) devices are widely used alongside GPUs in data centers to power AI applications. HBM consists of multiple DRAM modules 3D-stacked on top of each other. This technology is becoming increasingly popular, offering faster data processing while maintaining low power consumption and a small footprint. However, 2.5D/3D packaged devices are complex and have higher density, bringing about various unique test challenges that often require at-temperature and system-level test to ensure reliability. These 2.5D/3D stacked devices are expensive to produce, thus growing demand for more testing throughout the manufacturing process to increase yield. Our engineers have a long history of working with HBM, and our broad range of test solutions uniquely positions Advantest to overcome the challenges that accompany these emerging technologies.
Later down the line, I believe the emergence of edge applications will spur rapid growth in our industry. As generative AI becomes accessible to consumers through smartphones and personal computers, AI is anticipated to become heavily integrated into our everyday lives, furthering the demand for high-end semiconductors. I believe preparation is key to capturing this market. We must expand production capacity, invest in R&D, and create new business opportunities in adjacent markets to keep up with future demand for edge devices.

The Path Towards Sustainability

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

70 Years of Building a Unique Corporate Culture

This year, Advantest celebrated its 70th anniversary on July 1. Originally, Advantest started in 1954 as a measuring instrument company with only three employees. Now, 70 years later, the company has evolved into a global leader in semiconductor test equipment, building on many years of hard work and innovation. Decades of success have transformed Advantest into a global company, and our INTEGRITY core values guide us in meeting the diverse needs of our international community. Our Japanese roots have provided us with an excellent cultural foundation, emphasizing sincerity, collaboration, teamwork, and an unwavering commitment to quality. Moreover, we've remained committed to our mission of enabling leading-edge technology by helping our customers to develop advanced semiconductors that contribute to the betterment of society.

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

Together, we face the future with confidence and commitment.

Group COO Message

Koichi Tsukui

Koichi Tsukui

Representative Director,
Senior Executive Officer and President,
Group COO

Corporate culture “INTEGRITY” hones the competitive edge of a global company born in Japan

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

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

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

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

I — Innovation is our Lifeblood

We challenge the status quo.

We embrace technologies and entrepreneurship to create superior customer value.

N — Number one is our Aspiration

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

We establish an impeccable standard of excellence.

T — Trust is our Foundation

We are a trusted, collaborative partner.

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

E — Empowerment is our Motivation

We are empowered to make decisions with confidence.

We own Advantest's success.

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

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

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

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

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

G

Global is our Reach

We embrace a world of constant change.

We are always ready. Anytime. Anywhere.

R

Respect is our Heart

We respect different cultures, customs, and laws.

We never compromise on our ethical standards.

I

Inclusion and Diversity is our Commitment

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

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

T

Teamwork is our Approach

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

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

Y

Yes is our Attitude

We deliver on results promised to each other.

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

Advantest's History

Founding years: 1950s, 1960s

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

Advantest was founded in 1954 under the name Takeda Riken Industries. The company's founder, Ikuo Takeda, believed that developing new technologies should be the mainstay of the company's business in order to compete with larger companies. Thus, Mr. Takeda set his sights on the field of measurement instruments with a focus on DC electronics and pulse technologies. These electronics would serve as a gateway to the semiconductor industry years later.

In the same year, Takeda Riken launched its first product, the Micro Micro Ammeter. This microcurrent meter device addressed many issues with conventional products, such as size and stability. Consequently, the Micro Micro Ammeter sold well and significantly contributed to the company's growth as a start-up. The experience of winning over target markets by tailoring our technology to specific customer needs shaped our corporate strategy for years to come.

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

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

First leap forward: 1970s-1990s.

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

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

In 1979, Takeda Riken changed the industry by launching the world's first test system with a test speed of 100 MHz. The company achieved the highest global share of the test system market for the first time in 1985 and maintained the number one position for five consecutive years, from 1987 to 1991. After securing the top position in the test system market, Takeda Riken was rebranded as "Advantest" in 1985 to establish a more recognizable global brand as the company began doing more business outside of Japan.

The 1990s saw booming demand for semiconductors, driven by the popularity of PCs, which depended on DRAM technology to transfer data at high speeds. Advantest saw the growing importance of synchronous DRAM memory technology and released a system capable of testing DRAM devices in 1996. This product became a record-breaking success.

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

Advantest's history

Turning point in business: 2000s, 2010s

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

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

Although Advantest managed to facilitate a shift in business from Japan to overseas, adapting to the global foundry model proved difficult for the company. After taking various measures, like opening our test system architecture, in 2011, we decided to acquire Verigy, the third-largest company in the test industry. Combining Verigy's strong global operations with our extensive R&D capabilities and customer support, we spent the first few years after the acquisition exploring markets with future growth potential and strengthening our partnerships with key customers. In 2018, we published our first Grand Design (medium- to long-term business policy) and our first mid-term business plan (FY2018-2020). The plan set an ambitious target of doubling sales to 400 billion yen in ten years' time. This goal was based on the assumption that further improvements in semiconductor quality and reliability would be required in an increasingly data-intensive society, enabling the test industry to grow at a faster rate than the semiconductor industry. As we foresaw, since then the tester market has expanded rapidly. The measures we had taken to strengthen our test solutions and customer base bore fruit, and we entered a new stage of growth.

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

Towards a 100-year company: 2020s and beyond

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

In FY2021, we surpassed the 400-billion-yen sales target we had set in our original Grand Design 10-year plan, achieving an average of 487.9 billion yen in sales during our second mid-term management plan (FY2021-FY2023). Our share of the tester market grew significantly from 36% in 2017 to 58% in 2023, and our market capitalization grew from 400 billion yen in March 2018 to 4 trillion yen in May 2024.

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

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

Learn About Advantest

What we do: Advantest's business fields

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

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

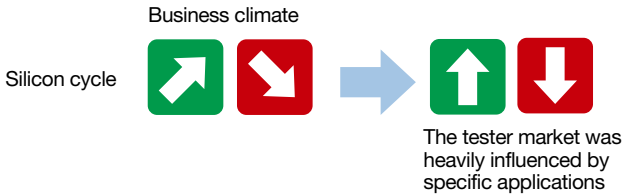
We work closely with many companies that are at the forefront of developing advanced semiconductors. Typically, the first company to introduce a new, state-of-the-art semiconductor device gains a significant advantage in the market. However, many of the companies competing for this goal face challenges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

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

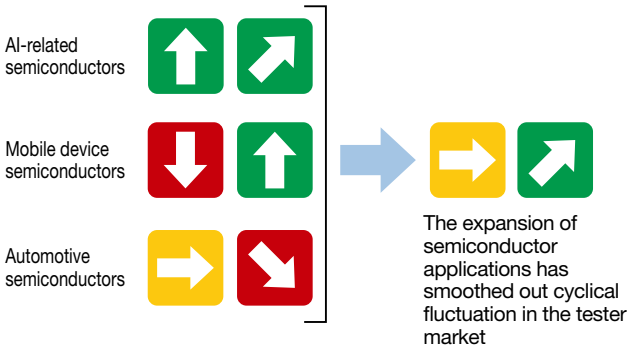
Why Advantest: The roots of our robust business model are technological strength and global operations

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

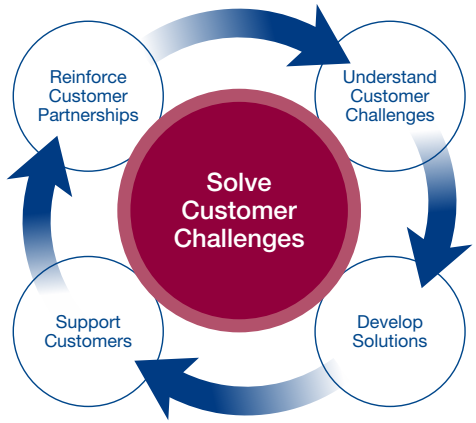
The tester market in the past



The tester market today



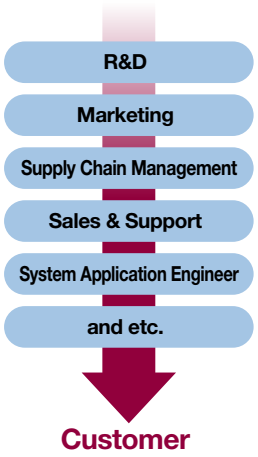
Virtuous cycle of strengthening relationships with customers

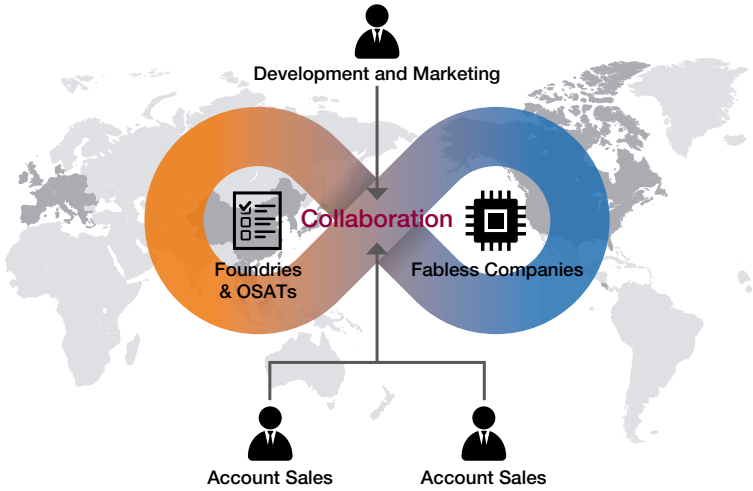


However, this strategy is not sufficient to stay competitive in today's fast-paced market, especially as the technology our customers are developing becomes more and more sophisticated. It is our commitment to staying at the forefront of technology and expanding our operations through global teamwork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

To ensure our test technology stays on the cutting edge, **we invest in developing solutions years in advance**. We look as far as five years into the future to anticipate potential problems and tailor our technology to solve them. Predicting these challenges is difficult, especially since we aim to develop systems that will be in use for 10 to 15 years. That is partly because, as semiconductors evolve, other components such as packaging, chiplets, optics, thermal processing, and software also become more complex, necessitating a cross-disciplinary approach to tackling multiple challenges at once. We utilize cross-functional teams that include personnel with diverse knowledge and experience from different departments, such as marketing, R&D, support and manufacturing. These professionals come together to share innovative ideas and develop integrated solutions for customer challenges. The traditional waterfall organizational approach is limited in its ability to quickly resolve complex interdependent issues. Our strong market share in the semiconductor tester market reflects the superiority of our cross-functional teams, which can integrate the expertise of professionals and pursue optimal solutions.

Our teamwork approach also connects different time zones across the world. The semiconductor supply chain operates on a global scale, often involving significant geographic distances between partnering companies, Most of the world's leading fabless companies are in North America, while top foundries and OSATs (outsourced assembly and test providers) are often located in Asia. Many of our test systems are installed at foundries and OSATs, which are motivated to improve the utilization rates of their equipment so they can test semiconductors more efficiently. However, the test process begins with fabless companies during the upstream design evaluation phase. When fabless companies and OSATs use the same test systems, customers can utilize their test programs and data from the design phase to enhance the downstream test process and bring their products to market sooner. To help them do this, we formulate cross-regional teams, including personnel from sales, marketing, systems engineers, and field services, with expertise to support customers throughout their design, manufacturing, and test processes. By integrating market trends, cutting-edge test technology, and our broad product portfolio, we develop solutions that satisfy the needs of fabless companies, foundries, and OSATs and offer seamless support across the globe, further strengthening our customer partnerships.





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

"Grand Design" Mid/Long-Term Management Policy

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

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

❶Purpose & Mission

Since 1990, Advantest has held "Enabling Leading-Edge Technologies" to be our raison d'être. Advantest constantly strives to improve so that it can offer products and services that will satisfy customers around the world and contribute to the future of society through the development of the most advanced technologies.

❷Grand Design

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

❸Vision Statement

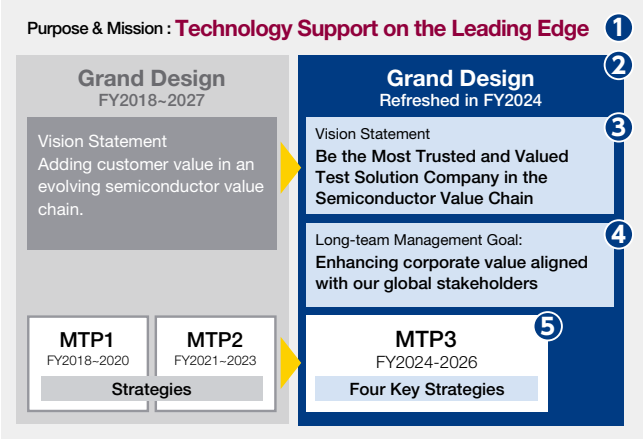
Our Vision Statement describes what we want Advantest to be in the future. We have honed our vision of how we can continue to be of greatest value to our customers and society based on our latest long-term business environment forecast. This led to issuing our updated Vision Statement in June 2024.

❹Long-Term Goal: Enhancing Stakeholder Values

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

❺Mid-term Management Plan

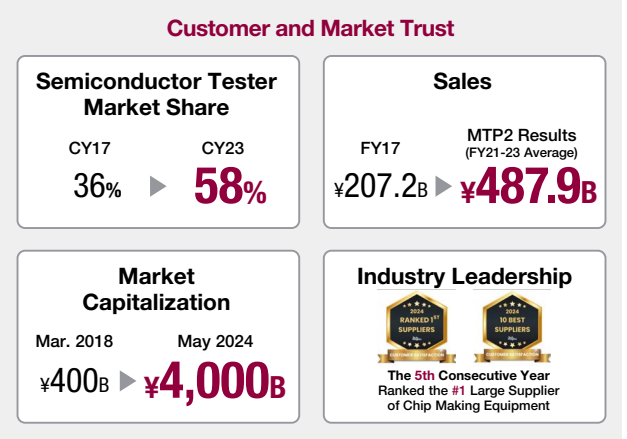
This three-year management plan contains strategies and targeted management metrics calibrated to the vision described in the Grand Design. We have already executed two mid-term management plans, and formulated our third Mid-term Management Plan (MTP3) in June 2024.



(2) Three achievements of the Grand Design

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

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



(3) Our updated Grand Design

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

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

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

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

These updates follow a review of how we can continue to be of greatest value to our customers and society, based on our latest long-term business environment forecast. As a result of this review, we decided to make the following two changes:

1. Updated our Vision Statement

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

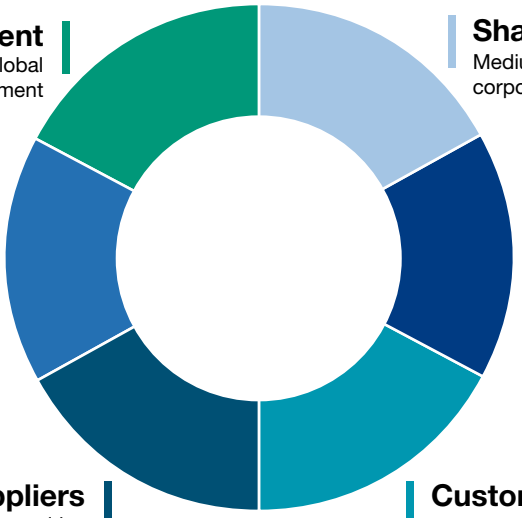
Rather than just providing customers with semiconductor testing hardware, we are becoming an essential hub and partner for the entire semiconductor value chain by providing new value in the form of semiconductor test solutions that allow for more efficient approaches to the increasingly complex challenges of semiconductor test. By expanding the economic and social benefits it provides, Advantest aims to become the most trusted and valued test solution company in the semiconductor value chain for all our stakeholders.

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

We will promote various initiatives that help to create a sustainable future for the world in an integrated manner, while focusing on solving customer issues. Simultaneously, by appropriately reflecting the expectations and demands of our stakeholders in our business activities, we aim to expand the significance of our purpose and mission and the value we provide in a balanced, multifaceted way, both economically and socially.

Value to Stakeholders

We will strive to earn the trust of our stakeholders.



Global Environment
Contributing to a sustainable global environment

Shareholders & Capital Market
Medium- and long-term enhancement of corporate value

Partners
Ecosystem/business partners:
Solving industrial issues through collaboration with partners and fostering mutual business growth opportunities
Local community:
Contributing to creating a society where people can live more prosperous lives

Employees
Increase in employee satisfaction

Suppliers
Expanding business growth opportunities
Co-creation of sustainable social value

Customers
Contributing to customer business growth by solving customer issues
Contributing to improving customers' environmental issues

Third Mid-Term Management Plan (MTP3)

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

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

Advantest expects that the semiconductor test-related market will continue to grow in the medium to long term, while factoring in short-term down cycles, and its cyclical growth structure will persist during the MTP3 period. Although the current adjustment in the semiconductor test-related market is not yet complete, Advantest expects that the market will return to a “cyclically-up” trend from FY2024 onwards. In addition, as aforementioned, Advantest believes that its business opportunities will expand over the medium to long term as the semiconductor market expands and the industry faces the structural challenges of dealing with the complexity of semiconductors. In this industry landscape, Advantest will strive to expand the value it provides to stakeholders over the medium to long term by pursuing the following four strategies in line with our updated vision statement.

[Strategies]

1. Outpace the growth in our core market

In line with our growth strategy, Advantest has broadened its business domains year by year. In the past, the semiconductor tester (ATE) market has been our main focus. However, from MTP3 onwards, while ATE will remain the central axis of our business, Advantest will aim for further growth based on a larger footprint enabled by past efforts on the ATE axis. In this expanded core market, Advantest expects future growth opportunities to arise from increased semiconductor production volume, higher-performance semiconductors, and the increasing complexity of semiconductors. To address these opportunities, Advantest will not only improve the performance of individual test solutions, but also create new value for customers through the "Automation of Test,” — specifically, by improving the efficiency of semiconductor testing, by organically integrating our diverse portfolio of products and solutions, and by collaborating with external partners. Through these efforts, Advantest will continue to grow faster than its core market.

2. Expand adjacently / new businesses

As semiconductors continue to evolve toward higher performance and complexity, there is a demand for broader and more integrated test solutions. Advantest has been expanding its business into system level test and test peripherals, and will continue this initiative to further increase the value it provides to customers. More specifically, Advantest will work to leverage its installed base of products to create business opportunities by promoting field services, Advantest Cloud Solutions™, and the products of our Applied Research & Venture Team.

3. Drive operational excellence

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

4. Enhance Sustainability

Advantest's long-term management goal is to enhance the value it provides to its stakeholders in a well-balanced and multifaceted manner. We will further strengthen our foundation for enhancing corporate value through proactive and positive action on sustainability issues such as climate change and human rights, the execution of responsible business activities, including legal compliance and adherence to ethical business practices, and the reinforcement of risk management and enhancement of corporate governance, to earn greater trust from each stakeholder. Ultimately, Advantest hopes to

contribute to sustainability, i.e., to meet the needs of the present without compromising the ability of future generations to meet their own needs. Advantest will also strive to cultivate and instill a common culture and shared values within the company, as these are the starting point for promoting initiatives related to sustainability.

Targeted management metrics

Under MTP3, Advantest will strive to enhance its corporate value by increasing sales, improving profitability, and improving capital efficiency through the above four strategies. Given this framework, the management metrics emphasized in MTP3 are sales, operating profit margin, net income, return on invested capital (ROIC), and EPS. Advantest has been endeavoring to grow all these numbers. In order to evaluate the progress of the plan from a medium- to long-term perspective, Advantest uses three-year averages to smooth out the impact of industry cycles.

Cost / Profit Structure

Advantest will work to improve gross profit margin through measures such as increasing sales of superior test solutions and optimizing supply chain management and manufacturing operations. Advantest will also actively invest in areas that will be the source of sustainable value creation, for instance, R&D and human capital. At the same time, we will strive to continuously improve our profit structure by implementing measures to increase management efficiency and operational productivity, such as DX. On the other hand, the future of the global economy and our market is highly uncertain. Advantest will strive to achieve its management goals by carrying out flexible financial management in line with changes in the business environment.

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

*1 MTP3 financial targets are based on exchange rate assumptions of 140 yen to the US dollar and 155 yen to the Euro
*2 Return on Invested Capital = NOPAT / Invested capital (average at beginning and end of period). NOPAT = Operating income x (1 - tax ratio 25%). Invested Capital = Borrowings + Corporate bonds + Total equity, with excluding Lease liabilities.

Capital Policy & Shareholder Returns

Advantest's capital policy prioritizes business investment for growth such as R&D, facility enhancements, and M&A. In order to strengthen the company's ability to generate cash in the future in line with long-term semiconductor market expansion and further semiconductor performance gains, Advantest will allocate cumulative operating cash flow (before deducting R&D expenses) of ¥600 billion or more expected during the MTP3 period to investments in organic and non-organic growth in our core businesses and the acceleration of business expansion into adjacent markets. Advantest will also be flexible in the utilization of liabilities (debt) from the viewpoint of balance sheet management that considers both capital efficiency and capital cost. In addition, Advantest maintains an appropriate capital structure while maintaining financial soundness in order to strengthen its business position and enhance its corporate value.

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

Advantest estimates that its cash on hand will range between ¥100-120 billion in normal times. When surplus cash arises beyond that which is needed for investments and cash for working capital, Advantest will return it to shareholders via dividend and share repurchase.

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

Column: “Automation of Test” Enhances Efficiency in Testing Complex Devices

Background to the “Age of Complexity”

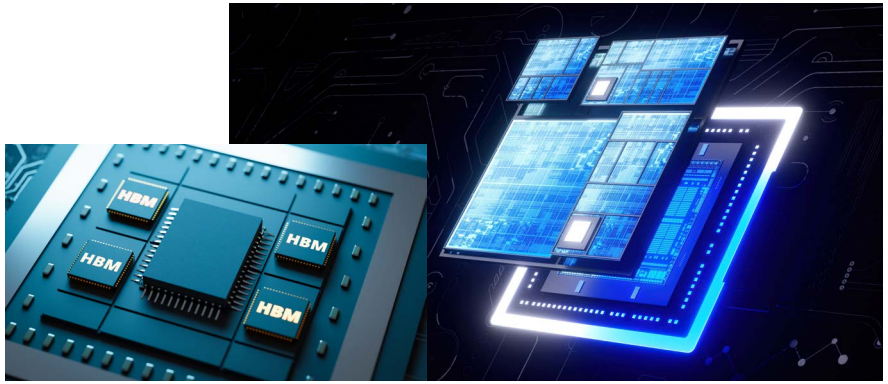
- One of the most renowned trends present in the semiconductor industry is miniaturization. This term refers to the advancements in lithography that have enabled engineers to develop denser circuitry with more transistors on a smaller area of silicon, resulting in increasingly smaller chips and electronic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

Further evolution of semiconductors is needed

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

Future of the semiconductor industry

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



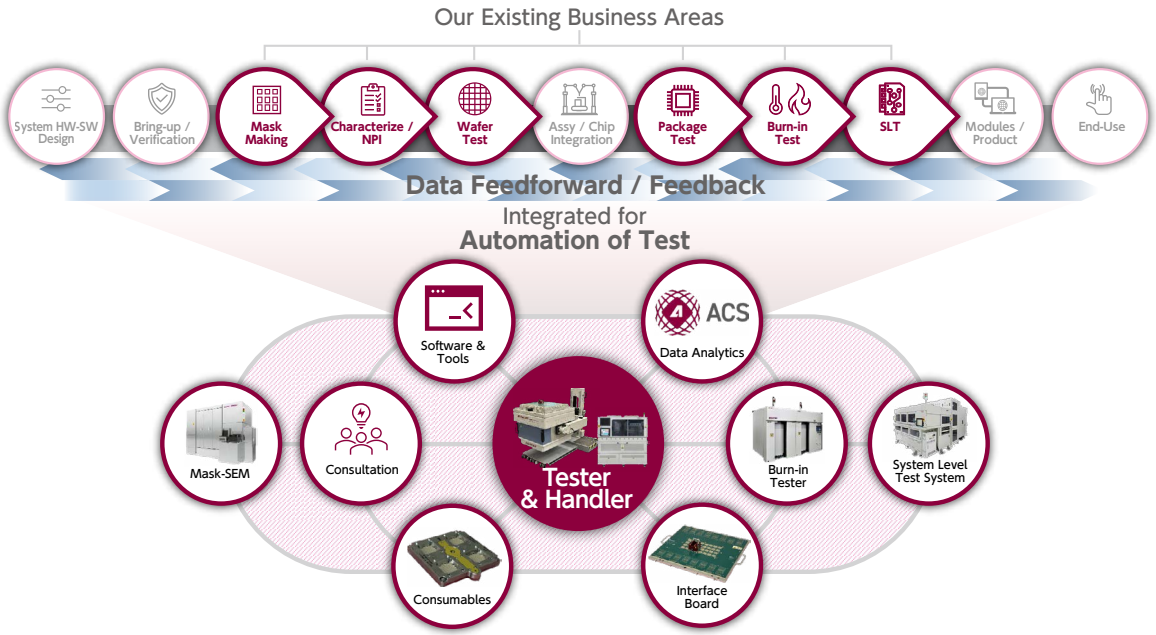
Column: “Automation of Test” Enhances Efficiency in Testing Complex Devices

Semiconductor test is becoming more complex

- Through these industry-wide efforts, the scale and complexity of semiconductor circuitry is increasing. As a result, the complexity of semiconductors is expected to increase exponentially faster than in the past. This will bring new challenges to the semiconductor industry.
- For example, incorporating various types of semiconductor components on a single device presents a significant challenge. Engineers must fine-tune multiple aspects of a semiconductor's design and manufacturing to balance the technological needs of each component present and ensure seamless operation. However, as semiconductor devices grow more complex, balancing the intricate needs of diverse components has proven challenging. Integrating new technology could have a significant, adverse impact on the entire device that is impossible to predict.
- The industry increasingly views semiconductor test as a tool to identify and remove defects in advance. As semiconductors become more complex, the industry will require more sophisticated, advanced test at a larger scale than ever before. However, expanding production to such a massive scale raises many technical challenges.
- Complex challenges also arise when testing heterogeneous integrated devices. For example, the heat generated by the current passing through a semiconductor device during test can damage the other components integrated in the device. In this age of complexity, semiconductor testers must provide advanced thermal control capabilities to monitor hotspots and prevent overheating.
- Specifically, testing increasingly complex semiconductors requires disaggregating and examining the complexities of the semiconductor’s components one by one. In other words, developing test processes for complex semiconductors requires an interdisciplinary approach that spans multiple fields.
- In addition to creating an environment where large-scale test can be performed accurately and efficiently, companies that provide semiconductor test solutions are required to understand the challenges of each process, from semiconductor design to mass production, and work closely with companies across the value chain.

Advantest’s role

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



Address the Industry Issues by “Automation of Test”

CFO Message

Management Metrics

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

Future-Focused Investment in Development for Growth and Cash Generation

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

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

Regarding selling, general and administrative expenses, which have increased along with sales, we intend to increase efficiency by further digitizing our operations, limiting increases in indirect expenses, and improving our break-even ratio.
Since we announced MTP3, demand for testers has increased rapidly, especially for AI-related SoC devices, and our business is now forecasted to grow significantly more in FY2024 than initially expected. To start with, we had envisioned MTP3 getting off to a rather sluggish start in FY2024 and then transitioning to growth in FY2025 and FY2026. We are currently making a careful assessment of whether the steep increase in tester demand in FY2024 will boost demand throughout the MTP3 period or whether this is a temporary surge in demand pulled forward.

MTP3 Targeted Management Metrics

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

*MTP3 financial targets are based on exchange rate assumptions of 140 yen to the US dollar and 155 yen to the Euro
*Return on Invested Capital = NOPAT / Invested capital (average at beginning and end of period). NOPAT = Operating income x (1 - tax ratio 25%). Invested Capital = Borrowings + Corporate bonds + Total equity, with excluding Lease liabilities.

Capital Allocation

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

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

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

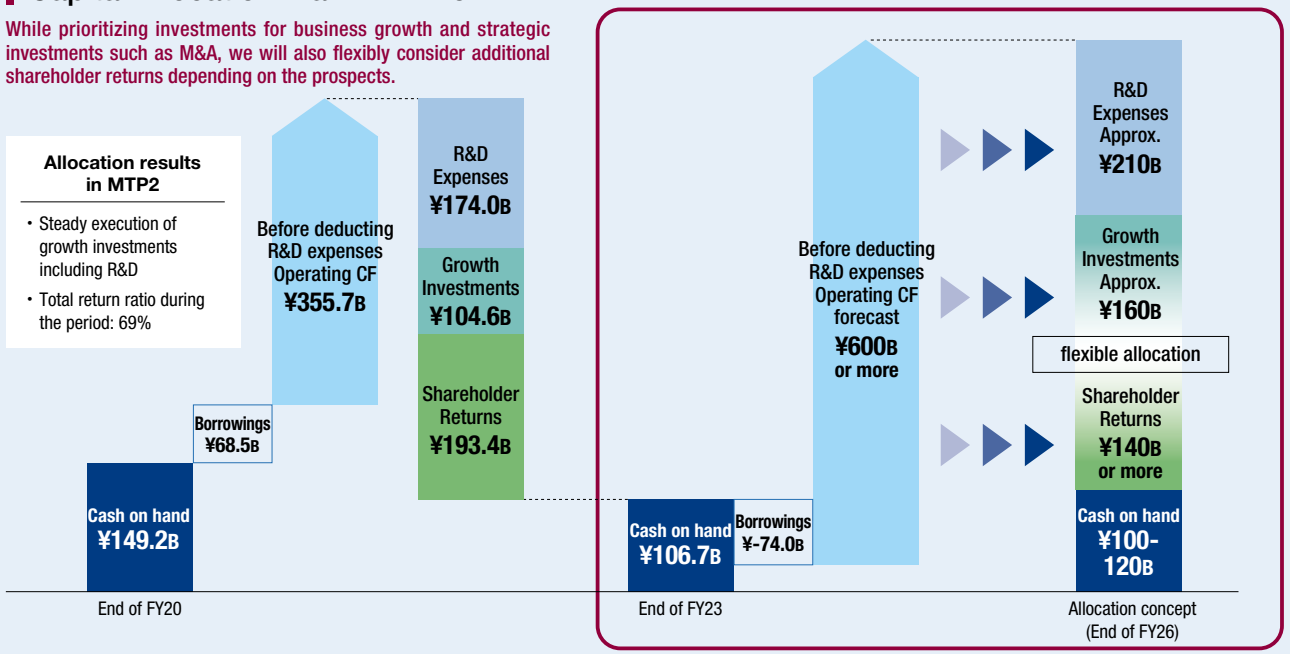
Of our projected 160 billion yen in growth investments, we are considering capital investments of 60 billion yen and strategic investments, including M&A, of 100 billion yen. This represents a decrease in capital investments from 63.9 billion yen in MTP2, but during the MTP2 period, in addition to ramping up our production plant in the United States, we made once-off investments such as office expansion at each global base to facilitate the expansion of our business. We do not plan to reduce our capital investments in business-related areas such as development, production, and sales.

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

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

Capital Allocation Plan in MTP3

While prioritizing investments for business growth and strategic investments such as M&A, we will also flexibly consider additional shareholder returns depending on the prospects.



*Growth Investments: Capital expenditure + Strategic investment such as M&A

*Additional debt will be considered depending on investment opportunities and business environment

Risk Management

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

Our Basic Risk Management Philosophy

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

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

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

Risk Management Structure

1. Organization

Under the risk management policy set by the Internal Control Committee, each unit manages its own risks while the Internal Control Committee supervises and evaluates the situation and provides feedback.

Compliance-related risks are tracked by the Chief Compliance Officer (CCO). In addition, certain types of risk information are reported directly to the Board of Directors and the Executive Management Committee.

A Risk Management Group, headed by the President, has also been set up to act promptly in the event of an emergency.

2. Process

Each unit incorporates the management plan formulated by the Board of Directors and the Management Committee into its own priority measures.

The Internal Control Committee defines the factors (risks) that may hinder the achievement of these priority measures and requests individual units to identify risks and report on their risk responses. In this manner, the Internal Control Committee supports and reviews the risk analyses of individual units and promotes information sharing between units from a company-wide perspective. Each unit reports its risk management status to the Internal Control Committee twice a year. The Internal Control Committee then checks the risk management status of individual units and provides feedback. The Secretariat of the Internal Control Committee also supports each unit in various manners as appropriate, such as providing proposals for risk analysis and countermeasures and providing necessary information.

Compliance-related risks are tracked by the CCO. The CCO then reports regularly to the Board of Directors and the Executive Management Committee. In the event of a compliance-related incident, the CCO promptly instructs the relevant unit to take action and reports the status of the response to the Board of Directors and the Executive Management Committee. Depending on the nature of the risk, risk information may be reported directly to the Board of Directors or the Executive Management Committee. The Board of Directors or the Executive Management Committee handles risks at the corporate level by making timely decisions and giving instructions to related units.

In the event of an emergency, faster response is possible under the direction of the Risk Management Group.

Key Risks & Countermeasures

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

Four Key Strategies of MTP3

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

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

*CCO: Chief Compliance Officer CCRO: Chief Customer Relations Officer CHO: Chief Human Capital Officer CSCO: Chief Supply Chain Officer
CSO: Chief Strategy Officer CTO: Chief Technology Officer CIO: Chief Information Technology Officer

Advantest's Sustainability Initiatives

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

Our Approach to Sustainability Issues

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

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

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

P.29-30 Sustainability Action Plan 2024-2026

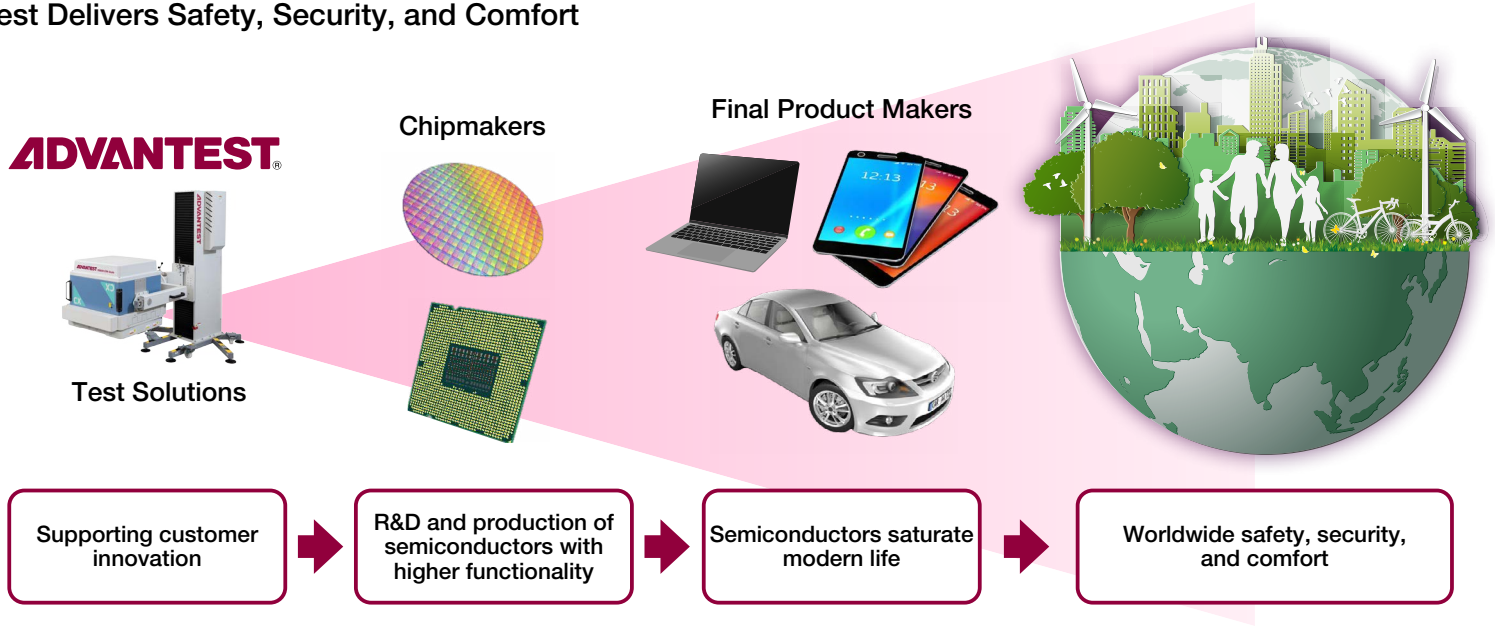
At the same time, to balance global sustainability with our own growth, we will also focus on strengthening our corporate governance, rigorously complying with laws and regulations, adhering to corporate ethics, and continuously strengthening our risk management.

The Advantest Way

Semiconductors and Sustainability

We at Advantest believe that semiconductors support global sustainability.
Semiconductors have penetrated every corner of our lives as key components of personal computers and smartphones and more: home appliances, automobiles, industrial equipment... Nowadays, everything is connected to the internet, and the amount of data in the world is increasing year by year as the number of electronic devices connected to the network grows. However, semiconductors are also affected by demands for lower environmental impact. The increase in power consumption that would naturally follow from their increasing utilization is being offset by advances in miniaturization, performance, and energy efficiency. Notably, power semiconductors have also seen remarkable performance improvements and widespread adoption. Advantest plays a role in energy conservation by providing test solutions so that semiconductor manufacturers can provide higher-performance semiconductors that need less energy. Our mission is to continue to meet the challenges our customers face (e.g., high-level quality and performance assurance, vertical volume production ramps in the shortest possible times) in response to the evolution of semiconductors along the twin axes of the "digital transformation" (DX) and "green transformation" (GX). In carrying out this mission, all our executives and employees base their actions on the Advantest Way, aiming to respect all stakeholders and contribute to global sustainability, while also working to achieve sustainable growth for our company and increase our corporate value in the medium to long term.

Semiconductor Test Delivers Safety, Security, and Comfort



Overview Sustainability Action Plan 2024-2026

Providing Value and Creating Stakeholder Impact

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

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

Sustainability Action Plan 2024-2026

Stakeholders	Priority Themes	Target	Executive in charge *1	KPIs	KPI Target (FY2026)
Shareholders and capital market	Mid-/long-term and sustainable enhancement of corporate value	Aiming further sales growth, improved profitability, and more efficient use of capital	CFO	In accordance with MTP3 Management Indicator	In accordance with MTP3 Management Indicator
	Enhancement of sustainability information disclosure	Timely and appropriate disclosure of financial and non-financial information	CFO	ESG evaluation by rating agencies	Maintaining and improving evaluations by major ESG evaluation by rating agencies
Employees	Respect for diversity	Promoting gender diversity	CHO	Ratio of female managers *2	11%
			CHO	Ratio of female employees among candidates (Level6) for executive and managerial positions *3	16%
	Employee Engagement	Fostering and instilling an attractive corporate culture	CHO	Turnover rate	Below semiconductor industry average
			CHO	Gallup Survey Scores *4	3.8
			CHO	The INTEGRITY Award nominations/year *5	400
	Investment in human capital	Promoting health and wellbeing management and work-life balance	CHO	Japan: White 500 Certified (Japan)Global: To be decided during FY2024 *6	Japan: Certified as White 500
		Promoting human capital development based on the Advantest Development Framework	CHO	Education and training expenses	0.8 (Billions of yen)
Customers	Providing superior solutions	Provision of new products and integrated solutions that solve customer issues	CTO	Market position	Maintaining 'No.1 position in the focus markets'
	Customer satisfaction and trust	Provision of more value added and comprehensive customer support quickly and accurately	CCRO	Market position	Maintaining 'No.1 position in the focus markets'
	Climate change countermeasures and reduction of environmental impact	Improving the environmental performance of our products	CTO	Development of “power optimized products”	To be decided during FY2024
			CCRO	Promotion of products with excellent environmental performance	To be decided during FY2024
			CSO	Enhanced Product Life Cycle Assessment	Expansion of the life cycle assessment management scope and data refinement

Sustainability Action Plan 2024-2026

Stakeholders	Priority Themes	Target	Executive in charge *1	KPIs	KPI Target (FY2026)
Suppliers	Respect for human rights and fair deals in the supply chain	Aiming further sales growth, improved profitability, and more efficient use of capital	CSCO	Supplier response rate to conflict minerals survey	99%
		Penetrating Sustainability in the Supply Chain	CSCO	Due diligence implementation rate for designated business partners *7	100%
			CSCO	Number of designated business partners *7	50 suppliers (designated 42 suppliers as business partners in FY2023) *7
	Greenhouse Gas Emission Reduction (Scope 3)	Supply chain decarbonization	CSCO	Percentage of main business partners that have introduced renewable energy sources *8	60%
Partners	Creation of innovation and contribution to local communities and global society	Implementation of activities related to innovation and social good	CSO	The number of strategic partnerships	Maintain the same level as FY2023
			CCO	The number of employees' activities contributing to local communities (both inside and outside of work)	180 (FY2024-FY2026 cumulative total)
Global Environment	Greenhouse gas emission reductions (Scope 1+2)	Reducing GHG emissions from Scope 1+2	CSO	GHG emissions reduction rate	65% (vs. FY2018)
		Raising renewable energy usage	CSO	Renewable energy coverage rate	80%
		Reducing energy consumption by shortening the production period of major products	CSCO	Reduction of production period by reviewing production processes	Reducing production period by 20% (vs. FY2020)
	Contribution to the Circular Economy	Improvement of recycling rate through promotion of 3Rs (Reduce, Reuse and Recycle)	CSO	Waste recycling rate (Japan and overseas)	Japan:90% or more Other regions: 73% or more
		Maintaining company-wide water consumption at FY2016 levels	CSO	Water resource usage	Less than 288,000m3/year
	Conservation of biodiversity and natural capital	Preservation of biodiversity, promotion of nature conservation activities (protection of endangered species in biotopes, tree planting, beach cleanups, etc.)	CSO	Total number of participants in social contribution activities related to natural capital	600 (FY2024-FY2026 cumulative total)

	Priority Themes	Target	Executive in charge *1	KPIs	KPI Target (FY2026)
Governance	Promoting ethical management and business	Compliance with international/industry standards	CSO	Compliance with business codes of conduct and management system standards	Maintain and recertify ISO certification and pass RBA audit
		Implementation of Global Compliance Education Program (GCEP) *e-learning for all employees	CCO	e-learning participation rate	100%
		Fair and Transparent Workplace	CCO	Aiming to obtain third-party certification for whistleblowing system	Obtaining third-party certification for whistleblowing system
		Maintaining and improving occupational health and safety	CHO	Incidence of serious occupational accidents which result in absence from work (LTIR: Lost Time Incident Rate)	0%
		Fostering internal understanding of sustainability	CSO	Implementation of measures for different levels of the organization to promote understanding of sustainability	Implementation of the measures for different levels
	Continued enhancement of Corporate Governance structure	Enhancement of board structure and governance to increase effectiveness of corporate governance	COO	Ensuring the effectiveness of the Board of Directors	Enhancement of disclosure of effectiveness evaluation results
			COO	The board composition that satisfies the skill set required in line with management strategy and the business environment, and also ensures diversity	Periodic review by the Board of Directors and review and revision as necessary
	Enhancing risk management	Strengthening internal control	CCO	Risk clarification and response based on twice-yearly risk reviews	Implementation of risk review twice yearly

*1 List of Executive in charge is described in the Securities Report under "Item4 Status of the Company 4. Corporate Governance (2) Directors 1) List of Directors,"
*2 The non-consolidated Female manager ratio and Differences in Wages between Male and Female Workers are described in " Item 1. Company Overview 5. Status of Employee."
*3 Advantest's qualification system is a 10-level system which is globally standardized, with Level 6 being the highest level of qualification for general employees."
*4 A group-wide survey is conducted every three years.
*5 This award system honors employees who embody INTEGRITY through nominations from other employees.
*6 As the White 500 is a certification system in Japan, the Company and its subsidiaries in Japan are subject to certification.
*7 Tier 1 suppliers, which represent the top 85% of suppliers in terms of transaction value, and Tier 2 suppliers, which are the main suppliers of the Tier 1 suppliers, are subject to due diligence. These suppliers are defined as designated business partners.
*8 The top 85% of suppliers by transaction value are defined as main business partners.

Sustainability Management

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

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

The Board of Directors is also closely involved in the Group's sustainability initiatives, with each project being reported to the Board, which may oversee individual projects directly depending on their importance. The content and goals of the Sustainability Action Plan 2024-2026, which was formulated in conjunction with our third mid-term management plan (MTP3) in FY2024, was also discussed and decided at the Executive Management Committee and reported to the Board of Directors.

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

Sustainability Promotion System