OFFERING CIRCULAR

ADVANTEST CORPORATION

(incorporated in Japan with limited liability under the laws of Japan)

¥100,000,000,000

Zero Coupon Convertible Bonds due 2031

OFFER PRICE: 102.5 PER CENT

This Offering Circular relates to the issue by ADVANTEST CORPORATION (the "Company") of ¥100,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2031 (the "Bonds", being bonds with stock acquisition rights (*tenkanshasaigata shinkabu yoyakuken-tsuki shasai*), and which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated therein).

The Bonds will be issued in registered form in the denomination of ¥10,000,000 each with a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Rights").

The Stock Acquisition Rights will be exercisable from, and including, 4 May 2026 to, and including, 14 March 2031, and will entitle the Bondholder (as defined in Condition 1.2 of the terms and conditions of the Bonds (the "Conditions")) to acquire fully-paid and non-assessable shares of common stock of the Company (the "Shares") at an initial conversion price, subject to adjustment in certain events as set out in the Conditions, of ¥36,000 per Share.

However, subject to the Conditions, (i) a Bondholder may exercise its Stock Acquisition Rights during any particular calendar quarter prior to (and including) 31 March 2030, only if, as at the last Trading Day (as defined in Condition 3.1) of the immediately preceding calendar quarter (from the calendar quarter ended on 31 March 2026 up to, and including, the calendar quarter ending on 31 December 2029, as the case may be), the Closing Price (as defined in Condition 3.1) of the Shares for the 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price (as defined in Condition 5.1.3) in effect on the last Trading Day of such calendar quarter (or, in the case of the calendar quarter ended on 31 March 2026, the initial Conversion Price), and (ii) a Bondholder may exercise its Stock Acquisition Rights during any particular calendar quarter from (and including) 1 April 2030 but prior to (and including) 28 December 2030, only if, as at the last Trading Day of the immediately preceding calendar quarter (from the calendar quarter ending on 31 March 2030 up to, and including, the calendar quarter ending on 30 September 2030, as the case may be), the Closing Price of the Shares for the 20 consecutive Trading Days ending on such date is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter. Such condition to the exercise of the Stock Acquisition Rights shall not be applicable, in general, (i) during any period in which any rating assigned by a specified rating agency to the Company's issuer rating is below a specified level or certain other ratings events occur, (ii) if a notice of redemption is given to the Bondholders, or (iii) if the Company is required to give notice of certain specified Corporate Events (as defined in Condition 6.1) to the Bondholders. In addition, where a Parity Event (as defined in Condition 5.1.9) has occurred pursuant to Condition 5.1.9, such conditions to the exercise of the Stock Acquisition Rights shall not be applicable during the period of 15 consecutive Tokyo Business Days (as defined in Condition 5.1.4) from and including the first Tokyo Business Day immediately following the Company Notification Date (as defined in Condition 5.1.9) in respect of the occurrence of such Parity Event.

Unless previously redeemed or purchased and cancelled, or unless the Bonds have previously become due and repayable, the Bonds will be redeemed at 100 per cent of their principal amount on 28 March 2031.

The Company may also redeem the Bonds, in whole but not in part, at 100 per cent of their principal amount if the Company has or will become obliged to pay Additional Amounts (as defined in Condition 9) in respect of the Bonds, as set out in the Conditions. Further, if, at any time prior to the date of the giving of the notice of redemption, the outstanding principal amount of the Bonds is less than 10 per cent of the aggregate principal amount of the Bonds as at the date of issue thereof, the Bonds may be redeemed in whole but not in part at 100 per cent of their principal amount, at the option of the Company as set out in the Conditions. The Bonds may also be redeemed by the Company in whole but not in part in certain other limited events (including Corporate Events), at the percentage of their principal amount specified in the Conditions, as set out in the Conditions.

The Shares are listed on the Prime Market of the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"). The closing price of the Shares on 1 April 2026, as reported by Tokyo Stock Exchange, was ¥22,500 per Share.

Payments of principal, premium (if any) and any other amount due in respect of the Bonds will be made without withholding or deduction for or on account of Japanese taxes to the extent set out herein (see "Japanese Taxation" and Condition 9).

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries or its associates, or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

The Bonds will be evidenced by a global certificate (the "Global Certificate") evidencing the Bonds in registered form, which is expected to be deposited with and registered in the name of, or a nominee for, a common depositary for each of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about 20 April 2026 (the "Closing Date") for the accounts of their respective accountholders. The Joint Lead Managers (as defined in "Subscription and Sale") expect to deliver the Bonds through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. In addition, the Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan, as amended (the "FIEA") and may not be sold within Japan or to, or for the account of residents of Japan, unless otherwise permitted under the FIEA. For a summary of certain restrictions on offers and sales of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights, see "Subscription and Sale".

See "Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Joint Bookrunners and Joint Lead Managers

Nomura **Daiwa Capital Markets** **Mizuho**

The date of this Offering Circular is 1 April 2026.

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (the Company having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Group (as defined below), the Bonds and the Shares which is material in the context of the issue and offering of the Bonds, the statements contained in this Offering Circular relating to the Company and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to the "Group" are to the Company and its consolidated subsidiaries taken as a whole.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by or on behalf of the Company, The Law Debenture Trust Corporation p.l.c. (the "Trustee") or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained in this Offering Circular is correct as of any time subsequent to the date hereof, nor does it imply that there has been no change in the affairs or the financial position of the Group since the date hereof.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company, the Joint Lead Managers or the Trustee to subscribe for, or purchase, any of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights. The distribution of this Offering Circular and the offering of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and distribution of this Offering Circular, see "Subscription and Sale".

To the fullest extent permitted by law, none of the Joint Lead Managers (or their respective affiliates), the Trustee, the Principal Agent, the Registrar, the Custodian, the Custodian's Agent nor the Calculation Agent (each as defined herein) accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made on their behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee, the Principal Agent, the Registrar, the Custodian, the Custodian's Agent and the Calculation Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No action is being taken to permit a public offering of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights or the distribution of this Offering Circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, the European Economic Area, the United Kingdom, Singapore, Hong Kong and to persons connected therewith. See "Subscription and Sale".

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the FIEA. Each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold, and shall not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the account or benefit of, any resident of Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable Japanese laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organised under the laws of Japan.

Potential investors should note that prior notification under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) (the "FEFTA") may be required in the case of the acquisition of a certain proportion of the total issued shares of the Company upon exercise of Stock Acquisition Rights. Potential investors should consult their own legal and other advisers on the consequences of the acquisition of Shares (including any Shares to be acquired upon exercise of the Stock Acquisition Rights), including specifically the applicable notification, reporting and other procedures and any available exemptions therefrom under the FEFTA and related cabinet orders and ministerial ordinances.

The Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights may not be offered, sold or delivered within the United States or to US persons. See "Subscription and Sale".

There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of the Stock Acquisition Rights in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with. See "Subscription and Sale".

***Prohibition of sales to EEA retail investors:** The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of EU MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.*

***Prohibition of sales to UK retail investors:** The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is neither (i) a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law; nor (ii) a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024. Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law (the "UK PRIIPs Regulation") (which applies, with respect to the UK, up to and including 5 April 2026) or disclosure document required by the FCA Product Disclosure Sourcebook (which applies, with respect to the UK, from and including 6 April 2026) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation or the FCA Product Disclosure Sourcebook, as applicable.*

***Disclosure of Demand and Allocation**: Each prospective purchaser who places an order for the Bonds consents to the disclosure by the Joint Lead Managers to the Company of the prospective purchaser's identity, the details of such order and the actual amount purchased, if any.*

STABILISATION AND OVER-ALLOTMENT

IN CONNECTION WITH THE ISSUE OF THE BONDS, NOMURA INTERNATIONAL PLC (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to "euro" and "EUR" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "US dollars", "US$" and "$" are to United States dollars and references to "yen" and "¥" are to Japanese yen.

In this Offering Circular, where financial information is presented in millions of yen, amounts of less than one million have been rounded up or down to the nearest one million (with one-half of a million being rounded up), and where financial information is presented in billions of yen, amounts of less than one-tenth of a billion have been rounded up or down to the nearest one-tenth of a billion (with five one-hundredth of a billion being rounded up). Accordingly, the total of each column of figures may not be equal to the total of the individual items; however, in certain tables, the rounding of component figures in each column has been adjusted to equal to the total of the individual items. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, to the nearest 0.1 per cent or to the nearest 0.01 per cent), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than to the nearest 0.1 per cent or 0.01 per cent, as the case may be, to make the total of the relevant column equal to 100 per cent.

The Company's fiscal year-end is 31 March of each year. The Company's consolidated financial statements are prepared in accordance with IFRS Accounting Standards ("IFRS").

From 1 April 2024, the statutory quarterly disclosure requirements under the FIEA applicable to first quarter ("Q1") and third quarter ("Q3") reports and review requirements by the independent auditor, which were previously mandatory for listed companies and companies applying for listing, have been abolished and have been integrated into the quarterly earnings reports based on the Tokyo Stock Exchange rules (Tokyo Stock Exchange's Standards for the Preparation of Quarterly Financial Statements (the "Tokyo Stock Exchange rules")). At the same time, review of such quarterly earnings reports (Q1 and Q3) by the independent auditor has become optional in principle. The new Tokyo Stock Exchange rules permit reduced disclosures as compared to those which were required under the FIEA in interim financial statements under IFRS, Japanese GAAP or US GAAP, as applicable.

This Offering Circular contains the audited consolidated financial statements of the Company, prepared and presented in accordance with IFRS, as at and for the fiscal years ended 31 March 2023, 2024 and 2025, which have been audited by the Company's independent auditor as indicated in the audit reports with respect thereto included herein at pages F-2 to F-9 and pages F-82 to F-88 (the "Audited Consolidated Financial Statements").

This Offering Circular also contains, at pages Q-2 to Q-13, the unaudited condensed quarterly consolidated financial statements of the Group as at 31 December 2025 and for the nine-month periods ended 31 December 2024 and 2025, including the condensed quarterly consolidated statement of financial position of the Group as at 31 December 2025 (together with a consolidated statement of financial position of the Group as at 31 March 2025) and the related condensed quarterly consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows of the Group for the nine-month periods ended 31 December 2024 and 2025, and the review report with respect thereto included herein at pages Q-2 to Q-4 (the "Unaudited Condensed Quarterly Consolidated Financial Statements"). Such financial statements have been prepared in accordance with the Tokyo Stock Exchange rules. Such Unaudited Condensed Quarterly Consolidated Financial Statements have been reviewed by the Company's independent auditor in accordance with review standards for interim financial statements generally accepted in Japan. In addition, the Unaudited Condensed Quarterly Consolidated Financial Statements have been prepared based on IFRS, except that certain of the required disclosures and notes are not presented, as permitted by the Tokyo Stock Exchange rules. Potential investors are advised to exercise caution when using such information to evaluate the results of operations and financial condition of the Group, and should not place undue reliance upon such information.

Unless otherwise stated or the context requires, the description of the Company's business and financial information relating to the Company contained herein are given on a consolidated basis.

Change in Reportable Segments and Presentation of Segment Data

Until the fiscal year ended 31 March 2025, the Group had managed its business in three reportable segments, namely: (i) Semiconductor and Component Test System Business, (ii) Mechatronics System Business, and (iii) Services, Support and Others. Commencing from 1 April 2025, the Group decided to change its reportable segments, into: (i) Test System Business, and (ii) Services and Others. Accordingly, in this Offering Circular, segment information for the nine-month period ended 31 December 2024 has been retrospectively recast based

on the new reportable segments consistent with the segment information starting 1 April 2025. See "Segment Information" under the Notes to the Unaudited Condensed Quarterly Consolidated Financial Statements as at and for the nine-month period ended 31 December 2025. In this Offering Circular, segment information for the fiscal years ended 31 March 2023, 2024 and 2025 has been retrospectively recast based on the new reportable segments starting 1 April 2025. See Note 33 "Subsequent Event" to the consolidated financial statements for the fiscal years ended 31 March 2024 and 2023 and the fiscal year ended 31 March 2025, respectively.

The Company uses the operating income (loss) before share-based compensation expense for management's analysis of operating segments' results. Share-based compensation expense represents expenses for (i) stock options, performance-based stock remuneration expense and restricted stock compensation expense in respect of the fiscal year ended 31 March 2023, (ii) performance-based stock remuneration expense and restricted stock compensation expense in respect of the fiscal year ended 31 March 2024, and (iii) restricted stock compensation expense in respect of the fiscal year ended 31 March 2025. Segment income (loss) is presented on the basis of operating income (loss) before share-based compensation expense.

Further, in this Offering Circular, unless otherwise specifically noted, where figures for net sales or segment income are presented on a per segment basis, such figures represent total sales or operating income (loss) before share-based compensation expense, respectively, for such segment, without taking into account any inter-segment eliminations.

Use of Non-IFRS Measures

In addition to the reported financial results prepared under IFRS, the Company also uses non-IFRS performance measures, such as free cash flow, Adjusted EBITDA, Adjusted EBITDA margin, and return on invested capital, as supplementary information to evaluate its performance and financial condition. These non-IFRS measures reflect adjustments for a number of items that the Company believes are useful to be separately disclosed so that key trends driving the performance of its business can be more clearly identified by investors. However, non-IFRS measures have a number of important limitations and should not be viewed as a substitute for financial information prepared in accordance with IFRS. It is important to note that these non-IFRS measures have no standardised meaning prescribed by IFRS and may not be comparable to the calculation of similar measures of other companies. Due to the limitations inherent in non-IFRS measures, investors should not solely rely on non-IFRS measures in assessing the Company's performance and financial condition.

In particular, the Group calculates Adjusted EBITDA as the sum of operating income and depreciation and amortization. The Group calculates Adjusted EBITDA margin by dividing the Adjusted EBITDA by Net sales. These differ from definitions of EBITDA (which some companies define based on its acronym "earnings before interest, taxes, depreciation and amortization") or EBITDA margin that are used by other companies. Accordingly, these measures may not be comparable with EBITDA, EBITDA margin or similarly titled measures that are presented by other companies, thereby diminishing their utility in terms of comparability.

With regard to return on invested capital ("ROIC"), the Company calculates it by dividing net operating profit after tax ("NOPAT") by Invested capital (average of the beginning and the end of the relevant period). NOPAT is calculated by applying a 25 per cent tax rate to operating income (i.e., by multiplying operating income by a factor of 0.75 (100 per cent minus 25 per cent)) to determine the after tax operating profit. Invested capital represents sum of Short-term borrowings, Long-term borrowings and Total equity. The Company believes that calculating NOPAT by applying a 25 per cent as a tax rate better reflects the underlying business performance for management purposes, as a fixed tax rate is applied solely for performance measurement to ensure comparability across periods, rather than to reflect actual cash taxes paid. It should be noted that this tax rate of 25 per cent differs from the Group's effective tax rate for accounting purposes, and there is no assurance that it is a fully accurate representation of the effective tax rate of the Group's underlying business operations.

Construction of Certain References

Under the Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act"), the Company may issue new Shares to a Bondholder (as defined in the Conditions) and/or transfer Shares that it holds as treasury shares to a Bondholder, in each case upon exercise of a Stock Acquisition Right. Accordingly, unless otherwise specified or the context requires, references in this Offering Circular to the issuance of Shares shall be read as including both the issuance of new Shares and the transfer of Shares held by the Company as treasury shares and the words "issue", "issued", "issuance" and "issuable" shall be construed accordingly, except where the context otherwise requires. In addition, references to the word "acquire" used in connection with the Shares shall be read as including both of the words "issue" and "transfer", and the words "acquired" and "acquisition" shall be

construed accordingly and references to "delivery" used in connection with the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system of Japan Securities Depository Center, Inc. ("JASDEC").

FORWARD-LOOKING STATEMENTS

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as "may", "might", "will", "expect", "intend", "plan", "estimate", "anticipate", "project", "believe" or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company's current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company's or the Group's actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company's expectations include those risks identified in "Investment Considerations" and the factors discussed in "Recent Business" and "Business", as well as other matters not yet known to the Company or not currently considered material to the Group by the Company. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

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SUMMARY INFORMATION

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see "Investment Considerations".

ADVANTEST CORPORATION

The Group is a global leader in the test and measurement industry, engaged in the manufacture and sale of semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. As the demand for high-performance semiconductors has continued to rise in recent years, so has the demand for comprehensive test solutions that meet the needs of next-generation devices. The Group has been working to meet this demand by developing a broad portfolio of cutting-edge products that offer one-stop, turnkey solutions optimised for each customer's specific needs. As the complexity of semiconductor devices continues to increase, the Group is working to employ new test methodologies such as artificial intelligence ("AI")-driven data analytics to automate the test flow and introduce innovations across the supply chain.

Starting 1 April 2025, the Group manages its business in two reportable segments, namely: (i) Test System Business, and (ii) Services and Others. Prior to 1 April 2025, the Group managed its business in three reportable segments, namely: (i) Semiconductor and Component Test System Business, (ii) Mechatronics System Business, and (iii) Services, Support and Others. See "Presentation of Financial and Other Information-—Change in Reportable Segments and Presentation of Segment Data".

- *Test System Business*. This segment includes the Group's core products, test systems, as well as test handlers that transfer semiconductor devices to the systems, device interfaces that electrically connect the devices to the systems, and solutions for system-level testing of semiconductors and modules. For the nine-month period ended 31 December 2025, net sales to unaffiliated customers in this segment amounted to ¥723,055 million, or 90.3 per cent of total consolidated net sales.

- *Services and Others*. This segment consists of providing comprehensive customer solutions support services, offering nanotechnology-related products SEM for photomask inspection, and support services and sales of consumables. For the nine-month period ended 31 December 2025, net sales to unaffiliated customers in this segment amounted to ¥77,482 million, or 9.7 per cent of total consolidated net sales.

As at 31 December 2025, the Company had seven domestic consolidated subsidiaries and 34 overseas consolidated subsidiaries. The Company's consolidated net sales, operating income, income before income taxes and net income attributable to owners of the parent for the fiscal year ended 31 March 2025 amounted to ¥779,707 million, ¥228,161 million, ¥224,774 million and ¥161,177 million, respectively. The Company's consolidated net sales, operating income, income before income taxes and net income attributable to owners of the parent for the nine-month period ended 31 December 2025 amounted to ¥800,537 million, ¥346,006 million, ¥344,349 million and ¥248,526 million, respectively.

The Company is incorporated under Japanese law with limited liability as a joint stock corporation (*kabushiki kaisha*). The registered head office of the Company is at Shin Marunouchi Center Bldg., 6-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan. The Shares are listed on the Prime Market of the Tokyo Stock Exchange.

THE OFFERING

Issuer	ADVANTEST CORPORATION
Securities Offered	¥100,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2031 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*).
Issue Price	100.0 per cent
Offer Price	102.5 per cent
Closing Date	On or about 20 April 2026.
Delivery	It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	In registered form, evidenced by a Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form".
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries and its associates, or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
Lock-up Arrangements	In connection with the issue and offering of the Bonds, the Company has agreed not to, and not to direct any entities or any persons acting at the direction of the Company to, (i) issue, offer, pledge, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Shares or any other capital stock of the Company, (ii) enter into any derivative transaction or any other transaction that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale, (iii) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility or (iv) publicly announce any intention to do any of the above, in each case, for a period beginning on the date of the Subscription Agreement and ending on the date 180 calendar days after the Closing Date without the prior written consent of the Joint Lead Managers, other than (a) the issue and sale by the Company of the Bonds (or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights by the Company), (b) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such

holder, constitute one full unit of Shares, (c) the issue of Shares by the Company as a result of any stock split or the pro rata allocation of Shares or stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights, (d) the issue or transfer of Shares to the directors, officers or employees of the Company or any other member of the Group pursuant to the Company's restricted stock compensation plan, (e) the issue or transfer of Shares to the directors, officers or employees of the Company or any other member of the Group based on the Company's restricted stock unit plan and performance share unit plan, and the grant of the restricted stock units and performance share units under the Company's stock-based compensation plans, (f) the sale by the Company of Shares held by unidentified shareholders, and (g) any other issue or sale of Shares required by applicable Japanese laws and regulations.

See "Subscription and Sale".

Use of Proceeds..... The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥100 billion. The Company intends to allocate such net proceeds to the following growth investments:

(i) approximately ¥50 billion by March 2029, to enhance semiconductor tester supply capacity;

(ii) approximately ¥20 billion by March 2027, to strategically secure inventory in order to flexibly respond to demand for semiconductor testers; and

(iii) approximately ¥30 billion by March 2028, to accelerate the development of next-generation testing solutions.

See "Use of Proceeds".

THE BONDS

Form and Denomination	The Bonds are issued in registered form in the denomination of ¥10,000,000 each.
Initial Conversion Price.....	¥36,000 per Share, subject to adjustment in certain events. See Condition 5.
Coupon	Zero
Exercise of Stock Acquisition Rights	Subject to and upon compliance with the provisions of Condition 5, any Bondholder may exercise the Stock Acquisition Right in respect of the relevant Bond, at any time on and after 4 May 2026 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 14 March 2031 (but in no event thereafter), to acquire fully-paid and non-assessable Shares. See Condition 5.
Condition to the Exercise of Stock Acquisition Rights	Subject to the Conditions: (i) a Bondholder may exercise its Stock Acquisition Rights during any particular calendar quarter prior to (and including) 31 March 2030, only if, as at the last Trading Day (as defined in Condition 3.1) of the immediately preceding calendar quarter (from the calendar quarter ended on 31 March 2026 up to, and including, the calendar quarter ending on 31 December 2029, as the case may be), the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price (as defined in Condition 5.1.3) in effect on the last Trading Day of such calendar quarter (or, in the case of the calendar quarter ended on 31 March 2026, the initial Conversion Price); and (ii) a Bondholder may exercise its Stock Acquisition Rights during any particular calendar quarter from (and including) 1 April 2030 but prior to (and including) 28 December 2030, only if, as at the last Trading Day of the immediately preceding calendar quarter (from the calendar quarter ending on 31 March 2030 up to, and including, the calendar quarter ending on 30 September 2030, as the case may be), the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter, in each case as determined by the Principal Agent (as defined in the Conditions) and notified to the Bondholders in accordance with Condition 19, subject to adjustment in the manner provided in Condition 5.2. If the relevant condition as set out in (i) or (ii) above is satisfied, then a Bondholder may (subject to the Conditions) exercise the Stock Acquisition Rights on and after the first day of the immediately following calendar quarter (or, in the case of (i) above, in the case of the calendar quarter commenced on 1 April 2026, on and after 4 May 2026) until the end of such calendar quarter (or, in the case of (ii) above, in the case of the calendar quarter commencing on 1 October 2030, until and including 28 December 2030), provided that the

relevant Deposit Date (as defined in Condition 5.9.4) falls during the Exercise Period (as defined in Condition 5.1.4).

The above condition to the exercise of the Stock Acquisition Rights shall not be applicable (i) during any period in which the issuer rating assigned to the Company by Rating and Investment Information, Inc. or its successors (together, "R&I") is BBB– (or equivalent if the rating category is changed) or lower, an issuer rating is no longer assigned to the Company by R&I, or the issuer rating assigned to the Company by R&I has been suspended or withdrawn; (ii) if a notice of redemption is given pursuant to Condition 7.2, 7.3 (except in the case of the Stock Acquisition Rights attaching to the Bonds elected by the relevant Bondholders not to be redeemed), 7.4, 7.5 or 7.6; or (iii) if the Company is required to give notice of certain Corporate Events to the Bondholders. See Condition 5.

In addition, where a Parity Event has occurred pursuant to Condition 5.1.9, the above conditions to the exercise of the Stock Acquisition Rights shall not be applicable during the period of 15 consecutive Tokyo Business Days from and including the first Tokyo Business Day immediately following the Company Notification Date in respect of the occurrence of such Parity Event. See Condition 5.1.9.

For the avoidance of doubt, during the period from but excluding 28 December 2030 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 14 March 2031, the conditions to the exercise of the Stock Acquisition Rights set forth above shall not be applicable.

Status ..... The obligations of the Company in respect of the Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

Negative Pledge..... So long as any of the Bonds remains outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined in Condition 2) unless the same security or such other security or guarantee as provided in Condition 2 is accorded to the Bonds. See Condition 2.

Redemption at Maturity..... Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised, the Company will redeem the Bonds at 100 per cent of their principal amount on 28 March 2031.

Early Redemption — Redemption at the Option of the Company upon Reduced Outstanding Amounts	The Company may, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon which the Clean-up Redemption Notice is first given, the outstanding principal amount of the Bonds is less than 10 per cent of the aggregate principal amount of the Bonds as at the date of issue thereof. See Condition 7.2.
Early Redemption — Redemption for Taxation Reasons	If the Company satisfies the Trustee, immediately prior to giving the notice to the Bondholders, that: (i) the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 9) in accordance with Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 1 April 2026, and (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, at any time, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the date fixed for redemption in such notice. If, however, the outstanding principal amount of the Bonds at the time of such notice of redemption is 10 per cent or more of the aggregate principal amount of the Bonds as of the date of issue thereof, the Bondholders will have the right to elect that their Bonds should not be redeemed and that, in respect of payments on such Bonds to be made after that date, payments will be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges. See Condition 7.3.
Early Redemption — Corporate Events.....	Upon or following the occurrence of a Corporate Event, the Company shall give not less than 14 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out in Condition 7.4, and in accordance with the provisions of Condition 7.4, on the Corporate Event Redemption Date (as defined in Condition 7.4) specified in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date (as defined in Condition 6.3) or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1;

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1;

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing (as defined in Condition 6.4.2) has been obtained for the shares of common stock of the New Obligor (as defined in Condition 6.1) and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director (as defined in Condition 3.1) or an Authorised Officer (as defined in Condition 3.1) stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate.

See Condition 7.4.

Early Redemption — Delisting of the Shares..... In certain circumstances where an offer is made to all holders of Shares of the Company by an Offeror (as defined in Condition 7.5.1) where, *inter alia*, the Company expresses its opinion to support such offer, the Company or the Offeror publicly announces or admits that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange (as defined in Condition 3.1), and the Offeror acquires any Shares pursuant to the offer, then the Company shall redeem all, but not some only, of the Bonds then outstanding at the redemption price each calculated in the same manner as referred to in Condition 7.4, subject to the provisions of Condition 7.5. See Condition 7.5.

Early Redemption — Squeezeout Event..... Upon the occurrence of a Squeezeout Event (as defined in Condition 7.6.1), the Company shall redeem all, but not some only, of the Bonds then outstanding at the redemption price calculated in the same manner as referred to in Condition 7.4, subject to the provisions of Condition 7.6. See Condition 7.6.

Cross Default..... The Bonds are subject to a cross default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies). See Conditions 10.3 and 10.4.

Taxation..... All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9.

Governing Law	English law.
Jurisdiction	English courts.
International Securities Identification Number ("ISIN")	XS3304376851.
Common Code	330437685.
Legal Entity Identifier ("LEI") of the Company	353800EMK32PDKS9XR54.
Trustee and Custodian	The Law Debenture Trust Corporation p.l.c.
Principal Agent, Registrar and Calculation Agent	State Street Bank International GmbH, Luxembourg Branch.
Custodian's Agent in Japan	Mizuho Bank, Ltd.

GLOSSARY

Set out below are definitions of some of the terms used in this Offering Circular.

ADAS	Advanced driver assistance system.
AI	Artificial intelligence.
ATE	Automated test equipment.
BPR	Business process re-engineering.
CMOS	Complementary metal-oxide semiconductor.
CMOS image sensor	A type of semiconductor device that converts light into electrical signals using CMOS process technology, used in applications such as smartphone cameras.
DC	Direct current.
DDIC	Display driver ICs.
DRAM	Dynamic Random Access Memory. Devices that store data and can read and write data freely. Because of their volatile characteristics, periodic re-writing of data is required to maintain memory information.
DX	Digital transformation.
EV	Electric vehicle.
fabless	Semiconductor design companies that outsource their entire production to external entities, instead of having their own manufacturing facilities.
foundries	Semiconductor manufacturing service providers that manufacture semiconductors based on their customers' semiconductor designs.
GPU	Graphics processing unit. A specialised electronic processor designed to handle large volumes of mathematical calculations in parallel, originally designed for rendering graphics but now essential for AI, machine learning, data processing, and HPC.
HBM	High bandwidth memory. A type of 3D-stacked DRAM that vertically stacks memory dies to deliver very high data transfer rates and lower power consumption compared to traditional DRAM; especially valuable for AI, high-performance computing, and advanced GPUs.
HPC	High performance computing.
IC	Integrated circuit. A set of electronic circuits on one small plate of semiconductor material (a chip).
IDMs	Integrated device manufacturers.
OSAT	Outsourced semiconductor assembly and test company.
PCB	Printed circuit board.
PMIC	Power management IC, a semiconductor device designed to manage, regulate and distribute electric power within an electronic system, essential in nearly all modern electronic appliances.

RF.....	Radio frequency.
SEM	Scanning electron microscope.
singulation	In semiconductor manufacturing, singulation is a process of separating a wafer or panel into individual chips (dies).
SoC.....	System on Chip. A chip that integrates functions, including logic, memory and signalling, that are conventionally executed with multiple chips and requires smaller space and significantly less electricity.
TV	Television sets.
wafer.....	A thin slice of ingot (round rod-shaped silicon crystal) used for the fabrication of ICs.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with the other information set forth in this Offering Circular, the following considerations:

The Group's business and results of operations are subject to significant demand volatility in the semiconductor industry.

The Group's business depends largely upon capital expenditures by integrated device manufacturers, fabless semiconductor companies, foundries and test houses. These companies, in turn, determine their capital expenditures and investment levels largely based on current and anticipated market demand for semiconductors and products incorporating semiconductors. Such demand is influenced significantly by the overall condition of the global economy, including factors such as geopolitical risks, trade tensions, political instability, economic slowdowns, volatility in energy and fuel prices, the loss of confidence in the currencies of certain countries, changes in government policies including in respect of interest rates and government stimulus or monetary easing programmes. Historically, the percentage reduction in capital expenditure by semiconductor manufacturers during downturns in the semiconductor industry, including investment in semiconductor test systems, has typically been much greater than the percentage reduction in worldwide sales of semiconductors. The semiconductor industry has been highly cyclical with recurring periods of excess inventory, which often have had a severe effect on the semiconductor industry's demand for semiconductor test systems, including those of the Group. While the semiconductor device market previously centred around supply for personal computers, in recent years, the significance of other semiconductor-intensive end products such as smartphones and other mobile devices, as well as in respect of AI, has grown significantly. As a result, previously insignificant factors such as the timing of the introduction of popular new mobile devices and changes in consumer preferences have had a tangible impact on demand for semiconductor-related materials, which has led to increased complexity in predicting market trends and more prominent short-term fluctuations in industry demand. While demand has increased in recent years, in particular as a result of increases in the complexity of semiconductors and demand for AI-related semiconductors, such as HPC devices and high-performance DRAM for data centers, fluctuations in demand for semiconductors and testers may continue to occur as a result of a variety of factors, including but not limited to:

- the overall condition of the global economy;
- trends in the semiconductor industry;
- trends in the high-performance semiconductor market resulting from the expansion of AI, image recognition and speech recognition services, including any market corrections;
- levels of investment in communications infrastructure and demand trends for communication devices such as smartphones and wearable devices;
- demand in the data centre, personal computer and server industries;
- consumer demand for digital consumer products such as TVs, game devices, and VR/ AR devices; and
- trends in the industrial equipment market, including in respect of automotive, robotics and medical equipment.

The Group believes that its results are significantly affected by the significant volatility in demand in the semiconductor industry. While the Group is unable to predict future trends in the semiconductor industry, if there is a significant downturn in the semiconductor industry, the Group's results of operations and financial condition will be adversely affected.

The Group's business is subject to economic, political and other risks associated with international operations and sales.

The Group operates internationally, with a number of offices, factories and subsidiaries outside of Japan, including in the United States, the EU and Asia, and is subject to the risks of doing business on a global basis. For the fiscal year ended 31 March 2025, 89.4 per cent of the Group's net sales were attributable to customers located in Asia outside of Japan, the majority of which were to Taiwan, the People's Republic of China and South Korea. The nature of such international operations exposes the Group to certain risks, which include but are not limited to:

- a decrease in demand for, or the Group's ability to supply its products and services resulting from difficulties in procuring parts and raw materials due to import and export restrictions, tariffs and restrictive trade measures and changes in licensing systems, including arising as a result of tensions between the United States of America and China;
- social and political crises, including as a result of deterioration in political and economic relationships, power struggles, terrorism, war, or other conflicts between countries and regions;
- political and economic instability, including economic and political disruptions, disputes, natural disasters, epidemics or other risks related to countries in which the Group procures its components and parts or manufactures and sells its products;
- changes in tax laws or disputes with national tax authorities in the countries in which the Group operates, as well as the impact of international taxation laws and transfer pricing regulations;
- difficulties in staffing and managing operations spread across large geographical distances and across jurisdictions;
- differences in laws and regulations regarding the protection of intellectual property across jurisdictions;
- difficulties in collecting receivables due to the remote location and differing legal regulations across jurisdictions;
- difficulties in maintaining quality in procurement and manufacturing where the Group's suppliers or manufacturing facilities are located in countries with less developed infrastructures;
- delays in the manufacture and shipment of products following the occurrence of major local disasters and the resulting impact on suppliers and production plants in affected jurisdictions;
- suspension of production by suppliers due to the impact of local environmental regulations;
- increases in cost, delays in delivery or expenses in relation to product repair, resulting from low quality and counterfeit products entering into the Group's supply chains; and
- risks with respect to human rights violations in the Group's supply chain.

In particular, as a large proportion of the Group's manufacturing is undertaken overseas, either by itself or through utilisation of its Electronics Manufacturing Services ("EMS") partners, any of the above, or other applicable risks relating to international operation, affecting the manufacturing and supply capabilities of the Group, its EMS partners or other participants within the Group's supply chain, may materially adversely affect the Group's manufacturing operations, as well as its ability to grow its manufacturing capabilities.

Fluctuations in exchange rates could reduce the Group's profitability.

The majority of the Group's net sales are derived from products sold to customers located outside of Japan. Of the Group's net sales for the fiscal year ended 31 March 2025, 98.0 per cent were from products sold to overseas customers and 80 per cent were in currencies other than the Japanese yen (predominantly US dollars). In the event of a strengthening of the Japanese yen relative to foreign currencies (in particular the US dollar), the Group's sales may be adversely affected as the Group may not necessarily be able to increase prices to reflect its relative cost increases. If the Japanese yen weakens against the euro, there may also be a negative impact on the Group's profitability as the Group has higher costs denominated in euro than net sales denominated in euro.

In addition, significant fluctuations in the exchange rate between the Japanese yen and foreign currencies, could require the Group to lower its prices for foreign sales of its products that are priced in Japanese yen, and reduce the Japanese yen equivalent amounts of its foreign sales for products that are based in US dollars or other foreign currencies, thereby reducing its profitability overall. These fluctuations could also cause prospective customers to delay orders due to the increased relative cost of the Group's products. In the past, there have been significant fluctuations in the exchange rate between the Japanese yen and the foreign currencies in which the Group's sales are denominated.

Furthermore, the Group's consolidated financial statements will be affected by changes in the prevailing exchange rates of the currencies in which subsidiaries of the Company prepare their financial statements, against the Japanese yen. Foreign exchange rate fluctuations may have an effect on those amounts not denominated in yen which are translated into yen for the purposes of the Company's consolidated financial statements, and depending on the direction of the foreign exchange fluctuation, it may have an adverse impact on Group's reported financial position, results of operations and net assets.

The Group faces substantial competition in its businesses and, if the Group does not maintain or expand its market share, its business may be harmed.

The Group sells its products in highly competitive markets in different industries with many product categories. The Group's products compete based on varying combinations of factors such as product quality, technological sophistication and price. The Group is required to make the necessary investments to enhance the competitiveness of its products on an ongoing basis. In addition, customers' preferences based on such non-price factors often vary depending on the specific customer, regional market characteristics and other factors.

The Group's primary competitors in the semiconductor and component test system market include, among others, Teradyne, Inc., Hangzhou Changchuan Technology Co., Ltd. (CCTech), Beijing Huafeng Test & Control Technology Co., Ltd. (Accotest), YC Corp., Cohu, Inc., UniTest Co., Ltd., and EXICON Ltd. In the mechatronics system related market, the Group also competes with Hangzhou Changchuan Technology Co., Ltd. (CCTech), Cohu, Inc., Hon. Precision, Inc. and TechWing, Inc. in test handler devices, and with TSE Co., Ltd., ISC. Ltd. and BeLINK Co., Ltd. in device interfaces. Some of these competitors have greater financial and other resources than the Group.

The Group faces many challenges in its businesses, including increased pressure from customers to produce semiconductor and component test systems, mechatronics systems that reduce testing costs, and catering to customers that have developed internal test solutions. As the Group's business includes a significant amount of recurring business, the Group is under pressure from customers to reduce costs. If a competitor of the Group were to acquire a vendor that supplied core technology components, or if the Group's PCB design/manufacturing technology that is essential to achieving high performance were leaked to a competitor of the Group, the Group's competitive advantage would be significantly weakened. Significant increases in competition may erode the Group's profit margin and weaken its earnings.

Further, the Group may face challenges in growing its scale or increasing its market share through acquisitions and investments, in particular as regulatory scrutiny and approvals for acquisitions and investments in the sector (including for national security review or antitrust review) are becoming increasingly stringent in many parts of the world.

The Group may not always be successful in realising the benefits of acquisitions and other transactions, and goodwill and other intangible assets, including those recorded as a result of the Group's acquisitions, may become impaired in the future.

The Group periodically pursues acquisitions for a number of reasons, including expanding into new areas of business, improving profitability, complementing existing lines of business, adding R&D capabilities or pursuing other synergies. In addition, the Group may enter into joint ventures or strategic alliances that could complement, enhance or expand its current business or products or that it believes might otherwise offer growth opportunities. The Group regularly evaluates potential acquisitions, capital tie-ups, joint ventures and other strategic transactions.

In respect of acquisitions, an impairment loss is recognised if the recoverable amount of an asset, cash-generating unit ("CGU") or CGU group is less than its carrying amount. In particular, if there are adverse changes in discount rates due to factors such as interest rate increases, or if the Group were to face difficulties in realising expected synergies of an acquisition (such that expected cash flows are not attained in time or at all), the Group may need to recognise significant impairment losses on its goodwill, intangible and other assets, which could materially adversely affect the Group's results of operations and financial condition.

Any declines in the value of the Group's assets (including intangible assets) may require it to incur valuation or impairment losses. In connection with its acquisitions, the Group has recognised and may in the future recognise goodwill and other intangible assets on its statement of financial position in connection with the purchase price allocation process. The price that the Group pays for an acquired company, and accordingly the goodwill and other intangible assets it recognises, reflects its valuation of the business currently as well as its

future potential. In the event that subsequent to the Group's acquisition of the business it does not perform as well as the Group anticipated, whether due to a changing market environment, increased competition or other factors, the Group may be required to recognise an impairment to goodwill and/or other intangible assets, which would have an adverse effect on its results of operations and financial condition.

The amortization of intangible assets relating to acquisitions will be a charge against the Group's income over the estimated useful life of such intangible assets. In particular, the acceleration of product or technology development cycles in the Group's industry may reduce the useful life of its products, which could lead to the Group's intangible assets being amortized over a shorter period of time, or being impaired early. This could increase the Group's amortization costs and impairment losses, and have an adverse effect on its results of operations and financial condition.

The Group may also incur impairment losses related to its tangible assets if cash flows from CGUs suffer declines, and the Group is required to reduce the carrying amount of such assets in accordance with asset impairment accounting. Any such impairment losses may materially and adversely affect the Group's results of operations and financial condition.

Moreover, the pursuit of any acquisitions, capital tie-ups, joint ventures and other strategic transactions requires the commitment of significant management and capital resources and presents integration challenges to the Group's own business. The required commitment of time and resources may also divert the attention of management or capital or other resources away from the Group's day-to-day business. Further, the Group may not be able to recoup the investment of capital or other resources through the successful integration of businesses, if, for example, changes in the business environment for the Group or companies that it invests in effectively prevent the desired results from being achieved.

Furthermore, the Group's performance and financial position could also be affected if it restructures its businesses, including by divesting businesses or assets, withdrawing from unprofitable businesses, discontinuing, liquidating or reorganising affiliated companies; such or similar activities may lead to the recording of other expenses in the relevant year in respect of restructuring or other costs.

The Group's largest customers currently account for a significant part of its net sales and, in addition to the risk of the Group's business being harmed by the loss of one or more of these customers or changes in their capital expenditures, the Group may not be able to recover its accounts receivables if its largest customers experience a deterioration in their financial position.

The Group's success depends on its continued ability to develop and manage relationships with its major customers. A small number of such major customers currently account for a significant portion of its net sales. Sales to the Group's five largest customers as a percentage of its total sales accounted for approximately 29 per cent in the fiscal year ended 31 March 2024 and approximately 48 per cent in the fiscal year ended 31 March 2025. The loss of one or more of these major customers, changes in their capital expenditures or failure of their main products could materially harm the Group's business. Furthermore, if the Group's major customers experience deterioration in their financial position and are unable to fulfil their payment obligations to the Group in accordance with the applicable terms, the Group's business, results of operations and financial position may be adversely affected.

Damage, interference or interruption to the Group's information technology networks and systems could hinder business continuity and lead to substantial costs or harm the Group's reputation.

The Group relies on various information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, including confidential data, personal information and to carry out and support a variety of business activities, including manufacturing, research and development ("R&D"), supply chain management, sales and accounting. The Group has established a Global Information Security Committee to create policies on information security measures and its IT department builds and operates its information and technology network and system based on the above-mentioned policies.

However, increased global information cybersecurity threats and more sophisticated, targeted computer crime pose a risk to the confidentiality, availability and integrity of the Group's data, operations and infrastructure. Attacks by hackers or computer viruses, wrongful use of the information security system, careless use, accidents or disasters could undermine such defences and disrupt business continuity, which could not only risk leakage or tampering of information but could also result in legal claims or litigation, or civil liabilities or fines. If this were

to occur, the Group's reputation could be harmed, or the Group could incur substantial costs, and the Group's financial condition and results of operation could be materially adversely affected.

On 15 February 2026, the Group detected unusual activity within its IT environment, with some indications that an unauthorised third party may have gained access to portions of the Group's network and deployed ransomware. Upon detection, the Group immediately activated its incident response protocols, isolated affected systems, and engaged leading external cybersecurity experts to assist in the investigation and containment of the incident, and also notified relevant authorities, including law enforcement. As part of the response, the Group isolated potentially affected systems and out of caution proactively took additional systems offline to assess and contain the issue; on the understanding that this may cause some operational challenges for its customers, partners, and suppliers, the Group implemented workarounds that are designed to help address these issues while working to fully restore its systems. To date, based on ongoing monitoring being conducted by leading external cybersecurity experts, there has been no indication that any data related to this incident has been released publicly. Core business operations (including production, shipments and customer support) have remained operational, and operational impacts were limited. The Group has implemented enhanced security measures, strengthened monitoring capabilities, and reinforced internal controls that are designed to further harden its defences and help prevent similar incidents in the future.

The Group's future market share and results may be adversely affected if the Group is unable to supply its products in a timely manner due to its inability to procure parts or if the Group is unable to meet the demands of its rapidly expanding markets.

The Group relies on suppliers to perform certain of the assembly requirements for its products. In addition, many of the components used in the Group's semiconductor and component test systems and mechatronics systems are produced by suppliers based on the Group's specifications. The Group adopts a hybrid production approach that combines outsourced and in-house manufacturing; in particular, for high-volume, low-mix or highly configurable products, the Group utilises fully outsourced manufacturing through EMS partners, leveraging their scale and manufacturing expertise. The Group's reliance on these suppliers and manufacturing partners may give it less control over the manufacturing process and exposes it to significant risks, especially inadequate manufacturing capacity, late delivery, substandard quality, lack of labour availability and high costs. In addition, the Group depends on a sole source or a limited number of suppliers for a portion of its components and parts and purchases most parts and components on individual orders without entering into long-term supply agreements.

If a supplier becomes unable to provide components or parts in the volumes needed and at acceptable prices, or if a supplier withdraws from business thereby stopping production or sales of custom or general components and parts that the Group uses or will use in the future, or a large-scale natural disaster or electricity shortage occurs, the Group will have to identify and procure acceptable replacements which may not be possible immediately or at all.

If the market for semiconductor and component test systems and mechatronics systems were to suddenly expand, the Group would have to significantly increase its production capabilities, including its personnel, as well as the amount of materials, components and other supplies it receives from suppliers. The process of selecting suppliers and identifying suitable replacement components and parts may be time consuming and failure to do so may result in the Group being unable to deliver products meeting customer requirements in a timely manner. The failure of the Group to adjust to large increases in demand for its products could result in the loss of existing large customers or the loss of opportunities to build strong relationships with potential large customers with whom the Group has previously had limited opportunities, as well as the potential for order cancellations or changes to product delivery timings. Such failure may adversely affect the Group's future market share, results of operations and financial condition including the write-down of inventories.

Chemicals used by the Group, and the Group's general operations, may become subject to more stringent regulations or environmental laws and regulations.

The Group uses chemicals (including fluorinated liquid containing per- and polyfluoroalkyl substances ("PFAS"), used as coolants) in the manufacturing and supply of its products, processing and distribution of which are subject to environmental laws and regulations as well as the rules of Japanese governmental agencies and various industry organisations and other regulatory bodies in other countries. These regulatory bodies may strengthen existing regulations governing chemicals used by the Group and may also begin to regulate other chemicals used by the Group; for example, there is currently increased scrutiny and tightening of regulations relating to PFAS-containing products and processes. While the Group takes measures to eliminate toxic

substances included in parts used to manufacture its products, the Group uses solder, which contains lead for mounting electronic parts and components for certain of its products, in order to increase reliability. Further, as a method to cool some of its semiconductor and component test systems and mechatronics systems, the Group uses PFAS-containing fluorinated liquid, the use of which is not currently regulated by laws. The Group believes that it is in compliance with regulations with respect to the use of chemicals which it achieves by promoting environmental policies for its products with a focus on safety and reliability. However, the Group may be required to adapt to changing regulatory requirements in the jurisdictions in which it operates. The Group may be required to incur significant cost in adapting to new requirements. Any failure by the Group to comply with applicable government or industry regulations could result in restrictions on its ability to carry on with or expand sales of its products. Regarding global environmental issues, in the event that greenhouse gas emission regulations, energy efficiency regulations, European circular economics regulations, carbon taxes, or other environmental laws and regulations become stricter in the future, there is a possibility that the Group will need to incur significant expenses in responding to such regulations.

The market for the Group's major products is highly concentrated, and the Group may not be able to increase sales of its products because of limited opportunities.

The market for test systems for memory semiconductors in the Group's Test System Business segment is highly concentrated, with a small number of large semiconductor manufacturers, foundries and test houses accounting for a large portion of total sales in the semiconductor and component test system industry. The Group believes that this market concentration and customer consolidation could become even more severe in the future through developments such as mergers, asset acquisitions, strategic partnerships and business combinations, as larger semiconductor device manufacturers, foundries and test houses acquire semiconductor market participants, and as corporate restructurings follow (including the elimination and consolidation of businesses), the Group's ability to increase sales will depend in large part upon its ability to obtain or increase orders from large-volume customers. If this trend were to continue, this could also result in the Group becoming more dependent on fewer customers who may be able to exert increased pressure on the Group's prices and other contract terms and could increase the portion of the Group's total sales concentration for any single customer. Customer consolidation activity could also reduce the demand for the Group's products and services if such customers streamline research and development or operations, reduce purchases or delay purchasing decisions. Furthermore, in the event there is an over-supply of semiconductor and component test system products from the second-hand market as a result of restructuring within the industry, or if the Group's products fall behind in meeting specific customer specifications, the Group faces an additional risk of losing its sales opportunities. In addition, even if the Group were to be successful in acquiring new customers, given that most of the Group's testing and other products are tailored and specifically configures to each customer, this may require the Group to incur significant additional product development and deployment costs. Any of these outcomes could negatively impact the Group's results of operations and financial condition.

The Group's product lines are facing significant price pressure.

The increase in material costs and the price pressure on the Group's businesses is adversely affecting the Group's operating margins. In recent years, many parts manufacturers, including the Group's business partners, have raised parts prices due to increasing material costs. On the other hand, many semiconductor manufacturers, including the Group's customers, are seeking to counterbalance these costs for parts by improving productivity and reducing test costs, resulting in increased price pressure on the Group's product lines. In recent years, the number of customers adopting multiple-vendor systems has increased, which is further increasing the price pressure faced by the Group. If such price pressure continues or increases in the future, the Group's results of operations and financial condition may be adversely affected.

The labour market is very competitive, and the Group may be unable to hire and retain the diverse range of technical experts and staff necessary for its operations.

In order to develop business in the rapidly changing electronics industry, the Group needs to secure a diverse range of human capital possessing familiarity with R&D, manufacturing, marketing, sales and maintenance services and other technical experts. In addition, the Group believes it is important to continuously develop and maintain a diverse range of human capital with capabilities in business strategy and organisational management.

However, competition for such personnel is fierce. If the Group becomes less attractive to employees due to delays in improvements in working environment, or less competitive compensation levels, this could result in an outflow of human capital. Additionally, if employee training is inadequate or if transmission of knowledge

and skills is insufficient, the Group's business operations and business results could be materially adversely affected.

If the Group's main facilities for R&D, production or information technology systems for its businesses, or the facilities of its subcontractors and suppliers, were to experience catastrophic loss, its results of operations would be seriously harmed.

The Group's businesses are subject to a variety of potentially severe operating risks arising from natural disasters, accidents or other disruptions. Natural disasters include the risk of earthquakes, tsunamis and typhoons as well as related fires, explosions, landslides, floods and other disasters striking the Group's facilities, particularly its operation sites located in highly earthquake prone Japan.

The Group's main domestic facilities for R&D for its Test System Business segment production, as well as the Group's service bases, are located in Gunma Prefecture and Saitama Prefecture in Japan. In addition, the main system server and the network hub are maintained in system centres approved by the Information System Management System ("ISMS"), and local servers are located in certain operations offices in Japan.

If the Group's facilities, particularly its semiconductor and component test system manufacturing factories, were to suffer catastrophic damage from a natural disaster, this could significantly disrupt operations, delay production and shipments, reduce revenue, and incur substantial repair or replacement costs. While the Group has insurance regarding potential losses at its manufacturing facilities, other than those that result from earthquakes, this insurance may not be adequate to cover all possible losses. Similar disruptions to the Group's business may occur if the facilities of the Group's subcontractors and suppliers or if the facilities of the Group's information system network were to suffer catastrophic damage.

The Group has prepared for crises such as large-scale natural disasters, and each department of the Group has documented its own disaster-response procedures and manuals. Furthermore, in order to prevent any disruption of its core businesses, or in case of suspension, to re-start the suspended businesses, including the recovery of important facilities, in the shortest possible time, the Group has implemented a "Business Continuity Plan". However, if such Business Continuity Plan is not effective, the Group's core businesses could be disrupted at a time of crisis, such as a large-scale natural disaster, and could take a substantial amount of time to recover.

The Group may be unable to manage safety, human health, product liability and other risks associated with the Group's products and operational processes, and any damage to its brand or reputation may adversely affect the Group's business.

Failure to appropriately manage safety, human health and product liability risks associated with the Group's products, product life cycles and production processes (including any workplace accidents caused by inadequate or negligent occupational health and safety management), or any actions by the Group's management or employees within the production or operational processes that violate legal or ethical rules, could adversely impact employees, communities, stakeholders, the Group's brand and reputation and the results of operations of the Group. Public perception of the risks associated with the Group's products and production or operational processes could impact product acceptance and influence the regulatory environment in which the Group operates. While the Group has procedures and controls to manage safety risks, issues could be created by events outside of the Group's control, including natural disasters, severe weather events and acts of sabotage which may also adversely affect the results of operation and reputation of the Group.

In addition, as with any product manufacturer, the Group faces a risk that defects may occur in any of the Group's products. Such defects may damage the Group's reputation, lose customers' trust in its products, and can give rise to significant costs, including expenses relating to recalling products, replacing defective items, writing down defective inventory, delays in, cancellations of, rescheduling or return of orders or shipments and loss of potential sales. In addition, the occurrence of such defects may give rise to product liability and warranty claims, including liability for damages caused by such defects. If the Group releases defective products, its reputation could suffer and it could lose sales opportunities and/or become liable to pay damages, or its relationships with its business partners could be adversely affected. While the Group maintains certain levels of product liability insurance, it cannot guarantee that such insurance will sufficiently cover the ultimate amount of damages with respect to the Group's liabilities.

If the Group does not introduce new products that meets customers' technical requirements in a timely manner at competitive prices, existing products may become obsolete.

The Group sells its products to several industries that are characterised by rapid technological changes, frequent introduction of new products and services, varying and unpredictable product lifecycles and evolving industry standards. The Group anticipates that future demand for its products will be driven, in large part, by technological innovation in semiconductor technology, which creates new testing requirements that are not adequately addressed by currently installed semiconductor test systems. Customer needs in response to these technological innovations, and their need for greater cost-effectiveness and efficiency to respond to the market environment, include:

- test solutions for SoC semiconductors that incorporate more advanced memory semiconductors, logic, analogue and sensor circuits;
- test solutions for power semiconductors that control small and large motor drives;
- solutions for complex SoC devices incorporating heterogeneous chips, such as logic and memory, in a single advanced package e.g. 3D integration through Chiplet Packaging technology;
- solutions of parametric test for measuring and verifying electrical and timing characteristics for the characterisation and monitoring of leading-edge semiconductor wafers;
- mechatronics-related products which transport devices and silicon die faster, more accurately and more stably;
- test solutions for testing technologies that employ self-test circuit designs incorporated into semiconductor chips;
- test solutions of testing technologies that employ test circuit designs for device under test (DUT);
- test solutions for system level testing that guarantee performance of the final products;
- test solutions of testing temperatures for dynamic and delicate control of the test environment;
- prompt response and quick repair in the event of system failure;

- total solutions that allow customers to reduce their testing costs;
- solution by electron-beam metrology to enable reliable pattern critical dimension measurement or defect review on a leading-edge photomask;
- jigs and tools that meet the customer's latest device under test and test specifications; and
- products that meet customers' performance requirements and operate with high energy efficiency.

The Group also believes demand for its products, including semiconductor and component test systems, is strongly affected by the level of demand for personal computers, high-speed wireless and wireline data services, digital consumer products, EVs, ADAS and communication devices, such as smartphones, wearable devices, and data centres. It is likely that advances in technologies used in those products and services will require new testing systems. Without the timely introduction of semiconductor test systems which is capable of effectively testing and measuring equipment that use these new technologies, the Group's existing products and services may become technologically obsolete over time.

Any failure by the Group to meet its customers' technical requirements at competitive prices or to deliver conforming equipment in a timely manner, may result in its products being replaced by products of competitor. Furthermore, any inability of the Group to secure sufficient personnel resource to provide products that meet requested performance criteria at acceptable prices when required by its customers could severely damage its reputation with such customers and may adversely affect future sales efforts with respect to such customers.

The Group may not be able to raise sufficient capital when necessary.

While the Group typically funds its operations from its revenue, on occasion it may become necessary to raise additional funds, including in order to fund acquisitions or following a sudden downturn in economic conditions. In such cases, the Company may issue bonds or borrow funds from financial institutions. In the event of financial market instability or a reduction in the Group's credit rating due to a deterioration of creditworthiness, there is no guarantee that the Group will be able to procure funds on favourable terms and in a timely manner or at all. Further, increases in the interest rate environment, such as those currently faced in Japan, may make it more difficult for the Group to obtain funds at what it considers to be favourable terms, and the costs of such funding may increase. Any of these factors could have a material adverse effect on the results of operations and financial position of the Group.

The Group may not be able to ensure management stability and sustainability in the event of the departure of its senior management.

The Group's performance is substantially dependent on its senior management and other key personnel, who have acquired specialised knowledge and skills with respect to the Group's businesses, products and customers. This familiarity, in addition to their managerial and financial experience as well as their decision-making abilities, makes them especially critical to the Group's success. While the Group puts in place plans for the orderly succession of its executive officers and senior managers, it is possible that such an orderly succession may not be achieved. Any such disruption could result in an inability to ensure the stability and sustainability of management and require significant resources and also impair the Group's decision making, operations and strategy.

The Group's financial position and business performance may be adversely affected by damage to its brand or loss of trust.

The Group's brand may be damaged, and it may lose credibility in the event that its personnel undertake any actions that violate legal or ethical rules, due to workplace accidents caused by inadequate or negligent occupational health and safety management, or due to a decline in safety, reliability or performance of its products, including product liability. In the event of any such circumstances, the Group's counterparties may suspend transactions with the Group and any regulatory bodies to which the Group is subject may impose other penalties.

The Group manufactures its products in accordance with internationally accepted quality control standards such as ISO9001. However, the Group cannot guarantee that there are no defects in its products. The Group maintains product liability insurance but cannot guarantee that such insurance will sufficiently cover the ultimate amount of damages with respect to the Group's liabilities. Therefore, shipping stoppage and delivery delay due to quality defects of parts or manufacturing defects of products, large-scale accidents due to product defects or any discovery of defects in its products could harm the Group's reputation.

The Group may be unable to promptly proceed with the digital transformation of its core systems and processes.

The Group is undertaking digital transformation as an initiative intended to increase its competitiveness, in particular through its use of data and digital technologies. There are high expectations for digital transformation in a wide range of fields, including the utilisation using IoT and AI to revolutionise manufacturing, the creation of new value through the sharing of data between supply chain partners, and the response to changes in the business environment brought about by the COVID-19.

However, if the Group is unable to make full use of data due to the aging, complexity, and black-boxing of its existing IT systems, or if funds and human resources are devoted to the maintenance of existing systems, and resources cannot be allocated to IT investment that utilises new digital technologies, the maintenance costs of the old systems may increase and system problems and data loss may occur, which could have a material adverse impact on the Group's business.

The Group is exposed to risks related to the use of AI tools by itself and by others.

Although the Group is evaluating, and where it believes appropriate, incorporating AI tools into its products and operations, the Group's use of AI tools may subject it to significant competitive, legal, regulatory and other risks, and there can be no assurance that its use of AI tools will enhance its products, business operations or result in a benefit to the Group. The Group's competitors may be more successful in their use of AI tools, including by developing superior products or improving their operations with the assistance of AI. Additionally, there could be adverse impacts from flawed algorithms. The Group's use of AI tools, or its customers uses of its products that incorporate AI, could also result in the loss of confidential information or intellectual property or an inability to claim or enforce intellectual property rights, as well as subject the Group to risks related to intellectual property infringement or misappropriation, data privacy, cybersecurity, and the unauthorised use of its data. The jurisdictions in which the Group conducts business have and may adopt laws and regulations related to AI, which could cause the Group to incur greater compliance costs, limit its use of AI tools, or subject it to legal liabilities.

The Group could suffer significant liabilities, litigation costs or licensing expenses or be prevented from selling its products if it is infringing the intellectual property of third parties.

The Group may be unknowingly infringing the intellectual property rights of third parties and may be held responsible for that infringement. Any future litigation regarding patents or other intellectual property infringement could be costly and time consuming and divert management and key personnel from the Group's business operations. If the Group loses a claim, it may be forced to pay significant damages, pay licence fees, modify its products or processes, stop making products or stop using processes. A licence could be very expensive to obtain or may not be available at all. Changing the Group's products or processes to avoid infringing the rights of third parties may be costly or impractical.

The Group may be unable to protect its proprietary rights due to the difficulty of the Group gaining access to, and investigating, the products believed to infringe the Group's intellectual property rights.

The Group relies on patents, utility model rights, design rights, trademarks and copyrights obtained in various countries to actively protect its proprietary rights. For example, in October 2025 the Group filed a patent infringement lawsuit against AEM Holdings Ltd. and its subsidiaries in the US District Court for the Southern District of California. However, in general, it is difficult for the Group to gain access to, and investigate, the products believed to infringe its intellectual property rights. Therefore, the Group cannot ensure that its intellectual property rights will provide meaningful protection of its proprietary rights.

The Group may not be able to recover its capital expenditures.

The Group needs to continuously develop new products in line with technological developments and regularly adapt its products to customer specifications; in addition, the Group is working to expand its production capabilities. As such, the Group has made, and continues to make, significant capital expenditures. The Group may not be able to recover the capital expenditures for such projects within the assumed timeframe, or at all, if it cannot achieve the assumed volume of sales due to declines in demand or increases in competition. In such event, the assets would be subject to impairment, which may have an adverse impact on the Group's profitability.

The Group may not recoup costs incurred in the development of new products.

Enhancements to existing products and the development of new generations of products are, in most cases, costly processes. Furthermore, as the decision to purchase semiconductor and component test systems

products and mechatronics systems generally involves a significant commitment of capital, the sale of this equipment typically involves a lengthy sales period and requires the Group to expend substantial funds and sales efforts to secure sales. The Group's enhancements and new generations of products may not generate net sales in excess of development and sales costs if, for example, these new enhancements or products are quickly rendered obsolete by changing customer preferences, the introduction by the Group's competitors of products embodying new technologies or features, the introduction by the Group's customers of new products that require different testing functions or the failure of the market for the Group's customer's products to grow at the rate, or to the levels, anticipated by the Group. In some cases, the Group must anticipate industry trends and develop products in advance of the commercialisation of its customers' products. This requires the Group to make significant investments in product development well before it determines the commercial viability of these innovations. If the Group's customers fail to introduce their devices in a timely manner or the market rejects their devices, the Group may not recover its investments in product development through sales in significant volume.

The Group may be unable to follow its management strategies, and such strategies and the assumptions they are based on may not deliver successful performance for the Group.

The Group sets and announces its management plans and goals from time to time, including strategic initiatives and target performance metrics. However, the Group may not be able to successfully implement its initiatives, and, even if such initiatives are successfully implemented, they may not have the effects that it anticipates. The Group faces a number of challenges in executing its strategic initiatives in the Group's business as described herein. For example, the Group's assumptions and forecasts about changes in the external environment and in industry trends over the medium-to-long term could turn out to be incorrect or incomplete, which could result in misallocation of management, capital or other resources and failure to capture the expected business opportunities. To the extent its assumptions and forecasts prove incorrect, the Group may fail to achieve its medium- to long-term quantitative targets, and may need to make costly adjustments to its strategy, including as a result of nearer-term effects. The Group's ability to successfully implement its initiatives is also affected by its assessments, which may be incorrect or affected by unexpected or unanticipated developments, which, could cause the Group to fail to achieve the objectives of its strategic initiatives and the goals set forth in its plan and vision.

The Group may become involved in disputes, investigations and governmental proceedings.

The Group may in the future be subject to a variety of legal proceedings and claims that arise out of the ordinary conduct of its business. Results of such legal proceedings cannot be predicted with certainty. Irrespective of its merits, litigation and other such proceedings may be both lengthy and disruptive to the Group's operations and may cause significant expenditure and diversion of management attention. The Group may be faced with significant monetary damages or injunctive relief that could have an adverse impact on its business and results of operations should it fail to prevail in certain matters.

In addition, the Group may from time to time be subject to governmental investigations and other proceedings in the various jurisdictions in which it conducts business, including proceedings related to businesses that it acquires or has acquired involving conduct engaged in prior to, or that continued after, its acquisition.

The Group is unable to reliably predict the outcome of any proceedings against it, or to quantify the risk of loss, which could include financial consequences such as an obligation to pay damages, penalties, fines, attorney fees and court costs, which could be substantial and materially and adversely affect its business, results of operations and financial condition. Moreover, such proceedings could be time consuming and costly to defend and manage, could divert management's attention and resources, damage the Group's reputation and cause it to incur significant expenses or make substantial payments, whether or not it receives a determination favourable to it.

Deferred tax assets may not be recoverable.

The Group uses the asset and liability approach to recognise deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences, unused tax losses and unused tax credits. The Group recorded ¥47,894 million in deferred tax assets as at 31 March 2025. In the event that the Group's future taxable income is less than its current estimates for purposes of tax planning due to revisions in applicable tax law or deteriorations in its business, the recoverable amount of its deferred tax assets would decrease, negatively affecting its financial condition.

Considerations Relating to the Company's Financial Statements

Unaudited financial statements

This Offering Circular contains, at pages Q-2 to Q-13, the Unaudited Condensed Quarterly Consolidated Financial Statements of the Group, including the condensed quarterly consolidated statement of financial position of the Group as at 31 December 2025 (together with a consolidated statement of financial position of the Group as at 31 March 2025) and the related condensed quarterly consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows of the Group for the nine-month periods ended 31 December 2024 and 2025, and the review report with respect thereto included herein at pages Q-2 to Q-4. Such Unaudited Condensed Quarterly Consolidated Financial Statements have been reviewed by the Company's independent auditor in accordance with review standards for interim financial statements generally accepted in Japan. The Unaudited Condensed Quarterly Consolidated Financial Statements have been prepared based on IFRS, except that certain of the required disclosures and notes are not presented, as permitted by the Tokyo Stock Exchange rules.

Potential investors are advised to exercise caution when using such information to evaluate the results of operations and financial condition of the Group, and should not place undue reliance upon such information.

Considerations Relating to the Bonds and the Shares

Limitations on the timing of exercise of Stock Acquisition Rights

Under the current rules and practices of JASDEC it will take at least three Tokyo business days for the delivery of the Shares to the Bondholders after the Stock Acquisition Date. In order to avoid any JASDEC system processing errors around the record dates, the Stock Acquisition Rights have been designed under Condition 5.1.4 so that they may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period. Bondholders should therefore note in particular that exercises of Stock Acquisition Rights are restricted in the period around any record date in respect of Shares set by the Company (under the Articles of Incorporation of the Company as at the date of this Offering Circular, 31 March and 30 September in each year for record dates for distribution of dividends, and 15 May in each year for the record date for the exercise of voting rights at the Company's annual general meeting of shareholders).

No cash amounts in respect of non-unit Shares

Since the coming into effect of the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (including regulations promulgated thereunder, the "Book-Entry Act"), making it possible for listed shares of Japanese companies comprising less than one full unit to be delivered through the JASDEC book-entry transfer system, JASDEC has given guidance to the effect that stock acquisition rights of Japanese companies issued since then should be structured so that exercising holders should have shares not constituting one full unit delivered to their accounts, instead of automatically selling back such shares to the issuer of such stock acquisition rights and receiving cash amounts in respect of them. Bondholders exercising their Stock Acquisition Rights will therefore not be receiving cash amounts in respect of the Shares of less than one full unit which would have been issuable upon such exercise, which had been paid, in the practice before the Book-Entry Act came into effect but will be receiving those Shares themselves. Currently, the Company's Articles of Incorporation provide that one unit comprises of 100 Shares. Accordingly, the holders of Shares constituting less than one unit will need to request the Company to purchase them in accordance with the Companies Act, the rules of the JASDEC book-entry transfer system and the Company's Share Handling Regulations if they would like the Company to do so; alternatively, such holders may require the Company to sell to it a sufficient number of Shares in order to make its holding a whole unit. The rights of holders of Shares not constituting one full unit are limited under the Companies Act and the Company's Articles of Incorporation and may not be sold on the stock exchanges on which they are listed. See "Description of the Shares and Certain Regulations—Unit Share System".

Limitations on anti-dilution protection for Bondholders

The Conversion Price at which the Stock Acquisition Rights may be exercised will be adjusted in certain events having a dilutive impact on the Shares, to the extent described in the Conditions. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and therefore, adversely affect the value of the Bonds.

Trading market for the Bonds

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the Official List of the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, even if such a market does develop, it may not be liquid.

Market price of the Bonds

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Shares and it is impossible to predict whether the price of the Shares will rise or fall. Any decline in the price of the Shares will have an adverse effect on the market price of the Bonds. Trading prices of the Bonds and Shares will be influenced by, among other things, the financial position and results of operations of the Group, including the reporting of its financial results. In addition, the market price of the Bonds is expected to be affected by any downgrade or other events negatively affecting the Company's credit rating.

The Bonds are unsecured

The Bonds do not benefit from any security and the Bondholders' claims will rank behind any secured creditors in the event of the Company's liquidation or bankruptcy.

Daily price range limitations under Japanese stock exchange rules

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell Shares received in exercise of the Stock Acquisition Rights at a price above or below the relevant daily limit may not be able to sell their Shares at such price on a particular trading day, or at all.

Rights of shareholders under Japanese law

The corporate affairs of the Company are governed by and in accordance with the Articles of Incorporation, Regulations of the Board of Directors and Share Handling Regulations and other related regulations thereunder of the Company, as well as the Companies Act. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties (including actions that may legitimately be taken by them in respect of unsolicited takeover attempts) and liabilities, and shareholders' rights under Japanese law may be different from those that apply to companies incorporated in other jurisdictions. Holders who acquire the Shares upon exercise of the Stock Acquisition Rights may have more difficulty in asserting their rights as a shareholder than they would as a shareholder of a corporation organised in other jurisdictions. In addition, Japanese courts may not be willing to enforce judgments of non-Japanese courts against the Company which are based on non-Japanese securities laws.

Future changes in Japanese law

Future changes to provisions relating to Stock Acquisition Rights may have mandatory effect under Japanese law. Condition 15.2 provides for amendments to be made to the Conditions relating to the Stock Acquisition Rights where those amendments are required in order to comply with mandatory provisions of Japanese law even if those amendments are materially prejudicial to the interests of Bondholders.

The Trustee's right to request Bondholders to provide an indemnity, security or prefunding

In certain circumstances (including, but not limited to, giving notice to the Company pursuant to Condition 10 and taking enforcement steps as contemplated in Condition 16), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the

applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

Prior notification under the Foreign Exchange and Foreign Trade Act of Japan may be required in the case of acquisition by foreign investors of a certain portion of the Shares

As the Company is engaged in certain businesses designated by the Foreign Exchange and Foreign Trade Act of Japan (FEFTA), and its related cabinet orders and ministerial ordinances (collectively, the "Foreign Exchange Regulations"), if a foreign investor intends to consummate an acquisition of Shares that constitutes an "inward direct investment" under the Foreign Exchange Regulations, the foreign investor, in general, must file prior notification of such inward direct investment with the Minister of Finance and any other competent Ministers. "Inward direct investment" includes an acquisition by a foreign investor of Shares as a result of which acquisition such foreign investor, in combination with any existing holdings, directly or indirectly holds 1 per cent or more of the total number of issued Shares or the total number of voting rights. While certain exemptions from the prior notification requirements are provided for under the Foreign Exchange Regulations, certain foreign investors seeking to make such acquisition may not be eligible for such exemptions. If such prior notification is filed, the proposed acquisition may not be consummated until the prescribed screening period expires. In some cases, the Ministers may extend the screening period, and may recommend or order any modification or abandonment of such acquisition. In addition, if certain conditions including those prescribed in light of national security of Japan under the Foreign Exchange Regulations are met, the Ministers may order the disposal of the Shares acquired or take other measures. Consequently, any foreign investor seeking to acquire Shares that constitutes an "inward direct investment" may not consummate such acquisition in an expected time frame, in accordance with an intended plan, or at all.

Additionally, if a foreign investor directly or indirectly holds 1 per cent or more of the total voting rights and, at a general meeting of shareholders, consents to certain proposals having a material influence on the Company's management such as the (i) election of such foreign investor or any of its related persons (as defined in the Foreign Exchange Regulations) as Directors of the Company or (ii) transfer or discontinuation of its business, such consent, subject to certain exemptions, also constitutes an "inward direct investment" requiring prior notification. If such prior notification is filed, such consent cannot be given until the prescribed screening period expires. As a result, such foreign investors may have difficulties giving such consent in accordance with an intended plan, or at all.

The discussion above is not exhaustive of all possible foreign exchange controls considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall foreign exchange controls consequences of the acquisition, ownership and disposition of Shares or voting rights by consulting their own advisers. For a more detailed discussion on the requirements and procedures regarding the prior notifications under the Foreign Exchange Regulations, see "Japanese Foreign Exchange and Certain Other Regulations".

Considerations Relating to Forward-looking Statements

Statements in this Offering Circular with respect to the Group's plans, strategies, projected financial results and beliefs, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. These statements are based on assumptions and beliefs derived from information currently available to the Group, and as such actual results may differ, in some cases significantly, from these forward-looking statements. The Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, cyclical and volatile demand conditions in the semiconductor industry; global economic, political and regulatory developments; foreign exchange fluctuations; competitive pressures, pricing dynamics, market concentration and customer concentration; the execution of acquisitions and other strategic transactions and potential impairment of goodwill and other intangible assets; supply chain constraints, capacity limitations and the timely availability of components; the development, commercialisation and profitability of products and the recovery of related capital expenditures and development costs; the availability and retention of necessary personnel and management continuity; operational disruptions, including natural disasters, safety issues and cyber-security incidents; issues with executing digital transformation initiatives and use of AI; compliance with environmental, safety, health and product liability laws and regulations; the protection and enforcement of intellectual property rights; reputational risks; access to financing and liquidity; difficulties in executing management strategies in a timely manner; exposure to litigation, regulatory investigations and governmental proceedings; and uncertainties regarding the recoverability of deferred tax assets. The Company cautions prospective investors in the offering not to place

undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions of the Bonds will, subject to completion and amendment and save for the paragraphs in italics, be endorsed on the Certificates (as defined herein) evidencing the Bonds.

The ¥100,000,000,000 Zero Coupon Convertible Bonds due 2031 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include the Stock Acquisition Rights (as defined below) incorporated in the Bonds) issued by ADVANTEST CORPORATION (the "Company") are constituted by a trust deed (the "Trust Deed") dated 20 April 2026 made between the Company and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include its successors as trustee and any other trustee appointed under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of ¥10,000,000 and a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Right"), entitling the Bondholder (as defined in Condition 1.2) to acquire fully paid and non-assessable shares of common stock of the Company (the "Shares") as described below, is incorporated in each Bond as an integral part thereof. Copies of the Trust Deed and of the agency agreement (the "Agency Agreement") dated 20 April 2026 relating to the Bonds among, *inter alios*, the Company, the Trustee, State Street Bank International GmbH, Luxembourg Branch as principal agent (the "Principal Agent"), as calculation agent (the "Calculation Agent") and as registrar (the "Registrar") and the other agents referred to therein are available for inspection by Bondholders by prior appointment during normal business hours at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at 8th Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom or electronically upon request to the Trustee, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the "Agents" shall, unless the context otherwise requires, include the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of and are bound by all those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Any terms defined in the Trust Deed and not in these Conditions shall have the same meanings when used herein except where otherwise indicated.

1. Form, Denomination, Issue Price, Title, Status, Transfers of Bonds and Relationship between Bonds and Stock Acquisition Rights

1.1 *Form, Denomination and Issue Price*

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) is 100.0 per cent of the principal amount of the Bonds. The issue price of the Stock Acquisition Rights is zero.

A bond certificate (each, a "Certificate") will be issued in respect of each Bond. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1.

1.2 *Title*

Title to the Bonds will pass only by transfer and registration of title in the Register. The holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) "holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate"*) deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.*

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.

1.3 ***Status***

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

1.4 ***Transfers of Bonds***

1.4.1 *The Register:* The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds and exercise of the Stock Acquisition Rights.

Each Bondholder shall be entitled to receive one Certificate in respect of each Bond held by such holder.

1.4.2 *Transfers*: A Bond may be transferred upon the surrender (at the specified office(s) of the Principal Agent, the Registrar or any other Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the Registrar or the relevant Agent (as the case may be) may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar, the Principal Agent and the Trustee. A copy of the current regulations will be made available during normal business hours by the Principal Agent or the Registrar to any Bondholder upon written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form" of this Offering Circular.

1.4.3 *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within three Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery as agreed between such holder and the Registrar or the relevant Agent (as the case may

be) and/or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of Certificates in relation thereto shall be effected without charge by or on behalf of the Company, the Registrar or the relevant Agent, but upon (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Agent may require); and (ii) the Company and the Registrar or the relevant Agent being reasonably satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered:

(i) during the period of seven days ending on (and including) the due date for redemption pursuant to Condition 7.1, 7.4, 7.5 or 7.6;

(ii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4 in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn); or

(iii) after a notice of redemption has been given pursuant to Condition 7.2 or 7.3 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.3).

1.5 ***Relationship between Bonds and Stock Acquisition Rights***

The obligations of the Company in respect of the Bonds and the Stock Acquisition Rights incorporated therein shall arise and shall be extinguished or cease to be exercisable simultaneously subject as provided herein.

The Bonds and the Stock Acquisition Rights incorporated therein may not be transferred or dealt with separately from each other.

2. **Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time or prior thereto, according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2, "Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

(a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and

(b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3. Definitions and Construction of References

3.1 *Definitions*

In these Conditions (unless the context otherwise requires):

"3-Month Deposit Rate" means, as of any specified time on any date, the rate per annum as of such specified time on such date as shown on Bloomberg page JYDRC Curncy (setting "Bid", and using the pricing source "CMPL") (or any successor page, setting or pricing source), or, if no such rate is available as of the specified time on such day (for the purposes of this definition, the "Original Date"), the 3-Month Deposit Rate on the Original Date shall be the 3-Month Deposit Rate, determined as aforesaid, as of the specified time on the immediately preceding day on which the same can be so determined, **provided however that** if such immediately preceding day falls prior to the fifth day before the Original Date, or if the 3-Month Deposit Rate cannot be determined as aforesaid (including without limitation because such Bloomberg page (or any successor) has ceased to exist), the 3-Month Deposit Rate as of the specified time on the Original Date shall be determined in such other manner as determined in good faith to be appropriate by an Independent Financial Adviser. If the 3-Month Deposit Rate determined as aforesaid shall be less than zero, then the 3-Month Deposit Rate shall be deemed to be zero.

"Account Management Institution" means an account management institution (*koza-kanri-kikan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

"Additional Amounts" has the meaning provided in Condition 9;

"Additional Shares" has the meaning provided in Condition 5.3;

"Annual Fiscal Period" means a period commencing on 1 April and ending on the following 31 March; provided that, if the Company shall change its fiscal year so as to end on a date other than 31 March, "Annual Fiscal Period" shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Articles of Incorporation" means the articles of incorporation of the Company from time to time in effect;

"Asset Transfer Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the sale or transfer of all or substantially all of the assets of the Company to another entity (the "Asset Transferee"), pursuant to the terms of which the Company's obligations under the Bonds are to be transferred to or assumed by the Asset Transferee;

"Asset Transferee" has the meaning provided in the definition of Asset Transfer Event;

"Auditor" means the independent auditor for the time being of the Company or, if there shall be joint independent auditors, any one or more of such independent auditors or, if they are unable or unwilling to carry out any action requested of them under these Conditions or the Trust Deed, such other auditor or firm of auditors as may be appointed by the Company to act as such and promptly notified in writing to the Trustee by the Company;

"Authorised Officer" means any one of the directors or officers of the Company or the New Obligor (as the case may be) or any other person whom the Company or the New Obligor (as the case may be) shall have notified to the Trustee in writing as being duly authorised to sign any document or certificate on behalf of the Company or the New Obligor (as the case may be);

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Base Dividend" has the meaning provided in Condition 5.2.4;

"Bid Price" has the meaning provided in Condition 5.1.9;

"Board of Directors" of a company means the board of directors of that company within the meaning of the Companies Act; provided that, if any individual director or executive officer is authorised by such board of directors to make the relevant decision in accordance with the Companies Act and such company's articles of incorporation and other internal regulations, any reference to the Board of Directors of such company shall be deemed to mean such director or executive officer, and any reference to the relevant resolution or approval at a meeting of such Board of Directors shall be deemed to mean the relevant decision of such director or executive officer;

"Bondholder" and "holder" have the meaning provided in Condition 1.2;

"Book-Entry Act" means the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended);

"Business Day" in respect of any place means a day, other than a Saturday or Sunday, on which banks are open for business in such place;

"BVAL Price" has the meaning provided in Condition 5.1.9;

"Certificate" has the meaning provided in Condition 1.1;

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Clean-up Redemption Notice" has the meaning provided in Condition 7.2;

"Closed Period" has the meaning provided in Condition 7.9;

"Closing Date" means 20 April 2026;

"Closing Parity Value" has the meaning provided in Condition 5.1.9;

"Closing Price" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), for any Trading Day, the last reported selling price (regular way) of the Shares or the shares of common stock of the New Obligor (as the case may be) on the Relevant Stock Exchange on such Trading Day or, if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, the average of the closing bid and offered prices of the Shares or the shares of common stock of the New Obligor (as the case may be) for such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company or the New Obligor (as the case may be);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Company Notification Date" has the meaning provided in Condition 5.1.9;

"Company's Territory" has the meaning provided in Condition 12.2;

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company and its Consolidated Subsidiaries prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company and its Consolidated Subsidiaries prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Controlling Shareholder" means a shareholder holding, directly or indirectly, 90 per cent (or such other percentage above 90 per cent as provided in the Articles of Incorporation) or more of the Company's voting rights as calculated in accordance with the Companies Act;

"Conversion Notice" means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in the Agency Agreement;

"Conversion Price" has the meaning provided in Condition 5.1.3;

"Corporate Event" has the meaning provided in Condition 6.1;

"Corporate Event Effective Date" has the meaning provided in Condition 6.3;

"Corporate Event Redemption Date" has the meaning provided in Condition 7.4;

"Corporate Event Redemption Price" has the meaning provided in Condition 7.4;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Corporate Split Counterparty" has the meaning provided in the definition of Corporate Split Event;

"Corporate Split Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any corporate split (*shinsetsu bunkatsu* or *kyushu bunkatsu*) in which the Company's obligations under the Bonds are to be transferred to or assumed by the corporation which is the counterparty to such corporate split (the "Corporate Split Counterparty");

"Current Market Price per Share" has the meaning provided in Condition 5.2.9;

"Custodian" means The Law Debenture Trust Corporation p.l.c. at its specified office at 8th Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

"Custodian's Agent" means Mizuho Bank, Ltd. at its specified office at Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo 108-6009, Japan or such other agent of the Custodian in Japan as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Custodian, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19;

"Delisting Redemption Date" has the meaning provided in Condition 7.5.1;

"Deposit Date" has the meaning provided in Condition 5.9.4;

"Deposit Time" has the meaning provided in Condition 5.9.4;

"Due Date" has the meaning provided in Condition 9;

"Event of Default" means any of the events listed in Condition 10 upon the occurrence of which the Bonds may become due and repayable;

"Exercise Period" has the meaning provided in Condition 5.1.4;

"Extraordinary Dividend" has the meaning provided in Condition 5.2.4;

"Extraordinary Resolution" means a resolution passed (i) at a meeting of the Bondholders duly convened (including satisfaction of the quorum requirements set out in the Trust Deed) and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not

less than three-quarters of the votes cast thereon, or (ii) by a written resolution or electronic consent in accordance with the provisions contained in the Trust Deed;

"FATCA withholding" has the meaning provided in Condition 9;

"Financial Instruments and Exchange Act" means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

"Fiscal Period" means, as the context may require, (i) a period commencing on 1 April and ending on the following 31 March; or (ii) three month periods each commencing on 1 April, 1 July, 1 October and 1 January; provided that, if the Company shall change its fiscal year so as to end on a date other than 31 March, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Holding Company" has the meaning provided in the definition of Holding Company Event;

"Holding Company Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the Company to become a wholly-owned subsidiary of another corporation (the "Holding Company") by way of share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*);

"Independent Financial Adviser" means an independent investment bank, securities company, accounting firm or consultancy firm of established repute appointed by the Company at its own expense and notified to the Trustee in writing or, if the Company fails to make such appointment when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser or otherwise in connection with such appointment, as may be appointed by the Trustee in its absolute discretion (without liability for so doing or not doing) following notification to the Company, which appointment shall be deemed to be an appointment of the Company;

"Leading Institution" has the meaning provided in Condition 5.1.9;

"Listing" has the meaning provided in Condition 6.4.2;

"Merged Company" means the corporation formed by the relevant Merger Event or the corporation into which the Company shall have merged following a Merger Event;

"Merger Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any consolidation or amalgamation (*shinsetsu gappei*) of the Company with, or merger (*kyushu gappei*) of the Company into any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation);

"New Obligor" has the meaning provided in Condition 6.1;

"New Obligor Current Market Price per Share" has the meaning provided in Condition 6.5.3;

"New Stock Acquisition Rights" has the meaning provided in Condition 12.2;

"New Territory" has the meaning provided in Condition 12.2;

"Non-unit Shares" has the meaning provided in Condition 5.1.2;

"Notification Date" has the meaning provided in Condition 5.1.9;

"Number of Deliverable Shares" has the meaning provided in Condition 6.5.3;

"Number of Held Shares" has the meaning provided in Condition 6.5.3;

"Offeror" has the meaning provided in Condition 7.5.1;

"Original Date" has the meaning provided in the definition of 3-Month Deposit Rate;

"Parity Event" has the meaning provided in Condition 5.1.9;

"Parity Notification Event" has the meaning provided in Condition 5.1.9;

"Parity Notification Event Notice" has the meaning provided in Condition 5.1.9;

"Payment Business Day" has the meaning provided in Condition 8.3;

"Principal Subsidiary" means any Consolidated Subsidiary of the Company (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 21.2;

"Quote for the Bonds" has the meaning provided in Condition 5.1.9;

"Record Date" means the date fixed by the Articles of Incorporation or otherwise specified by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the Company has fixed no such record date and the context so requires, the "Record Date" shall be construed as a reference to the date of any event in question coming into effect;

"Reference Parity" has the meanings provided in Conditions 7.4, 7.5 and 7.6;

"Reference Period" has the meaning provided in Condition 5.1.9;

"Register" has the meaning provided in Condition 1.1;

"Registered Account" has the meaning provided in Condition 8.1;

"Relevant Debt" has the meaning provided in Condition 2;

"Relevant GAAP" means the accounting principles which are adopted by the Company or the New Obligor (as the case may be) for the preparation of its consolidated financial statements (or, if no such consolidated financial statements are required to be prepared, non-consolidated financial statements) under the Financial Instruments and Exchange Act, being one of IFRS Accounting Standards, accounting principles generally accepted in Japan or accounting principles generally accepted in the US, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan (or its successor);

"Relevant Number of Shares" has the meaning provided in Condition 5.2.4;

"Relevant Period" has the meaning provided in Condition 5.2.15;

"Relevant Securities" has the meaning provided in Condition 5.2.8;

"Relevant Stock Exchange" means Tokyo Stock Exchange, Inc. (or its successor) or, if at the relevant time the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed on Tokyo Stock Exchange, Inc. (or its successor), the principal stock exchange or securities market in Japan on which the Shares or the shares of common stock of the New Obligor (as the case may be) are then listed or quoted or dealt in;

"Representative Director" means a director of the Company (or the New Obligor, as the case may be) who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company (or the New Obligor, as the case may be) within the meaning of the Companies Act;

"Retroactive Adjustment" has the meaning provided in Condition 5.3;

"R&I" has the meaning provided in Condition 5.1.6;

"Securities" includes, without limitation, the Shares, other shares, options, warrants or other rights (including stock acquisition rights) to subscribe for or purchase or acquire Shares and securities convertible into or exchangeable for Shares;

"Shareholder Determination Date" means (i) any Record Date and (ii) any other date set for the purpose of determination of the holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act;

"Shareholder Determination Date Restriction Period" means the period from and including the second Tokyo Business Day falling immediately prior to any Shareholder Determination Date to and including such Shareholder Determination Date (provided that if such Shareholder Determination Date falls on a date that is not a Tokyo Business Day, then the Shareholder Determination Date Restriction Period means the period from and including the third Tokyo Business Day falling immediately prior to such Shareholder Determination Date to and including the Tokyo Business Day immediately following such Shareholder Determination Date);

"Squeezeout Effective Date" has the meaning provided in Condition 7.6.1;

"Squeezeout Event" means either (i) the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) under the Companies Act by way of an amendment to the Articles of Incorporation, for the purpose of, including but not limited to, making the Company a wholly-owned subsidiary of another corporation, (ii) the passing of a resolution by the Board of Directors of the Company approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*) under the Companies Act, or (iii) the passing of a resolution at a general meeting of shareholders of the Company approving a consolidation of Shares (*kabushiki no heigo*) under the Companies Act after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing;

"Squeezeout Redemption Date" has the meaning provided in Condition 7.6.1;

"Stock Acquisition Date" has the meaning provided in Condition 5.9.4;

"Stock Split" means any kind of stock split in relation to the Shares, including a free share distribution to the holders of Shares, a stock dividend or a sub-division of Shares;

"Subsidiary" means a company, more than 50 per cent of the outstanding shareholders' voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors,

officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Tax Redemption Date" has the meaning provided in Condition 7.3;

"Tax Redemption Notice" has the meaning provided in Condition 7.3;

"Tokyo Business Day" has the meaning provided in Condition 5.1.4;

"Trading Day" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day, other than a Saturday or Sunday, on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price of the Shares or the shares of common stock of the New Obligor (as the case may be) is furnished as provided in the definition of Closing Price;

"Transfer Business Day" has the meaning provided in Condition 1.4.3; and

"yen" and "¥" mean Japanese yen, the lawful currency of Japan.

3.2 **Construction of Certain References**

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

Except where the context requires otherwise, references to the "issue" of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on behalf of the Company (and the words "issue", "issued" and "issuable" shall be construed accordingly), and references to "delivery" used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center, Incorporated. The words "substitution" and "grant" used in relation to the exchange of the Company's obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4. **Default Interest**

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum as being equal to the 3-Month Deposit Rate as at 11:00 a.m. (London time) on the date of such default. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5. Exercise of Stock Acquisition Rights

5.1 *Conversion Price, Exercise Period, Shares Issuable and Procedure*

5.1.1 *Exercise of Stock Acquisition Rights and Contribution of the Bond*: Subject to and upon compliance with the provisions of this Condition 5, each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond held by it in accordance with and subject to these Conditions. The Bond, the Certificate in respect of which having been deposited with an Agent for exercise of the relevant Stock Acquisition Right pursuant to Condition 5.9.1, shall be deemed to be acquired by the Company as at the Stock Acquisition Date as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond.

5.1.2 *Number of Shares*: The number of Shares to be acquired by a Bondholder exercising its Stock Acquisition Rights will be determined by dividing the aggregate principal amount of the Bonds deposited by such Bondholder at the same time upon exercise of the Stock Acquisition Rights by the Conversion Price applicable on the Stock Acquisition Date. Fractions of a Share will not be issued upon exercise of any Stock Acquisition Right and no adjustment or cash payment will be made in respect thereof. However, if two or more Stock Acquisition Rights are exercised at any one time by the same Bondholder, the number of Shares which shall be acquired upon exercise of such Stock Acquisition Rights shall be calculated on the basis of the aggregate principal amount of the Bonds in which the Stock Acquisition Rights so exercised are incorporated.

For the avoidance of doubt, if a Bondholder would receive a number of Shares not constituting a unit (*tangen*) of Shares ("Non-unit Shares") or integral multiples thereof upon exercise of the Stock Acquisition Right(s) or upon a Retroactive Adjustment, such Non-unit Shares shall be delivered to the relevant Bondholder in the same manner as the Shares constituting a whole unit of Shares, and no cash amounts shall be paid by the Company in respect of such Non-unit Shares.

As at the date of this Offering Circular, the Articles of Incorporation provide that 100 Shares constitute one unit. Under the book-entry transfer system established pursuant to the Book-Entry Act, Shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, Shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges. Further, a holder of Shares constituting less than one unit cannot exercise any voting rights pertaining to those Shares. A holder of Shares constituting less than one unit may at any time require the Company to purchase such Shares through the relevant Account Management Institution. The Articles of Incorporation currently provide that a holder of Shares constituting less than one unit may also request the Company to sell to such holder of Shares constituting less than one unit such number of shares which, when added to the Shares held by such holder, would constitute one full unit.

5.1.3 *Conversion Price*: The price at which Shares shall be acquired upon exercise of the Stock Acquisition Rights (the "Conversion Price") shall initially be ¥36,000 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period*: Subject to Condition 5.1.5, each Stock Acquisition Right may be exercised at any time in accordance with and pursuant to the other provisions of these Conditions during the period from, and including, 4 May 2026 to, and including, the close of business (at the place where the Bond is deposited for exercise of the Stock Acquisition Right) on 14 March 2031, or:

(i) if the relevant Bond shall have been called for redemption pursuant to Condition 7.2 or 7.3, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to

Condition 7.3, the relevant Bondholder has elected that such Bond shall not be redeemed);

(ii) if the relevant Bonds shall become due to be redeemed pursuant to Condition 7.4, 7.5 or 7.6, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof;

(iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary pursuant to Condition 7.7 and cancelled by the Company pursuant to Condition 7.8, then up to the time when such Bond is so cancelled; or

(iv) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

(a) in no event shall the Stock Acquisition Rights be exercised after 14 March 2031;

(b) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.4 and 7.5); and

(c) the Stock Acquisition Rights may not be exercised where the relevant Stock Acquisition Date (or the next following Tokyo Business Day, if the Stock Acquisition Date would not be a Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law, regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(c) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof (together with the reason for such change) shall be given promptly by the Company to the Trustee in writing and to the Bondholders in accordance with Condition 19.

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of the determination and period referred to in Condition 5.1.4(b) above at least 30 days prior to the commencement of such period.

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of each such Shareholder Determination Date Restriction Period at least three Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect.

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 March, 15 May and 30 September. By way of example, in respect of the Record Date falling on 30 September 2026, it is anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 28 September 2026 to (and including) 30 September 2026.

The term "Tokyo Business Day" means any day (other than a Saturday, Sunday or a day which shall be a legal holiday in Tokyo or a day on which banking institutions in Tokyo are obliged or authorised by law or executive order to close) on which banks are open for business in Tokyo.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is referred to in these Conditions as the "Exercise Period" (for the avoidance of doubt, the Exercise Period in respect of any Stock Acquisition Right may stop and restart from time to time). Upon final expiration of the Exercise Period, the Stock Acquisition Rights incorporated in the relevant Bonds will lapse and cease to be exercisable or valid for any purposes.

5.1.5 *Condition to Conversion*:

(i) Subject to the Conditions, a Bondholder may exercise its Stock Acquisition Rights during any particular calendar quarter prior to (and including) 31 March 2030, only if, as at the last Trading Day of the immediately preceding calendar quarter (from the calendar quarter ended on 31 March 2026 up to, and including, the calendar quarter ending on 31 December 2029, as the case may be), the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 150 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter (or, in the case of the calendar quarter ended on 31 March 2026, the initial Conversion Price); and

(ii) Subject to the Conditions, a Bondholder may exercise its Stock Acquisition Rights during any particular calendar quarter from (and including) 1 April 2030 but prior to (and including) 28 December 2030, only if, as at the last Trading Day of the immediately preceding calendar quarter (from the calendar quarter ending on 31 March 2030 up to, and including, the calendar quarter ending on 30 September 2030, as the case may be), the Closing Price of the Shares for 20 consecutive Trading Days ending on such date is more than 130 per cent (rounded down to the nearest yen) of the Conversion Price in effect on the last Trading Day of such calendar quarter,

in each case as determined by the Principal Agent and notified to the Bondholders in accordance with Condition 19, subject to adjustment in the manner provided in Condition 5.2.

If the relevant condition as set out in (i) or (ii) above is satisfied, then a Bondholder may (subject to these Conditions) exercise the Stock Acquisition Rights on and after the first day of the immediately following calendar quarter (or, in the case of (i) above, in the case of the calendar quarter commenced on 1 April 2026, on and after 4 May 2026) until the end of such calendar quarter (or, in the case of (ii) above, in the case of the calendar quarter commencing on 1 October 2030, until and including 28 December 2030), provided that the relevant Deposit Date falls during the Exercise Period.

The conditions to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 shall not be applicable (A) during any period that Condition 5.1.6, 5.1.7 and/or 5.1.8 apply, and/or (B) where a Parity Event has occurred pursuant to Condition 5.1.9, during the period of 15 consecutive Tokyo Business Days commencing on (and including) the first Tokyo Business Day immediately following the Company Notification Date in respect of such Parity Event.

For the avoidance of doubt, during the period from but excluding 28 December 2030 to and including the close of business (at the place where the Stock Acquisition Right is to be exercised) on 14 March 2031, the condition to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 shall not be applicable.

Further, for the avoidance of doubt, even where a condition to the exercise of the Stock Acquisition Rights set forth in this Condition 5.1.5 is not applicable by virtue of

Condition 5.1.6, 5.1.7, 5.1.8 or 5.1.9, the Stock Acquisition Rights shall not be exercisable after the expiration of the Exercise Period.

5.1.6 *Condition to Conversion – Ratings Requirements*: The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during any period in which the issuer rating assigned to the Company by Rating and Investment Information, Inc. or its successors (together, "R&I") is BBB– (or equivalent if the rating category is changed) or lower, an issuer rating is no longer assigned to the Company by R&I, or the issuer rating assigned to the Company by R&I has been suspended or withdrawn.

Upon the occurrence of any of the events set out above, the Company shall forthwith give notice thereof to the Trustee in writing and to the Bondholders in accordance with Condition 19.

5.1.7 *Condition to Conversion – Redemption Events*: If a notice of redemption is given pursuant to Condition 7.2, 7.3, 7.4, 7.5 or 7.6, the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable on and after the date of notice of such redemption except in the case of the Stock Acquisition Rights attaching to the Bonds elected by the relevant Bondholders not to be redeemed pursuant to Condition 7.3.

5.1.8 *Condition to Conversion – Corporate Events*: Subject to the suspension by the Company as referred to in Condition 5.1.4(b), the condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during the period from (and including) the date upon which the Company is first required to give notice to the Bondholders in accordance with Condition 6.2 to (and including) the relevant Corporate Event Effective Date.

5.1.9 *Conditions to Conversion – Parity Event*: The condition to the exercise of the Stock Acquisition Rights set forth in Condition 5.1.5 shall not be applicable during the period of 15 consecutive Tokyo Business Days from and including the first Tokyo Business Day immediately following the Company Notification Date in respect of the occurrence of a Parity Event. Whether or not a Parity Event has occurred for the purposes of these Conditions shall be determined by the Calculation Agent in accordance with the provisions of this Condition 5.1.9.

Any Bondholder shall be entitled to give notice (each, a "Parity Notification Event Notice") to the Company in writing, with a copy to the Calculation Agent, in each case in accordance with this Condition 5.1.9, if and to the extent that a Parity Notification Event has occurred, provided that such notice shall be accompanied by reasonable supporting evidence (such evidence to be accepted in the opinion of the Company in its absolute discretion) regarding the occurrence of such Parity Notification Event. If any Parity Notification Event Notice is received after 16:00 hours in the place of the specified office of the Calculation Agent, such Parity Notification Event Notice shall be deemed for all purposes of these Conditions to have been provided on the date which is the immediately following Business Day in the place of the specified office of the Calculation Agent.

A Parity Notification Event Notice shall include a certification by or on behalf of the relevant Bondholder that it holds at least one Bond and evidence of the holding of such Bondholder to the satisfaction of the Company, on which certification the Company and the Calculation Agent shall be able to rely, in the absence of manifest error, without further investigation. If a Parity Notification Event Notice is delivered in accordance with the foregoing, neither the Company nor the Calculation Agent shall be entitled or required to demand any further information from such person.

Each Parity Notification Event Notice to be given by a Bondholder to the Company shall be delivered to the Company by electronic mail only to PDL-AT-treasury@advantest.com, and shall simultaneously be copied to the Calculation Agent by electronic mail only to agencyparity@mizuho.lu, or in each case to such other

electronic mail address as may be notified to Bondholders in accordance with Condition 19. Any Parity Notification Event Notice shall be deemed to be received by the Company or the Calculation Agent, as the case may be, only if received by the relevant party in legible form.

At any time when the relevant Bonds are evidenced by the Global Certificate, a Parity Notification Event Notice may be given by (or on behalf of) a person with an entitlement to such Bond, and which may be an accountholder in Euroclear or Clearstream, Luxembourg. Such Parity Notification Event Notice shall include a certification that such person holds (or is delivering such Parity Notification Event Notice on behalf of a person that holds) an entitlement to at least one Bond. Parity Notification Event Notices shall be submitted by electronic mail in accordance with this Condition 5.1.9 rather than through the Euroclear or Clearstream, Luxembourg systems.

The date on which any Parity Notification Event Notice is provided (or deemed to be so provided) to the Company and the Calculation Agent in accordance with the foregoing shall be the "Notification Date" in respect of such Parity Notification Event Notice. Once a Parity Notification Event Notice has been provided (or deemed to be so provided) on a Notification Date (such Parity Notification Event Notice being, for the purposes of this paragraph, the "earlier Parity Notification Event Notice"), any subsequent Parity Notification Event Notice that is provided (or deemed to be provided) on or prior to the Company Notification Date in respect of the earlier Parity Notification Event Notice shall be disregarded, and no Notification Date shall occur in respect of that subsequent Parity Notification Event Notice.

The following shall apply in respect of each Notification Date which is deemed to occur under this Condition 5.1.9:

(a) no later than the second Business Day in Luxembourg and Tokyo immediately following the Notification Date, the Company shall give notice of the receipt of the relevant Parity Notification Event Notice, the relevant Notification Date and the expected Reference Period to the Bondholders in accordance with Condition 19 and to the Trustee;

(b) the Calculation Agent shall determine whether or not a Parity Event has occurred in respect of the relevant Reference Period and shall notify the Company of such determination by no later than the second Business Day in Luxembourg and Tokyo immediately following (1) the last Business Day in Tokyo of the Reference Period if the Parity Event shall be deemed to have occurred in such Reference Period, or (2) the first day in the relevant Reference Period on which none of the events set out in the definition of Parity Event has occurred (and therefore it is determined that no Parity Event has occurred in respect of the relevant Reference Period); and

(c) the Company will give notice of such Calculation Agent's determination to the Bondholders in accordance with Condition 19 and the Trustee no later than the second Business Day in Luxembourg and Tokyo immediately following the date on which the Calculation Agent notifies the Company of the determination set out in paragraph (b) above (the date on which notice is given by the Company in accordance with this paragraph (c) being referred herein to as the "Company Notification Date").

None of the Company, the Calculation Agent, the Trustee, the Agents, the Registrar, the Custodian or the Custodian's Agent will be required to monitor any BVAL Price or Quotes for the Bonds or to take any steps or to perform any related calculations to verify whether a Parity Notification Event or Parity Event has occurred, and they shall not be liable to the Bondholders or any other person for not doing so, save (in the case of the Company and the Calculation Agent only and only as expressly provided in this Condition 5.1.9) where a Notification Date has occurred pursuant to this Condition 5.1.9.

In these Conditions:

"Bid Price" means, in respect of any day, the bid price per ¥10,000,000 in principal amount of the Bonds quoted by a Leading Institution for the purchase by that Leading Institution of a minimum principal amount of the Bonds equal to ¥10,000,000 on such day;

"BVAL Price" means, in respect of any day, the price of the Bonds as derived from the Bloomberg page: XS3304376851 Corp HP (setting "BVAL" or any successor setting) provided by Bloomberg (or any successor service) as the bid price of the Bonds as at 16:00 hours (New York time) on such date, multiplied by 100,000, as determined by (i) the Calculation Agent, in the case of the determination of a Parity Event, or (ii) the relevant Bondholder, in the case of the determination of a Parity Notification Event;

"Closing Parity Value" means, in respect of any day, the amount determined in good faith by the Calculation Agent and calculated as follows:

$$\mathrm{CPV} = \mathrm{N} \times \mathrm{CP}$$

where:

CPV = the Closing Parity Value.

N = ¥10,000,000 divided by the Conversion Price in effect on such day (for the avoidance of doubt, without taking into account Retroactive Adjustments, if any); and

CP = the Closing Price of the Shares on such day (or if such day is not a Trading Day, the most recent Trading Day prior thereto);

"Leading Institution" means any bank or financial institution which is a leading, internationally recognised market maker in trading exchangeable and/or convertible bonds;

A "Parity Event" shall be deemed to have occurred on the last day of any Reference Period, where the Calculation Agent determines that, in respect of each of the five Tokyo Business Days comprised in such Reference Period, either:

(i) the BVAL Price in respect of such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day; or

(ii) if no BVAL Price is available on such Tokyo Business Day (for any reason, including but not limited to by reason of the temporary unavailability of the relevant page or setting, or the permanent cessation of the provision of such price by the relevant provider), the Quote for the Bonds in respect of such Tokyo Business Day is less than 97 per cent of the Closing Parity Value on such Tokyo Business Day; or

(iii) neither the BVAL Price nor Quote for the Bonds is available in respect of such Tokyo Business Day;

A "Parity Notification Event" shall occur if, on each Tokyo Business Day during any period of five consecutive Tokyo Business Days ending no earlier than the fifth Business Day in Luxembourg and Tokyo immediately before the relevant Notification Date, either:

(i) the BVAL Price in respect of such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day; or

(ii) if no BVAL Price is available on such Tokyo Business Day (provided that it is not necessary for the relevant Bondholder to provide any evidence that such BVAL Price was so unavailable), such other reasonable evidence to show that

the price of the Bonds (indicated as a percentage and multiplied by 100,000) as at 16:00 hours (New York time) on such Tokyo Business Day is less than 98 per cent of the Closing Parity Value on such Tokyo Business Day is available;

"Quote for the Bonds" means, in respect of any Tokyo Business Day and in respect of Bid Prices as at or around 16:00 hours (Tokyo time) on such Tokyo Business Day, the Bid Price so provided by a Leading Institution selected by the Company (in its absolute discretion) as informed by the Company to the Calculation Agent, provided that where no Bid Price is provided to the Company in respect of such Tokyo Business Day, it shall be deemed that no Quote for the Bonds is available in respect of such Tokyo Business Day; and

"Reference Period" means, in respect of any Notification Date, the period of five consecutive Tokyo Business Days commencing on the third Business Day in Luxembourg and Tokyo immediately following such Notification Date.

References in these Conditions to any Bloomberg page means the relevant page on the Bloomberg terminal (or, if not available from Bloomberg, any successor information service provider thereto determined by the Company in its absolute discretion).

5.1.10 Rights Attached to Shares Acquired upon Exercise of Stock Acquisition Rights: Shares acquired upon exercise of the Stock Acquisition Rights shall have the same rights in all respects (including in relation to any distribution of dividends) as the Shares outstanding on the relevant Stock Acquisition Date (except for any right relating to the Shares the Record Date for which precedes such Stock Acquisition Date and any other right excluded by mandatory provisions of applicable law).

5.2 **Adjustments of the Conversion Price**

Upon the occurrence of any of the events described below, the Conversion Price shall be adjusted as follows:

5.2.1 *Stock Split and Consolidation of Shares*: if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Stock Acquisition Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 5.2.1, shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Right in respect of such Bond been exercised immediately prior to the coming into effect of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this Condition 5.2.1 shall become effective immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Company shall make a Stock Split and the Record Date therefor is also:

(i) the Record Date for the allotment, grant, issue or offer of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3; or

(ii) the last date (in the place of issue) of the period during which payment may be made for the issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.5 or 5.2.8; or

(iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.8; or

(iv) the date of grant, issue, transfer or offer of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.8,

then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 or 5.2.8, as the case may be, by including in item "**n**" of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

5.2.2 *Issue to Shareholders of Rights or Warrants to Acquire Shares*: if the Company shall allot, grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities*: if the Company shall grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange

price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with a grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.4 *Distribution to Shareholders of Assets (including Extraordinary Dividends):*

if the Company shall distribute to the holders of Shares (i) evidence of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being "distribution of surplus" within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act) other than Extraordinary Dividends, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution (or, in the case of an Extraordinary Dividend the Record Date in respect of which is prior to the beginning of the Exercise Period, the initial Conversion Price) shall be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{CMP} - \mathrm{fmv}}{\mathrm{CMP}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, including a distribution of an Extraordinary Dividend.

fmv = (i) in cases other than an Extraordinary Dividend, the fair market value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company

signed by a Representative Director or an Authorised Officer and delivered by the Company to the Trustee) of the portion of the evidence of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share or, (ii) in the case of an Extraordinary Dividend, the amount of such Extraordinary Dividend divided by the Relevant Number of Shares used in the calculation of such Extraordinary Dividend.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution (including a distribution of an Extraordinary Dividend); provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date (or, in the case of an Extraordinary Dividend the Record Date in respect of which is prior to the beginning of the Exercise Period, from and including the first day of the Exercise Period), and (b) if the fair market value of the evidence of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date.

"Extraordinary Dividend" means, in relation to an Annual Fiscal Period ending on or after 31 March 2027, the part of any dividend (such dividend being the historical dividend without making any retroactive adjustment resulting from Stock Splits or otherwise) in respect of any number of Shares amounting to the Relevant Number of Shares, the Record Date for which falls within such Annual Fiscal Period which, when aggregated with the amount of all other dividends the Record Date for which falls within such Annual Fiscal Period in respect of such number of Shares amounting to the Relevant Number of Shares, is in excess of the sum of (i) the Base Dividend and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period:

"Base Dividend" means ¥0.

For the purposes of the Conditions, "Extraordinary Dividend" applicable to the Annual Fiscal Period ending 31 March 2027 means any cash dividend or cash distribution declared by the Company, the Record Date for which falls on or after 1 April 2026.

For the avoidance of doubt, any dividend declared by the Company with respect to the fiscal year ended 31 March 2026 will not comprise an Extraordinary Dividend.

"Relevant Number of Shares" means, such number of Shares (disregarding fractions of a Share) as Bondholders would be entitled to receive in respect of each Bond deposited (were such Bond, and only such Bond, to be so deposited) for exercise of the Stock Acquisition Right incorporated therein at the Conversion Price in effect at the Record Date in respect of the relevant dividend (or, in the case of an Extraordinary Dividend the Record Date in respect of which is prior to the beginning of the Exercise Period, the initial Conversion Price).

5.2.5 *Issue to Non-shareholders of Convertible/Exchangeable Securities*: if the Company shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at

such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities;

5.2.6 *Issue to Non-shareholders of Shares*: if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*) or which becomes a subsidiary of the Company by a partial share exchange (*kabushiki-kofu*), in proportion to their shareholding in such corporation immediately prior to such merger or such share exchange (in the case of such merger or such share exchange) or in accordance with the plan of such partial share exchange (in the case of such partial share exchange) or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares being issued or transferred as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue or transfer) of the period during which payment may be made in respect of the issue or transfer of such Shares;

5.2.7 *Issue of Rights or Warrants to Acquire Shares or Convertible/Exchangeable Securities*: if the Company shall grant, issue or offer any rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the grant, issue or offer of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the date of the grant, issue or offer of such rights or warrants.

n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the grant, issue or offer of such rights or warrants;

5.2.8 *Combined Adjustment*: if the Company shall grant, issue, transfer or offer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of grant, issue, transfer or offer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the "relevant date") is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.5, 5.2.6 and/or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as "Relevant Securities"), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v1} + \mathrm{v2} + \mathrm{v3}}{\mathrm{N} + \mathrm{n1} + \mathrm{n2} + \mathrm{n3}}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of "n2" below to the extent that such Shares are then issued and outstanding.

n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.

n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.

n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.

v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue, transfer or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of grant, issue, transfer or offer which is the relevant date.

5.2.9 *Current Market Price per Share*: for the purpose of these Conditions, "Current Market Price per Share" on any date shall be deemed to be the average of the daily Closing Prices of the Shares for the 30 consecutive Trading Days commencing 45 Trading Days before such date.

If, during the said 45 Trading Day period or any period thereafter up to but excluding the date as at which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question, and any event which requires an adjustment with reference to the same Current Market Price per Share) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.10 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the following provisions shall be applicable:

(i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;

(ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;

(iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the allotment, grant, issue, transfer or offer of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration

(if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);

(iv) in the case of the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and

(v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.10 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.11 *Later Adjustments*: if, at the time of computing an adjustment (the "later adjustment") of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.8 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, the allotment, grant, issue, transfer or offer of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.12 *Meaning of* "Fixed": any reference in this Condition 5.2 to the date on which the consideration is "fixed" shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.13 *Other Events*: if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination;

5.2.14 *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and

5.2.15 *Adjustment during the Relevant Period or the Reference Period:* for the purposes of Conditions 5.1.5 and 5.1.9, if the Conversion Price in effect on the last Trading Day of the period of 20 consecutive Trading Days referred to in Condition 5.1.5 (the "Relevant Period") or the Reference Period reflects any adjustment which has become effective pursuant to this Condition 5.2 during the Relevant Period or the Reference Period, then the Closing Price of the Shares for each Trading Day which occurs during the Relevant Period or the Reference Period but before the effective date of such adjustment shall be adjusted to reflect the same adjustment. For the avoidance of doubt, if the Closing Price of the Shares for any Trading Day within the Relevant Period or the Reference Period reflects (by reason of having become ex-rights or otherwise) an event which gives rise to an adjustment to the Conversion Price pursuant to this Condition 5.2 becoming effective immediately after the end of the Relevant Period or the Reference Period, then such Closing Price shall be appropriately adjusted to be such price prior to such event having been so reflected, for the purposes of Conditions 5.1.5 and 5.1.9.

5.3 ***Retroactive Adjustments***

If the Stock Acquisition Date in relation to a Stock Acquisition Right shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions of Condition 5.2 and the relevant Stock Acquisition Date falls on a date before the relevant adjustment becomes effective under Condition 5.2 (such adjustment, a "Retroactive Adjustment"), the Company shall procure that the provisions of Condition 5.9.5 shall be applied, *mutatis mutandis*, to such number of Shares ("Additional Shares") as is equal to the excess of the number of Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect as at the said Stock Acquisition Date over the number of Shares previously acquired pursuant to such exercise, and in such event and in respect of such Additional Shares, references in Condition 5.9.5 to the "Stock Acquisition Date" shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price.

5.4 ***Limitation on Reduction of Conversion Price***

Notwithstanding the provisions of this Condition 5, the Conversion Price will not be reduced as a result of any adjustment made hereunder to such an extent that, under applicable law then in effect, the Stock Acquisition Rights may not be permitted to be exercised at such lower Conversion Price into legally issued, fully paid and non-assessable Shares.

5.5 ***Employee Share Schemes***

No adjustment will be made to the Conversion Price where Shares or other Securities are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, officers, audit and supervisory board members or directors

(including directors or officers holding or formerly holding executive office or the personal service company of any such person) of the Company or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' shareholding, share compensation, share option or similar schemes from time to time in place.

5.6 ***Minimum Adjustments***

No adjustment of the Conversion Price shall be required unless such adjustment would result in an increase or decrease in such Conversion Price of at least one yen provided that any adjustment which by reason of this Condition 5.6 is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Condition 5.6) in any subsequent adjustment.

5.7 ***Calculations***

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall, unless otherwise expressly specified herein, be made to the nearest one-tenth of a yen with five one-hundredths or more of a yen to be considered a full tenth of a yen.

None of the Trustee, the Principal Agent, the Registrar, the Calculation Agent, the Custodian, the Custodian's Agent or any other Agents shall be under any duty or responsibility to any Bondholder or any other person to determine, calculate or verify the adjusted Conversion Price or whether any adjustment is required to be made, and none of them will be responsible to Bondholders or any other person for any loss arising from any failure to do so or any erroneous calculation.

5.8 ***Notification of Adjustments***

Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly notify the Trustee, the Principal Agent, the other Agents, the Registrar, the Calculation Agent, the Custodian and the Custodian's Agent in writing setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the effective date thereof, and shall promptly give notice to the Bondholders in accordance with Condition 19 stating that the Conversion Price has been adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

5.9 ***Procedure for Conversion***

5.9.1 *Conversion Notice*: To exercise a Stock Acquisition Right, the exercising Bondholder shall complete, sign and deposit at the specified office of an Agent at its own expense during normal business hours of the Agent with which the deposit is being made a Conversion Notice, in the form obtainable from any Agent, together with the Certificate evidencing the relevant Bond. No Stock Acquisition Right may be exercised in part only.

5.9.2 *Custodian and Custodian's Agent*: The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Mizuho Bank, Ltd. as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent

and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent fail to do so. The Custodian shall not be liable for monitoring or supervising the performance by the Custodian's Agent of such functions. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition 5.9.2 for the benefit of the Custodian.

5.9.3 *Conditions Precedent*: As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent pursuant to this Condition 5.9.3 (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder (if any) together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The relevant Agent will not be bound to make any payments until the relevant Agent has received the full amount of such taxes and duties due and payable in respect of the Bonds, the Stock Acquisition Rights in respect of which are being exercised, or other arrangements satisfactory to the relevant Agent have been made. For the avoidance of doubt, the exercising Bondholder shall bear any costs and expenses which relate to the account at the Account Management Institution into which it receives the Shares acquired upon the exercise of the Stock Acquisition Right pursuant to Condition 5.9.5(i). Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights (which for the avoidance of doubt does not include the exercising Bondholder's own costs and expenses for holding such Shares) and all charges of the Agents in connection therewith (including all costs, charges and expenses incurred by any delegate).

The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the relevant tax authorities to which such Agent must pay moneys received from the Bondholder for payment of taxes and duties. The payment of such moneys received from the Bondholders to the relevant tax authority will be made at the risk and expense of the Bondholder exercising the relevant Stock Acquisition Rights and such Bondholder will be required to submit any necessary duly completed and signed documents that may be required by the Agent in order to effect the payment of such moneys. The relevant Agent shall be entitled to assume without duty to enquire and without liability that any information provided by the Bondholder exercising the relevant Stock Acquisition Rights in connection with any such amounts payable and as to the details of the relevant tax authorities to which the Agent must pay moneys received in settlement of the taxes and duties payable pursuant to this Condition 5.9.3 is true, accurate and complete. The Bondholders (and, if applicable, the person other than the Bondholders to whom the Shares are to be delivered) shall, upon exercising the relevant Stock Acquisition Rights, be deemed to have consented to the relevant Agent disclosing otherwise confidential information for the purposes of the relevant Agent's carrying out the duties herein. Such Agent is under no obligation to determine whether a Bondholder is liable to pay any taxes, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) arising upon exercise of any Stock Acquisition Rights.

5.9.4 *Deposit Date and Stock Acquisition Date*:

(i) The date and time at which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or at which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Time" applicable to such Bond, and the date in London on which the Deposit Time falls is hereinafter referred to as the "Deposit Date"

applicable to such Bond. For the avoidance of doubt, a Deposit Date may not occur during any period when the Stock Acquisition Rights may not be exercised;

(ii) The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the relevant Certificate therefor will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond);

(iii) A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company; and

(iv) If deposit of the Conversion Notice is made on a day which is not a Business Day or after 17:00 hours in the place of the specified office of the Agent, such deposit shall be deemed for all purposes of these Conditions to have been made on the next following such Business Day.

At any time when the relevant Bonds are evidenced by the Global Certificate, the exercising Bondholder shall, in lieu of depositing the Conversion Notice in the manner aforesaid, transmit the Conversion Notice as an electronic instruction to any Agent in accordance with the operating procedures of the relevant clearing systems, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. The time at which such duly completed Conversion Notice is received by the Agent through the relevant clearing systems shall be deemed for the purposes of these Conditions to be its Deposit Time. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bonds the Stock Acquisition Rights incorporated in which have been exercised and the Register shall be amended accordingly.

5.9.5 *Delivery of Shares*: The Company shall procure that the relevant Agent shall, with effect as at the Stock Acquisition Date, endorse the Conversion Notice on behalf of the Custodian. With effect from the Stock Acquisition Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders and the Articles of Incorporation), the Company shall deem the Custodian or its nominee to have become the holder of record of the number of Shares to be acquired upon such exercise of the Stock Acquisition Right (disregarding any fraction of a Share resulting from such exercise and also disregarding any Retroactive Adjustment of the Conversion Price prior to the time when such Retroactive Adjustment is first reflected in the Conversion Price).

Thereafter, subject to any applicable limitations then imposed by Japanese law, regulation or practice (including any administrative order or guideline issued by any relevant authority) or the Articles of Incorporation or the share handling regulations of the Company:

(i) as soon as practicable and in any event within 14 days after the Stock Acquisition Date, in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution), and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purposes of such transfer); and

(ii) as soon as practicable, the Company shall deliver to the Custodian's Agent for the account of the Custodian or its nominee, securities (other than the Shares) required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice as soon as practicable, and in any event within 21 days after the Stock Acquisition Date, deliver or cause to be delivered to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan and in the manner specified in the relevant Conversion Notice (the expense and risk of delivery at any such place being that of the exercising Bondholder), any such securities (other than Shares) required to be delivered upon exercise (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid) and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

provided, however, that if such securities (other than Shares) are subject to the book-entry transfer system established pursuant to the Book-Entry Act, such delivery or despatch will be implemented in accordance therewith.

Any Conversion Notice transmitted electronically is not required to be endorsed and shall be processed in accordance with the operating procedures of the relevant clearing systems.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital*: With effect as at the Stock Acquisition Date, one-half of the "maximum capital and other increase amount", as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital.

6. Certain Corporate Events

6.1 *Corporate Events*

In the case of a proposal for:

(i) any Merger Event; or

(ii) any Asset Transfer Event; or

(iii) any Corporate Split Event; or

(iv) any Holding Company Event; or

(v) the passing of a resolution at a general meeting of shareholders of the Company (or, where such a resolution is not required, at a meeting of the Board of Directors of the Company) for any other corporate reorganisation procedure then provided for under Japanese law (the passing of any such resolution and any Merger Event, any Asset Transfer Event, any Corporate Split Event and any Holding Company Event being together referred to in these Conditions as a "Corporate Event") pursuant to which the obligations under the Bonds and/or the Stock Acquisition Rights are proposed to be transferred to or assumed by another entity (such other entity and any Merged Company, any Asset Transferee, any Corporate Split Counterparty and any Holding Company being together referred to as a "New Obligor"),

the following provisions of this Condition 6 shall apply.

6.2 *Notice of Proposal*

The Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the

holders of Shares (or, if no such notice is required or if a public announcement of such proposed Corporate Event is made on a date earlier than the date of such notice, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

6.3 ***Notice of Passing of Resolution***

Upon the occurrence of a Corporate Event, the Company shall forthwith give a further notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of that fact, the Company's proposals in relation to the Bonds (including the Stock Acquisition Rights) and the anticipated effective date of the transaction, and, if such anticipated effective date or proposals are changed or fixed, a further notice to such effect shall be given in the same manner. The effective date of the transaction contemplated by the relevant Corporate Event is referred to herein as its "Corporate Event Effective Date".

6.4 ***Transfer of Obligations Following a Corporate Event***

6.4.1 *Transfer:* If a Corporate Event occurs and

(i) it is legally possible under then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;

(ii) a practical structure for such substitution and grant has been or can be established; and

(iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction,

then the Company shall use its best endeavours to cause the New Obligor to be substituted as the principal obligor under the Bonds and the Trust Deed pursuant to Condition 12.2 and the Trust Deed and for the grant of the New Stock Acquisition Rights in relation to the Bonds in place of the Stock Acquisition Rights in the manner described in Condition 6.5. Such substitution and grant shall take effect on the relevant Corporate Event Effective Date, or, in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, as soon as practicable on or after, but in any event no later than 14 days after, the relevant Corporate Event Effective Date.

6.4.2 *Listing*: In connection with the substitution and grant described in Condition 6.4.1, the Company shall also use its best endeavours to ensure that the shares of common stock of the New Obligor will be listed on any stock exchange in Japan or be quoted or dealt in on any securities market in Japan (such listing, quotation and dealing being hereinafter collectively referred to as "Listing") on the relevant Corporate Event Effective Date.

6.4.3 *Condition*: The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.4(iv).

6.5 ***New Stock Acquisition Rights***

At the time of the substitution of (or assumption by) the New Obligor as principal obligor under Condition 12.2 and the Trust Deed, New Stock Acquisition Rights will be granted, in place of the Stock Acquisition Rights, to the Bondholders by the New Obligor, in accordance with the following terms:

6.5.1 *Number of the New Stock Acquisition Rights to be Granted*: The number of New Stock Acquisition Rights to be granted will be equal to the number of the Stock Acquisition Rights incorporated in the Bonds outstanding immediately prior to the relevant Corporate Event Effective Date;

6.5.2 *Class of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: Upon exercise of the New Stock Acquisition Rights, shares of common stock of the New Obligor shall be issued or transferred;

6.5.3 *Number of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: The number of shares of the New Obligor to be issued or transferred upon exercise of the New Stock Acquisition Rights shall be determined by the New Obligor by reference to these Conditions taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

(i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the "Number of Deliverable Shares") receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the "Number of Held Shares") which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date. If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Company, provided that in determining such fair market value, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of the Independent Financial Adviser; or

(ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall, upon its exercise immediately after the Corporate Event Effective Date, receive an equivalent economic interest to be determined by the Company as that which would have been received by a holder of the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date, provided that, in determining such equivalent economic interest, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

For the purpose of this Condition 6, the "New Obligor Current Market Price per Share" means (i) the average of the daily Closing Prices of the shares of common stock of the New Obligor for the 30 consecutive Trading Days commencing 45 Trading Days immediately before the relevant Corporate Event Effective Date, or (ii) if such market price shall not be available, such price as is determined by the Company, provided that in determining such price, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

The conversion price for the New Stock Acquisition Rights shall be subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided in Condition 5.2;

6.5.4 *Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof*: Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;

6.5.5 *Exercise Period of the New Stock Acquisition Rights*: The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;

6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights*: No New Stock Acquisition Right may be exercised in part, and the exercise of the New Stock Acquisition Rights shall be subject to conditions substantially the same as those described in Conditions 5.1.5 to 5.1.9;

6.5.7 *Amount of Stated Capital and Additional Paid-in Capital*: As at the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the "maximum capital and other increase amount" as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and

6.5.8 *Others*: Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 ***No Statutory Put Rights***

Each Bondholder by accepting or acquiring any Bond agrees that its remedies if a Corporate Event or a Squeezeout Event occurs shall not include any statutory rights provided by Japanese law to require the Company to repurchase such Bond at fair market value, such rights being waived to the fullest extent permitted by applicable law.

6.7 ***Subsequent Corporate Events***

The above provisions of this Condition 6 shall apply in the same way to any subsequent Corporate Events.

7. Redemption, Purchase and Cancellation

7.1 ***Final Maturity***

Unless the Bonds have previously been redeemed or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100 per cent of their principal amount on 28 March 2031. The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 ***Redemption at the Option of the Company upon Reduced Outstanding Amounts***

The Company may (subject to Condition 7.10), but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the

Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon which the Clean-up Redemption Notice is first given, the outstanding principal amount of the Bonds is less than 10 per cent of the aggregate principal amount of the Bonds as at the date of issue thereof.

7.3 ***Redemption for Taxation Reasons***

The Company may (subject to Condition 7.10), but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice that (i) it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 1 April 2026 and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or Authorised Officer stating that the obligation referred to in (i) above has arisen and cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be bound to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders and the Trustee, and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent of their principal amount on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent or more of the aggregate principal amount of the Bonds as at the date of issue thereof, each holder of the Bonds will have the right to elect, and the Tax Redemption Notice shall state that such Bondholder will have the right to elect, that its Bonds should not be redeemed and that the provisions set forth in Condition 9 shall not apply in respect of payment of any amount to be made in respect of the Bonds which will fall after the Tax Redemption Date and payment of all amounts due on such Bonds thereafter shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to in Condition 9. Such right of the Bondholder shall be exercised by the Bondholder giving notice to the Company in the form (for the time being current) obtainable from any Agent no later than 20 days prior to the Tax Redemption Date.

7.4 ***Corporate Event Redemption***

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.10) give not less than 14 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out below and in accordance with the provisions of this Condition 7.4 (the "Corporate Event Redemption Price"), together with all Additional Amounts due on the Bonds (if any), on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the

date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event), if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company is not able to effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director or an Authorised Officer stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be bound to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.4 and the Trustee shall not be responsible or liable to any person for any loss occasioned by relying, acting and/or not acting based on such certificate.

Any notice of redemption given under this Condition 7.4 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.4(iii) or 7.4(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

If the Corporate Event Redemption Date falls on or prior to 14 March 2031, the Corporate Event Redemption Price shall be determined by reference to the following tables (for the purposes of these Conditions, the three tables below shall be deemed to constitute a single table, with the "Reference Parity" columns of the second and third tables treated as if appended to the right-hand side of the first table (in that order). For the avoidance of doubt, references in this Condition 7.4 to "the table", "the following table" or "the above table" shall be construed as references to all of the tables set out below, read together as a single table):

Corporate Event Redemption Date	**Reference Parity (Percentage)**											
	50.00	**60.00**	**70.00**	**80.00**	**90.00**	**100.00**	**110.00**	**120.00**	**130.00**	**140.00**	**150.00**	**160.00**
20 April 2026.....	97.24	101.92	107.31	113.31	119.80	126.73	134.02	141.62	149.49	157.59	165.89	174.36
20 April 2027.....	96.96	101.13	106.10	111.75	117.98	124.70	131.85	139.35	147.16	155.23	163.53	172.02
20 April 2028.....	96.96	100.44	104.82	110.00	115.86	122.32	129.27	136.66	144.41	152.47	160.79	169.34
20 April 2029.....	97.14	99.66	103.19	107.67	113.00	119.09	125.82	133.10	140.83	148.95	157.38	166.07
20 April 2030.....	97.64	98.58	100.47	103.53	107.83	113.28	119.76	127.08	135.07	143.58	152.50	161.71
14 March 2031.....	100.00	100.00	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00

Corporate Event Redemption Date	**Reference Parity (Percentage)**											
	170.00	**180.00**	**190.00**	**200.00**	**210.00**	**220.00**	**230.00**	**240.00**	**250.00**	**260.00**	**270.00**	**280.00**
20 April 2026.....	182.99	191.75	200.63	209.61	218.69	227.85	237.09	246.39	255.76	265.18	274.65	284.16
20 April 2027.....	180.69	189.50	198.44	207.49	216.65	225.89	235.21	244.59	254.05	263.55	273.11	282.71
20 April 2028.....	178.08	186.98	196.02	205.19	214.46	223.82	233.26	242.77	252.34	261.97	271.64	281.36
20 April 2029.....	174.98	184.07	193.32	202.69	212.16	221.72	231.35	241.05	250.80	260.59	270.42	280.28
20 April 2030.....	171.14	180.73	190.45	200.24	210.10	220.00	230.00	240.00	250.00	260.00	270.00	280.00
14 March 2031.....	170.00	180.00	190.00	200.00	210.00	220.00	230.00	240.00	250.00	260.00	270.00	280.00

Corporate Event Redemption Date	Reference Parity (Percentage)											
	290.00	**300.00**	**310.00**	**320.00**	**330.00**	**340.00**	**350.00**	**360.00**	**370.00**	**380.00**	**390.00**	**400.00**
20 April 2026.....	293.72	303.31	312.94	322.60	332.29	342.01	351.75	361.52	371.31	381.11	390.94	400.78
20 April 2027.....	292.35	302.03	311.74	321.48	331.25	341.04	350.86	360.69	370.55	380.42	390.30	400.20
20 April 2028.....	291.11	300.89	310.70	320.54	330.40	340.28	350.17	360.09	370.01	380.00	390.00	400.00
20 April 2029.....	290.16	300.07	310.00	320.00	330.00	340.00	350.00	360.00	370.00	380.00	390.00	400.00
20 April 2030.....	290.00	300.00	310.00	320.00	330.00	340.00	350.00	360.00	370.00	380.00	390.00	400.00
14 March 2031.....	290.00	300.00	310.00	320.00	330.00	340.00	350.00	360.00	370.00	380.00	390.00	400.00

"Reference Parity" means:

(i) if the consideration payable to holders of the Shares in connection with the relevant Corporate Event consists of cash only, the amount of such cash per Share divided by the Conversion Price in effect on the date of occurrence of the relevant Corporate Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; and

(ii) in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days commencing on the Trading Day immediately following:

(a) the date on which the terms and conditions of the relevant Corporate Event (including the consideration payable or deliverable to holders of the Shares in connection therewith) are approved at a meeting of the Board of Directors of the Company, as required under the Companies Act; or

(b) (if the terms and conditions of the relevant Corporate Event are announced to the public later than that date) the date of such public announcement,

divided by the Conversion Price in effect on the last day of such five consecutive Trading Day period (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

If the Reference Parity or Corporate Event Redemption Date does not appear in the above table, and:

(x) if the Reference Parity falls between two numbers in the first row of the above table and/or the Corporate Event Redemption Date falls between two dates in the above table, then the Corporate Event Redemption Price shall be determined by straight-line interpolation between such two numbers and/or two dates, on the basis of a 365-day year, as the case may be, with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth;

(y) if the Reference Parity is higher than the number in the far right column in the first row of the above table, the Reference Parity shall be deemed to be equal to that number; and

(z) if the Reference Parity is less than the number set forth in the far left column in the first row of the above table, the Corporate Event Redemption Price shall be 100.00 per cent.

If the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.4, is less than 100.00 per cent, the Corporate Event Redemption Price shall be 100.00 per cent. Conversely, if the Corporate Event

Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.4, is more than 400.00 per cent, the Corporate Event Redemption Price shall be 400.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 15 March 2031 to (and excluding) 28 March 2031, the Corporate Event Redemption Price shall be 100.00 per cent.

7.5 ***Redemption on Delisting of the Shares***

7.5.1 *Offers and Redemption*: If

(i) any offer is made by a party or parties (the "Offeror") other than the Company in accordance with the Financial Instruments and Exchange Act to all holders of Shares (or all such holders other than the Offeror and/or any company controlled by the Offeror and/or persons associated or acting in concert with the Offeror) to acquire all or a portion of the Shares;

(ii) the Company expresses its opinion to support such offer in accordance with the Financial Instruments and Exchange Act;

(iii) the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces or admits, that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or may be disqualified from such listing, quotation or dealing, as a result of the acquisition of Shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavours to continue such listing, quotation or dealing after such acquisition); and

(iv) the Offeror acquires any Shares pursuant to the offer,

then the Company shall (subject to Condition 7.10) give notice to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the "Delisting Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice). The Trustee shall be entitled to assume, without being required to take any action and without liability, until it has received written notice to the contrary that the Offeror has not so acquired any Shares.

7.5.2 *Redemption Price*: The redemption price applicable to the redemption under this Condition 7.5 shall be calculated in the same manner as provided in Condition 7.4, except that references to the Corporate Event Redemption Date shall be replaced by the Delisting Redemption Date and the Reference Parity shall mean, if the offer price consists of cash only, the offer price in effect on the last day of the offer divided by the Conversion Price in effect on the same day (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the last day of the offer divided by the Conversion Price in effect on the last day of the offer (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will

take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.4 shall apply *mutatis mutandis* to the above redemption price without any adjustment.

7.5.3 *Offer Followed by Corporate Event or Squeezeout Event*: Notwithstanding the above provisions of this Condition 7.5, if the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces, that it intends to effect a Corporate Event or Squeezeout Event after the date of acquisition of any Shares pursuant to the offer, then the Company's obligation to redeem the Bonds under this Condition 7.5 shall not apply (but, for the avoidance of doubt, the provisions of Conditions 6 and 7.4, or Condition 7.6, as the case may be, shall be applicable to such Corporate Event or Squeezeout Event, as the case may be) unless such Corporate Event or Squeezeout Event does not occur within 60 days after the date of such acquisition, in which case the Company shall give notice to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the last day of such 60-day period, to redeem all, but not some only, of the Bonds then outstanding at the redemption price set out in Condition 7.5.2 (for the avoidance of doubt, the Reference Parity applicable to such redemption being equal to the Reference Parity that would have been applicable had the Bonds been redeemed under Condition 7.5.1 without being subject to the provisions of this Condition 7.5.3), together with all Additional Amounts due on the Bonds (if any), on the date (for the avoidance of doubt, the Delisting Redemption Date applicable to such redemption being such date) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice).

7.5.4 *Irrevocable Notice*: Any notice of redemption given under this Condition 7.5 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

7.5.5 *Notice to Bondholders*: Upon the occurrence of:

(a) any of the events set out in (i) through (iv) of Condition 7.5.1; or

(b) any of the events set out in Condition 7.5.3 which results in the cancellation or revival of the Company's obligation to redeem the Bonds,

the Company shall as soon as practicable give notice thereof to the Trustee in writing and to the Bondholders in accordance with Condition 19.

7.6 ***Squeezeout Redemption***

7.6.1 *Redemption:* Upon the occurrence of a Squeezeout Event, the Company shall (subject to Condition 7.10) give notice to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with Condition 7.6.2, together with all Additional Amounts due on the Bonds (if any), on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date (the "Squeezeout Effective Date") of the acquisition, sale or consolidation of the Shares with respect to the Squeezeout Event, as the case may be; provided however, that if the Squeezeout Effective Date falls earlier than 14 Tokyo Business Days from the date of such notice, the Squeezeout Redemption Date shall be accelerated to the extent necessary to ensure that it shall fall on a date earlier than the Squeezeout Effective Date).

7.6.2 *Redemption Price*: The redemption price applicable to the redemption under this Condition 7.6 shall be calculated in the same manner as provided in Condition 7.4, except that references to the Corporate Event Redemption Date shall be replaced by the Squeezeout Redemption Date and the Reference Parity shall mean, if the assets to be delivered to the holders of Shares consist of cash only (or if the holders of Shares which are being squeezed out are to effectively receive cash only in respect of such Shares), the amount of cash which the holder of a Share would receive in exchange for Shares following the Squeezeout Event, divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the date of the Squeezeout Event divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment becoming effective during such period, where the event requiring such Retroactive Adjustment takes place after such period) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.4 shall apply *mutatis mutandis* to the above redemption price without any adjustment.

7.7 ***Purchase of Bonds by the Company or Subsidiary***

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders or otherwise to exercise any voting rights and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for voting on any Extraordinary Resolution or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.8 ***Cancellation***

All Bonds which are redeemed or with respect to which the Stock Acquisition Rights have been exercised shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 7.7 shall be forwarded to the Principal Agent for cancellation.

7.9 ***Notice of Redemption***

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as at the date of the relevant notice, the Closing Price of the Shares as at the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption, the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.2 or 7.3 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(b) or within 15 days following the last day of a Closed Period.

7.10 ***Priorities among Redemption Provisions***

If any notice of redemption is given by the Company pursuant to any of Condition 7.2, 7.3, 7.4, 7.5 or 7.6, no other notice may be, or as the case may be, is required to be, given pursuant to any other of such Conditions, subject as provided in Condition 7.5.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.3.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.4 or 7.6, or (b) the events set out in (i) to (iv) of Condition 7.5.1 occur, then a notice pursuant to Condition 7.2 or 7.3 may not subsequently be given.

If the Company becomes obliged to redeem the Bonds pursuant to both Condition 7.5 and either Condition 7.4 or 7.6, the procedure pursuant to Condition 7.4 or 7.6, as the case may be, shall apply.

8. **Payments**

8.1 ***Method of Payment***

Payments in respect of principal, default interest (if any) and premium (if any) will be made (subject to surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent, if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) to the person shown on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date for payment thereof, by transfer to its Registered Account. All such payments are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9, and save as provided in Condition 9, the Company will not be liable for any taxes or duties of whatever nature imposed or levied by such laws or regulations. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

"Registered Account" means a yen account maintained by the payee with a bank in Japan, details of which appear on the Register at the close of business on the third Business Day in the place of the specified office of the Registrar and the Principal Agent before the due date of payment.

8.2 ***Agents***

The initial Principal Agent and the initial Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Agent, the Registrar, the Calculation Agent or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; (iv) a Calculation Agent; and (v) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar, the Calculation Agent or any other Agent will be given to the Bondholders in accordance with Condition 19.

8.3 ***Payments on Payment Business Days***

If the due date for payment of any amount in respect of any Bond is not a Payment Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Payment Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. "Payment Business Day" means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried out both in Tokyo and in such place.

9. **Taxation**

All payments by the Company in respect of the Bonds, subject to Condition 7.3, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(i) to a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with Japanese tax law requirements in respect of the exemption from such withholding or deduction, or (c) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or the receipt of payment in respect of any Bond; or

(ii) in respect of which the relevant Certificate is presented for payment, more than 30 days after the Due Date (as defined below) except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting such Certificate for payment as at the expiry of such 30-day period.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds, subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts, in accordance with and subject to Condition 7.3.

No Additional Amounts will be payable for or on account of any deduction or withholding from a payment on, or in respect of, any Bond where such deduction or withholding is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulation or agreement thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions or any agreement with the U.S. Internal Revenue Service ("FATCA withholding"). Further, the Company will have no obligation to otherwise indemnify for any such FATCA withholding deducted or withheld by the Company, the Agents or any other party that is not an agent of the Company.

As used herein, the "Due Date" for any payment means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 19.

Any reference in these Conditions and the Trust Deed to principal, premium (if any) or default interest in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed.

10. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction, give notice in writing to the Company that the Bonds are due and repayable at their principal amount on the occurrence of any of the following events:

10.1 ***Non-Payment***: the Company defaults in the payment of principal of any of the Bonds under Condition 7.3 as and when the same shall become due and payable, and such default is not remedied within 14 days; or

10.2 ***Breach of Obligations***: the Company defaults in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to pay principal in respect of any of the Bonds), which default is, in the opinion of the Trustee, incapable of remedy, or if, in the opinion of the Trustee, capable of remedy, is not remedied within 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring such default to be remedied; or

10.3 ***Cross Default on Indebtedness***: the obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due (on demand or otherwise) (or at the expiration of any applicable grace period as originally provided); or

10.4 ***Cross Default on Guarantee/Indemnity***: the Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10); or

10.5 ***Initiation of Insolvency Proceedings***: proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

10.6 ***Decree of Insolvency/Dissolution***: a final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or (in the opinion of the Trustee) any material part of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

10.7 ***Resolution for Dissolution***: a resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except:

10.7.1 (in the case of the Company) in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which (a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied) or (b) the Bonds are to be redeemed pursuant to Condition 7.4, 7.5 or 7.6 prior to the date or proposed date of such winding-up, dissolution or liquidation, or,

10.7.2 (in the case of a Principal Subsidiary) where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or Holding Company, in any such case, in proportion to the ownership interest held by the

Company, such other Subsidiary or the Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.7.3 (in any case) where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.8 ***Institution of Insolvency Proceedings***: the Company or any Principal Subsidiary institutes proceedings seeking adjudication of bankruptcy with respect to itself or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or (in the opinion of the Trustee) any material part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 ***Stoppage of Payment***: the Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or

10.10 ***Cessation of Business***: the Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on all of its business, except:

10.10.1 (in the case of the Company) in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which (a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied) or (b) the Bonds are to be redeemed pursuant to Condition 7.4, 7.5 or 7.6 prior to the date or proposed date of such cessation of business, or

10.10.2 (in the case of a Principal Subsidiary) where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.10.3 (in any case) where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.11 ***Encumbrancer***: any encumbrancer takes possession of the whole or (in the opinion of the Trustee) any material part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or (in the opinion of the Trustee) any material part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned having taken appropriate legal advice upon which the Trustee shall be entitled to rely absolutely;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4, 10.5 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders. The Trustee, in forming any opinion or in making any determination under or required or contemplated by this Condition 10, may exercise any or all of the rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law and may also seek instructions or directions from the Bondholders.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than yen may be translated into yen at the spot rate for the sale of relevant currency against the purchase of yen

quoted by any leading bank selected in its sole discretion by the Trustee on any day when the Trustee requests such a quotation for such purpose.

Upon any such notice being given to the Company, the Bonds shall immediately become due and repayable at 100 per cent of their principal amount (together with premium, if any, and default interest (if any) accrued to the date of payment) as provided in the Trust Deed.

11. Undertakings

11.1 *Undertakings with Respect to the Stock Acquisition Rights*

While any Stock Acquisition Rights are, or are capable of being, exercisable, the Company will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the Bondholders to give such approval:

11.1.1 *Shares:* issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be delivered upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;

11.1.2 *Transfers:* not take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise of the Stock Acquisition Rights, if any, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;

11.1.3 *Fiscal Year and Record Date:* give notice to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its fiscal year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;

11.1.4 *Listing:* use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours, use its best endeavours, or if the maintenance of such listing is agreed by the Trustee to be unduly onerous and the Trustee is satisfied that the interests of the Bondholders would not be thereby materially prejudiced to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19; provided that, (i) so long as the Company is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Company shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan, and (ii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.4, 7.5 or 7.6 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in

Condition 7.4(iv), (y) taking any action provided in items (ii) and (iii) of Condition 7.5.1, or (z) proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki shuruikabushiki*), approving a request by the Controlling Shareholder that the other shareholders of the Company (other than the Company and, if the Controlling Shareholder so determines, the Controlling Shareholder's wholly-owned subsidiaries) sell to the Controlling Shareholder all of the shares of the Company held by them (*kabushikitou uriwatashi seikyu*), proposing a consolidation of Shares (*kabushiki no heigo*) after which the Shares are expected to cease to be listed, quoted or dealt in on the Relevant Stock Exchange or to be disqualified from such listing, quotation or dealing, or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition or consolidation of Shares pursuant to a Squeezeout Event, as the case may be);

11.1.5 *Other Securities:* procure that no securities of the Company convertible into, or exchangeable for, by their terms, Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), converted into or exchanged for Shares and that no rights or warrants to subscribe for, purchase or otherwise acquire Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), exercised otherwise than, in each case, in accordance with the terms of issue thereof (for the avoidance of doubt, such terms may be amended as a result of any change in or bringing into force of Japanese law, including but not limited to certain tax qualification requirements relating to incentive stock options);

11.1.6 *Capital:* not create or issue any class of share capital other than Shares, without giving notice to the Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;

11.1.7 *Limitation on Reduction of Conversion Price:* not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law then in effect, be legally issued as fully-paid and non-assessable;

11.1.8 *Corporate Event:* if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner (unless, for the avoidance of doubt, the Bonds are to be redeemed pursuant to Condition 7.4 or 7.5); and

11.1.9 *Consents:* obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Company on exercise of the Stock Acquisition Rights.

The Trust Deed contains certain other undertakings in relation to the Bonds and the Stock Acquisition Rights.

11.2 ***Charges***

Except as otherwise provided in Condition 5.9, the Company will pay all charges of the Trustee, the Principal Agent, the Registrar, the Calculation Agent, the other Agents, the Custodian and the Custodian's Agent (including the cost of providing notices) and all issue, transfer and other similar taxes payable with respect to the deposit of Bonds pursuant to Condition 5.9.3, and the issue and delivery of Shares and the delivery of any other securities pursuant to Condition 5.9.5 following such deposit.

12. **Substitution**

12.1 ***Substitution other than under a Corporate Event***

The Trustee may, without the consent of the Bondholders, agree with the Company to the substitution in place of the Company (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Company subject to (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (iii) satisfaction of such other conditions as are set out in the Trust Deed. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19.

When determining pursuant to these Conditions whether an event or circumstance is materially prejudicial to the interests of Bondholders, the Trustee may obtain such directions from Bondholders and/or expert advice as it considers appropriate and rely thereon without responsibility or liability to the Bondholders or any person for delay occasioned by so doing.

Further conditions to such substitution are set out in the Trust Deed.

12.2 ***Substitution under a Corporate Event***

Prior to a Corporate Event Effective Date, the Trustee may, if so requested by the Company, agree with the Company, without the consent of Bondholders, to the substitution in place of the Company of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), providing that the Company's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the "New Stock Acquisition Rights") to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date) within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

(i) under such supplemental trust deed, the New Obligor agrees, in form and manner satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Company and providing that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;

(ii) except in the case of a Merger Event, pursuant to such supplemental trust deed the Company guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Company determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Company signed by a Representative Director or an Authorised Officer of the Company that, as at the Corporate Event Effective Date, any rating which would be assigned to the New Obligor's long-term unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Company's long-term, unsecured and unsubordinated debt and which certificate the Trustee shall be entitled to rely upon

without further investigation and without incurring any liability to any person for doing so. In making this determination, the Company shall consult an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;

(iii) if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Company's Territory of references to the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.3 in relation to payment of Additional Amounts by the New Obligor (and/or the guarantor, if any);

(iv) a Representative Director or an Authorised Officer of the New Obligor certifies that the New Obligor will be solvent immediately after such substitution (if the Trustee receives such certification, the Trustee need not have regard to the New Obligor's financial condition, profits or prospects or compare them with those of the Company);

(v) the Company shall have certified (by a certificate of a Representative Director or an Authorised Officer) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;

(vi) the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and

(vii) such substitution and grant of the New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

12.3 ***Release of Obligations***

An agreement by the Trustee pursuant to Condition 12.2 will (except in respect of any guarantee under Condition 12.2(ii)), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 ***Deemed Amendment***

On completion of the formalities set out in Condition 12.2, the New Obligor will be deemed to be named in the Trust Deed and the Bonds as the principal obligor in place of the Company (or of any previous substitute) and the Trust Deed and the Bonds will be deemed to be amended as necessary to give effect to the substitution. In particular and without limitation:

(i) the terms "Stock Acquisition Rights" and "Shares" shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and

(ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2(ii) except where the context requires otherwise.

13. **Prescription**

Claims in respect of the Bonds will become void unless made within the period of 10 years from the Due Date for the payment thereof.

14. **Replacement of Certificates**

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Principal Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. **Meetings of Bondholders; Modification and Waiver**

15.1 ***Meetings of Bondholders***

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent in principal amount of the Bonds for the time being outstanding, or for any adjourned meeting two or more persons being or representing Bondholders (whatever the principal amount of Bonds held or represented) except that at any meeting the business of which includes the modification of certain provisions of the Bonds or of the Trust Deed (including, inter alia, modifying the date of maturity of the Bonds, reducing or cancelling the principal amount of, or any premium payable in respect of, the Bonds, modifying the method or basis of calculating the rate or amount of default interest in respect of the Bonds, altering the currency of payment of the Bonds or (to the extent permitted by applicable law) abrogating or modifying any Stock Acquisition Right), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent, or at any adjourned such meeting not less than 50 per cent, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in these Conditions and in the Trust Deed. Any resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders. A meeting of Bondholders may be held physically, virtually or in a hybrid format in accordance with the procedures set out in the Trust Deed.

15.2 ***Modification and Waiver***

The Trustee may, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these Conditions) or to any waiver or authorisation of any breach, continuing breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds or determine that any Event of Default or potential Event of Default shall not be treated as such which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver, authorisation or determination shall be binding on the Bondholders and shall (unless the Trustee agrees otherwise) be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing confirming that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.4 and/or 7.6 or (ii) the Financial Instruments and Exchange Act which in the reasonable opinion of the Company

(evidenced by (a) a certificate of a Representative Director or Authorised Officer and (b) an opinion addressed and delivered to the Trustee in a form satisfactory to it of independent legal counsel of recognised standing confirming that such change has occurred) would make it necessary to amend and/or supplement the provisions of Condition 7.5, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed (i) imposes obligations, responsibilities or liabilities on it which are greater than those it has as Trustee under the Trust Deed or (ii) decreases the protections it has as Trustee under the Trust Deed) shall be obliged (subject to being indemnified and/or secured and/or prefunded by the Company to its satisfaction) to enter into such supplemental trust deed (in a form and substance satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing and may rely on any opinion or any certificate of a Representative Director or Authorised Officer provided pursuant to this Condition 15.2 without liability to any person and without further investigation. The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

15.3 ***Entitlement of the Trustee***

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 ***Authority to the Trustee***

To the fullest extent permitted by applicable law, by acquiring a Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action, step or proceeding before a Japanese court on behalf of and in the name of the Bondholder which the Trustee considers to be necessary or desirable in the interests of the Bondholders. The Trustee shall not be bound to take any such action, step or proceeding unless (a) so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-quarter in principal amount of Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction, and shall incur no liability in taking or refraining from taking such action, step or proceeding. The Trustee shall not take any action, step or proceeding on behalf of a Bondholder in respect of the statutory rights referred to in Condition 6.6, such rights having been irrevocably waived by the Bondholder to the fullest extent permitted by applicable law.

16. **Enforcement**

At any time after the Bonds shall have become due and repayable, the Trustee may, at its absolute discretion and without further notice, take such proceedings, actions or steps against the Company as it may think fit to enforce repayment of the Bonds, together with accrued default interest, if any, pursuant to Condition 4 and to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails or is unable to do so within a reasonable time following such direction or request or provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure or inability shall be continuing.

17. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings, actions or steps to enforce the provisions of the Trust Deed or the terms of the Bonds. The Trustee is entitled to enter into business

transactions with the Company or any person or body corporate associated with the Company without accounting for any profit resulting therefrom.

The Trustee may rely without liability to Bondholders on any certificate or report prepared by the Auditor or any Independent Financial Adviser or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditor or the Independent Financial Adviser or such other expert (as the case may be) in respect thereof is limited by a monetary cap or otherwise; any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18. **Independent Financial Adviser**

If any doubt shall arise as to the appropriate adjustment to the Conversion Price or in relation to any other matter which is reserved in these Conditions for a decision of an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price or other matter shall be conclusive and binding on the Company, the Trustee and the Bondholders in the absence of manifest error.

If the Company shall fail to appoint an Independent Financial Adviser when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser or otherwise in connection with such appointment, the Trustee shall have the power, but shall not be obliged, to make such appointment in its absolute discretion and without liability for so doing or not doing, following notification to the Company, in which case such Independent Financial Adviser shall be deemed to have been appointed by the Company.

19. **Notices**

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the Financial Times). If publication in any of such newspapers is not practicable, notices will be given in such other newspaper or newspapers as the Company, with the approval of the Trustee, shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

20. **Contracts (Rights of Third Parties) Act 1999**

Except as provided herein, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

21. **Governing Law and Submission to Jurisdiction**

21.1 ***Governing Law***

The Trust Deed, the Agency Agreement and the Bonds, and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 ***Jurisdiction***

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds ("Proceedings") may be brought in such courts. The Company has in the Trust Deed submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the

ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21.3 ***Agent for Service of Process***

The Company has irrevocably appointed Cogency Global (UK) Limited (whose office is at present at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX, United Kingdom) as its agent in England to receive service of process in any Proceedings in England. If for any reason Cogency Global (UK) Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Trust Deed and the Global Certificate contain provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meanings in the paragraphs below. The following is a summary of those provisions.

Notices

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is registered in the name of a nominee on behalf of Euroclear and/or Clearstream, Luxembourg or any other clearing system as shall have been approved in writing by the Trustee (the "Alternative Clearing System"), notices required to be given to the Bondholders shall be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, for communication by it to the entitled accountholders in substitution for publication and mailing as required by the Conditions. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to Euroclear or Clearstream, Luxembourg or such Alternative Clearing System.

Meetings

The registered holder of the Bonds (or any proxy or representative appointed by it) in respect of which the Global Certificate is issued shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each Bond in respect of which the Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to the Bonds in respect of which the Global Certificate has been issued to attend and speak (but not to vote) at a meeting of Bondholders on appropriate proof of his identity.

Exercise of Stock Acquisition Rights

Subject to the requirements of Euroclear or Clearstream, Luxembourg or Alternative Clearing System, the Stock Acquisition Right incorporated in a Bond in respect of which the Global Certificate is issued may be exercised by the transmission in electronic form to any Agent of one or more Conversion Notices duly completed by, or on behalf of, an accountholder in such system with an entitlement to such Bond and otherwise in accordance with the procedures of Euroclear or Clearstream, Luxembourg or Alternative Clearing System. Deposit of the Global Certificate with an Agent together with the relevant Conversion Notice shall not be required. The exercise of the Stock Acquisition Right shall be notified by the Agent to the Registrar and the holder of the Global Certificate.

Parity Event

A Parity Notification Event Notice may be given to the Company by (or on behalf of) a person with an entitlement to such Bond, and which may be an accountholder in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. Such Parity Notification Event Notice shall include a certification that such person holds (or is delivering such Parity Notification Event Notice on behalf of a person that holds) an entitlement to at least one Bond and evidence of such holding to the satisfaction of the Company. Parity Notification Event Notices should be submitted in accordance with Condition 5.1.9 rather than through the systems of Euroclear, Clearstream, Luxembourg or Alternative Clearing System.

Payments

Payments of principal and premium (if any) and any other amount in respect of the Bonds evidenced by the Global Certificate shall be made against presentation of, or, if no further payment falls to be made in respect of such Bonds, against presentation and surrender of, the Global Certificate to or to the order of the Principal Agent or such other Agent as shall have been notified to the Bondholders for such purpose.

Each payment will be made to, or to the order of, the person whose name is entered in the Register on the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means Monday to Friday inclusive, except 25 December and 1 January.

So long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, a "Payment Business Day" for the purposes of Condition 8.3 shall be any day on which dealings in foreign currency may be carried out in Tokyo.

Transfers

Transfers of interests in the Bonds in respect of which the Global Certificate is issued shall be effected through the records of Euroclear or Clearstream, Luxembourg (or an Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

Prescription

Claims in respect of the Bonds in respect of which the Global Certificate is issued shall become void unless made within a period of 10 years from the appropriate Due Date (as defined in the Conditions).

Trustee's Powers

Notwithstanding anything contained in the Trust Deed, in considering the interests of Bondholders evidenced by the Global Certificate while such Global Certificate is registered in the name of a nominee for any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may, to the extent it considers appropriate to do so in the circumstances, have regard to and rely upon any information made available to it by or on behalf of such clearing system or its operator as to the identity of its accountholders (either individually or by category) with entitlements to the Bonds in respect of which the Global Certificate is issued and may consider such interests (and treat such accountholders) as if such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Cancellation

Cancellation of any Bond in respect of which the Global Certificate is issued pursuant to the Conditions, will be effected by a reduction in the principal amount of the Bonds in the Register and the endorsement (for information only) of the Global Certificate by the Principal Agent.

Early Redemption by the Company

The options and obligations of the Company to redeem the Bonds prior to maturity provided for in any of Condition 7.2, 7.3, 7.4, 7.5 and 7.6 shall be exercised or performed by the Company giving notice to the Bondholders within the time limits set out therein and containing the information required of the Company in accordance with the relevant Condition.

Election of Bondholders

The election of the Bondholders provided for in Condition 7.3 may be exercised by the holder of the Bonds evidenced by the Global Certificate by giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and within the time limits relating thereto set out in that Condition and otherwise in accordance with the procedures of the relevant clearing system in the form acceptable thereto from time to time.

Electronic Consent

While the Global Certificate is registered in the name of any nominee for one or more of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System, then (a) approval of a resolution proposed by the Company or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent in nominal amount of the Bonds then outstanding (an "Electronic Consent" as defined in the Trust Deed) shall, for all purposes, take effect as an extraordinary resolution passed at a meeting of Bondholders duly convened and held, and shall be binding on all Bondholders whether or not they participated in such Electronic Consent and even if the relevant consent or instruction proves to be defective; and (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, subject to certain requirements set out in the Trust Deed, the Company and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Company and/or the Trustee, as the case may be, (i) by accountholders

in the relevant clearing system with entitlements to the Bonds evidenced by such Global Certificate or, (ii) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by such accountholder as the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries.

USE OF PROCEEDS

Allocation of the Net Proceeds

The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥100 billion. The Company intends to allocate such net proceeds to the following growth investments:

(i) approximately ¥50 billion by March 2029, to enhance semiconductor tester supply capacity;

(ii) approximately ¥20 billion by March 2027, to strategically secure inventory in order to flexibly respond to demand for semiconductor testers; and

(iii) approximately ¥30 billion by March 2028, to accelerate the development of next-generation testing solutions.

Of the above, (i) and (ii) are for the purposes of strengthening the Group's core business, while (iii) is for growth investments. Further details of such use of proceeds are set out below.

Enhancing semiconductor tester supply capacity

The Group intends to scale up production volumes of SoC and memory test systems, including the following:

- Capacity expansion investments in EMS to achieve both increased production volume and product quality;
- Strengthening the functions of the Group's own factories, which serve as hubs for establishing production technologies; and
- Promoting DX across the entire supply chain, including flexible process management and process visualisation in collaboration with EMS to respond swiftly to demand fluctuations.

Strategically securing inventory

In order to flexibly respond to demand for semiconductor testers, the Group intends to strategically secure inventory, including components procurement to maintain buffers to accommodate sudden surges in customer demand.

Accelerating the development of next-generation testing solutions

The Group intends to enhance testing efficiency throughout the entire test flow, by strengthening collaboration with customers and testing technology partners and advancing the use of AI in testing.

INFORMATION CONCERNING THE SHARES

Dividends

The following table shows the cash dividends on the Shares paid by the Company to shareholders or pledgees appearing on the register of shareholders as at the dates indicated below:

Date	Dividend per Share
	(Yen)
31 March 2021[(1)]	¥20.00
30 September 2021[(1)]	12.50
31 March 2022[(1)]	17.50
30 September 2022[(1)]	16.25
31 March 2023[(1)]	17.50
30 September 2023[(1)]	16.25
31 March 2024	18.00
30 September 2024	19.00
31 March 2025	20.00
30 September 2025	29.00

Note:
(1) The Company conducted a 4-for-1 share split of its shares of common stock with an effective date of 1 October 2023. The per-share dividend amounts set out above have been adjusted to reflect the share split.

The Company normally pays cash dividends semi-annually, at mid-fiscal year and at fiscal year-end. Pursuant to its Articles of Incorporation, the Company can make dividend payments pursuant to a resolution of its Board of Directors, but the Articles of Incorporation do not preclude the Company from making dividend payments pursuant to a shareholders' resolution. The year-end dividend is paid to shareholders of record as of 31 March pursuant to a resolution of either the Board of Directors or the ordinary general shareholders' meeting held usually in June every year. The interim dividend is paid to shareholders of record as of 30 September, pursuant to a resolution of the Board of Directors, usually in December. See "Description of the Shares and Certain Regulations—Distribution of Surplus".

Dividend Policy

The Company's dividend policy is structured as follows, with a view to further enhancing shareholder returns, corporate value, and development of a flexible capital strategy, based on the premise of a stable business environment during the third mid-term management plan ("MTP3"):

- Based on the premise that a sustainable level of business development and mid-to-long term enhancement of corporate value is fundamental to the creation of shareholder value, the Company aims to practice management that is conscious of capital efficiency, financial soundness, and shareholder returns;
- The Company has set the capital policy to prioritise business investment for growth such as R&D, facility enhancements, and M&A, while being flexible in utilisation of debt from the viewpoint of balance sheet management that considers both capital efficiency and capital cost. In addition, the Company works to ensure an appropriate capital structure with maintaining financial soundness in order to strengthen the Company's business position and enhance its corporate value.

In line with the mid-term management plan for the three-year period ending 31 March 2027, the Company has, under the premise of stable business environment, set a target of making stable and continuous cash dividends (with the aim of paying at least ¥30 per Share per fiscal year), while at the same time setting a target to achieve a certain level of cumulative total return ratio (being the sum of cash dividend and value of share repurchase, divided by consolidated net income) of 50 per cent or more through the three-year period ending 31 March 2027, through measures such as share repurchases. However, in certain cases, such as where they are investment growth opportunities that require more funds than expected, or the deterioration of business performance caused by changes in the market environment, the Company may not be able to achieve such target cash dividends or other shareholder returns.

Changes in Issued Share Capital

The Company has an authorised share capital of 1,760,000,000 Shares, of which 732,000,000 Shares were in issue as at the date of this Offering Circular. The following table shows the changes in the issued share capital of the Company as at the dates indicated below:

Date	Type of issue/cancellation	Number of Shares Issued/ (Cancelled)	Total number of Shares in Issue
8 September 2021[(1)]	Cancellation of treasury shares	(98,020)	798,169,060
9 September 2022[(1)]	Cancellation of treasury shares	(32,000,000)	766,169,060
8 September 2023[(1)]	Cancellation of treasury shares	(27,804)	766,141,256
1 October 2023	Share split (4-for-1)	574,605,942	766,141,256
6 February 2026	Cancellation of treasury shares	(34,141,256)	732,000,000

Note:

(1) The Company conducted a 4-for-1 share split of its shares of common stock with an effective date of 1 October 2023. The number of Shares issued/cancelled and total number of Shares in issue set out above have been adjusted to reflect the share split.

As at the date hereof, there has been no change in issued share capital of the Company since 6 February 2026.

Japanese Stock Market and Price Range of the Shares

The Shares are listed on the Prime Market of the Tokyo Stock Exchange.

The following table sets forth, for the periods indicated, (i) the highs and lows of the reported trading sales prices of the Shares on the Tokyo Stock Exchange, (ii) the highs and lows of the daily closing Nikkei Stock Average, an index of 225 selected stocks listed on the Prime Market of the Tokyo Stock Exchange, (iii) the highs and lows of the daily closing TSE Prime Market Index, an index of the market value of all Japanese stocks listed on the Prime Market of the Tokyo Stock Exchange and (iv) the highs and lows of the daily closing Tokyo Stock Price Index ("TOPIX"), a free-float adjusted market capitalisation-weighted index of Japanese stocks listed on the Tokyo Stock Exchange:

	Price per Share		Nikkei Stock Average		TSE Prime Market Index		TOPIX	
Calendar Year	High	Low	High	Low	High	Low	High	Low
	(*Yen*)		(*Yen*)		(*Points*)		(*Points*)	
2021[(1)]	¥2,887.50	¥1,907.50	¥30,670.10	¥27,013.25	—	—	2,118.87	1,791.22
2022[(1)(2)]	2,845.00	1,650.00	29,332.16	24,717.53	1,038.78	935.78	2,039.27	1,758.89
2023[(1)]	5,593.75	2,047.50	33,753.33	25,716.86	1,250.79	961.23	2,430.30	1,868.15
2024	10,005	4,473	42,224.02	31,458.42	1,507.70	1,146.16	2,929.17	2,227.15
2025:								
First quarter	10,430	6,451	40,083.30	35,617.56	1,449.09	1,368.40	2,815.47	2,658.73
Second quarter	10,965	4,703	40,487.39	31,136.58	1,468.13	1,177.77	2,852.84	2,288.66
Third quarter	15,610	9,744	45,754.93	39,459.62	1,640.73	1,447.00	3,187.02	2,811.72
Fourth quarter	23,675	14,530	52,411.34	44,550.85	1,767.19	1,589.58	3,431.47	3,087.40
2026:								
First quarter	29,345	19,720	58,850.27	51,063.72	2,029.95	1,791.21	3,938.68	3,477.52
Second quarter (up to 1 April)	22,550	21,335	53,739.68	53,739.68	1,891.64	1,891.64	3,670.90	3,670.90

Notes:

(1) The Company conducted a 4-for-1 share split with the effective date of 1 October 2023. The information in the above table has been retrospectively adjusted to reflect such share split.

(2) The TSE Prime Market Index has been made available from 1 April 2022.

On 1 April 2026, the last reported closing price of the Shares on the Tokyo Stock Exchange was ¥22,500 per Share. The closing Nikkei Stock Average, TSE Prime Market Index and TOPIX on the same date were ¥53,739.68, 1,891.64 and 3,670.90, respectively.

Principal Shareholders and Distribution of Shares

As at 30 September 2025, the 10 largest shareholders of record and the number and percentage of Shares held by them were as follows:

Shareholder	Number of Shares Held[(1)]	Percentage of Total Shares in Issue[(2)]
	(*Thousands of Shares*)	(*Per cent*)
The Master Trust Bank of Japan, Ltd. (trust account)	225,131	30.95%
Custody Bank of Japan, Ltd. (trust account)	95,607	13.14
STATE STREET BANK AND TRUST COMPANY 505001 (standing proxy: Mizuho Bank, Ltd.)	21,841	3.00
STATE STREET BANK WEST CLIENT – TREATY 505234 (standing proxy: Mizuho Bank, Ltd.)	18,377	2.52
THE BANK OF NEW YORK MELLON 140042 (standing proxy: Mizuho Bank, Ltd.)	16,147	2.21
HSBC HONG KONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES (standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	15,477	2.12
JP MORGAN CHASE BANK 385781 (standing proxy: Mizuho Bank, Ltd.)	10,742	1.47
BNYM AS AGT/CLTS 10 PERCENT (standing proxy: MUFG Bank, Ltd.)	7,876	1.08
MOXLEY & CO LLC (standing proxy: Mizuho Bank, Ltd.)	7,767	1.06
State Street Bank And Trust Company 505103 (standing proxy: Mizuho Bank, Ltd.)	7,062	0.97
Total	426,030	58.56%

Notes:

(1) Amounts of less than one thousand shares have been truncated.

(2) Percentage of total Shares in issue is calculated based on the total Shares in issue excluding treasury shares held by the Company.

(3) The FIEA requires any person who has become, beneficially and solely or jointly, a holder of more than 5 per cent of the total issued Shares to file a report concerning such shareholdings with the director general of a competent Local Finance Bureau of the Ministry of Finance, and also requires such person to file a similar report concerning one per cent or more changes in such substantial shareholdings or any changes in material matters set out in the reports previously filed (see "Description of the Shares and Certain Regulations—Reporting of Substantial Shareholdings").

As at the date of this Offering Circular, the Company is aware of the following reports in relation to which the Company was unable to confirm beneficial ownership as at 30 September 2025:

- According to a report relating to a change in substantial shareholding filed on 21 April 2020 under the FIEA, as at 15 April 2020, the following shareholder held Shares as shown below, which is not reflected in the table above. While the Company has conducted a 4-for-1 share split with effective date of 1 October 2023, the below table shows the number of Shares before such share split:

Shareholder	Number of Shares Held on record	Percentage of Outstanding Shares
	(*Shares*)	(*Per cent*)
Daiwa Asset Management Co. Ltd.	12,269,000	6.15%

- According to a report relating to a change in substantial shareholding filed on 4 December 2023 under the FIEA, as at 27 November 2023, the following shareholder held Shares as shown below, which is not reflected in the table above:

Shareholder	Number of Shares Held on record	Percentage of Outstanding Shares
	(*Shares*)	(*Per cent*)
Nomura Asset Management Co., Ltd.	94,513,840	12.34%

- According to a report relating to a change in substantial shareholding filed on 1 April 2024 under the FIEA, as at 25 March 2024, the following shareholders held Shares as shown below, which is not reflected in the table above:

Shareholder	Number of Shares Held on record	Percentage of Outstanding Shares
	(*Shares*)	(*Per cent*)
Mitsubishi UFJ Trust and Banking Corporation and 2 other holders	46,475,410	6.07%

- According to a report relating to a change in substantial shareholding filed on 17 June 2025 under the FIEA, as at 13 June 2025, the following shareholders held Shares as shown below, which is not reflected in the table above:

Shareholder	Number of Shares Held on record	Percentage of Outstanding Shares
	(*Shares*)	(*Per cent*)
BlackRock Japan Co., Ltd. and 11 other holders	68,997,549	9.01%

- According to a report relating to a change in substantial shareholding filed on 19 September 2025 under the FIEA, as at 15 September 2025, the following shareholders held Shares as shown below, which is not reflected in the table above:

Shareholder	Number of Shares Held on record	Percentage of Outstanding Shares
	(*Shares*)	(*Per cent*)
Sumitomo Mitsui Trust Asset Management Co., Ltd. and 1 other holder.	71,343,400	9.31%

As at 1 April 2026, the Company has received the following reports since 30 September 2025. Where multiple reports have been filed by the same entity, only the most recent report is mentioned below. Further, reports relating to technical amendments only are not mentioned below:

- A report relating to a change in substantial shareholding filed on 16 February 2026 by BlackRock Japan Co., Ltd. in respect of the holding by BlackRock Japan Co., Ltd. and 12 other holders, informing of the ownership of 76,187,661 Shares as at 6 February 2026.
- A report relating to a change in substantial shareholding filed on 23 March 2026 by Nomura Securities Co., Ltd. in respect of the holding by Nomura Securities Co., Ltd. and two other holders, informing of the ownership of 97,852,300 Shares as at 13 March 2026.

(4) Except as stated above, the Company is not aware of any change in the information provided above.

The ownership distribution of the Shares by category of shareholders of record of the Company as at 30 September 2025 was as follows:

Category	Number of Shareholders	Number of Shares held	Percentage of total Shares in issue
		(*Units of 100 Shares*)	(*Per cent*)
Japanese financial institutions	72	3,420,121	44.66%
Japanese financial instruments and exchange operators	33	166,632	2.18
Other Japanese corporations	584	33,680	0.44
Foreign corporations and others (including foreign individuals)	1,409	3,224,896	42.11
Japanese individuals and others	57,866	812,308	10.61
Total	59,964	7,657,637	100.00%

Notes:

(1) As at 30 September 2025, 38,749,000 Shares held by the Company as treasury shares are included as 387,490 Units in "Japanese individuals and others".

(2) Shares in the name of the Japan Securities Depository Center, Inc. are included as 137 Units in "Other Japanese corporations".

(3) The above table does not include 377,556 Shares not constituting one full unit of Shares.

As at 31 March 2025, the Directors of the Company together held 4,237 Units of Shares, or 0.06 per cent of the total issued and outstanding Shares (excluding treasury shares held by the Company).

As at the date of this Offering Circular, the Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

Share Repurchase

The Company conducts share repurchases under Article 459, paragraph 1 of the Companies Act pursuant to resolutions of its Board of Directors, as part of its capital management policy aimed at improving capital efficiency and shareholder returns. In October 2025, the Board authorised the repurchase of Shares within the maximum number of 18 million Shares and a maximum aggregate acquisition cost of ¥150 billion, to be carried out during the period from 4 November 2025 to 28 October 2026. The Company cancelled 34,141,256 treasury shares on 6 February 2026. On 1 April 2026, the Company disclosed the status of the share repurchase programme, reporting that as at 31 March 2026, it had repurchased a cumulative 2,048,700 Shares at a total acquisition cost of ¥44,228,372,000 (excluding brokerage commissions).

CAPITALISATION AND INDEBTEDNESS

The following table sets out the Company's capitalisation and indebtedness as at 31 December 2025, which has been extracted without material adjustment from the Company's unaudited condensed quarterly consolidated financial statements as of the same date, and as adjusted to give effect to the issue of the Bonds:

	As at 31 December 2025	
	Actual	**As Adjusted**
	(*Millions of yen*)	
Short-term debt[(2)]:		
Short-term borrowings	¥75,651	¥75,651
Total short-term debt	75,651	75,651
Long-term debt[(2)]:		
Long-term borrowings	—	—
The Bonds now being issued	—	100,000
Total long-term debt	—	100,000
Equity:		
Share capital:		
Authorised: 1,760,000,000 Shares		
Issued: 766,141,256 Shares[(3)]	32,363	32,363
Share premium	49,492	49,492
Treasury shares[(4)]	(196,550)	(196,550)
Retained earnings	701,965	701,965
Other components of equity	87,029	87,029
Total equity attributable to owners of the parent	674,299	674,299
Total equity	674,299	674,299
Total capitalisation and indebtedness[(5)]	¥749,950	¥849,950

Notes:

(1) The above table should be read in conjunction with the Unaudited Condensed Quarterly Consolidated Financial Statements contained elsewhere in this Offering Circular.

(2) As at 31 December 2025, none of the Company's short-term borrowings or long-term borrowings was secured and/or guaranteed.

(3) All of the issued Shares are fully-paid and non-assessable.

(4) Since 31 December 2025, the Company has made certain share repurchases; it has also disposed of certain treasury shares to executive officers and former employees as part of its restricted stock unit plan. Further, on 6 February 2026, the Company cancelled 34,141,256 treasury shares. These have not been reflected in the above table.

(5) Total capitalisation and indebtedness is the total of total short-term debt, total long-term debt and total equity.

(6) Other than set out above, there has been no material change in the Company's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 31 December 2025.

ADVANTEST CORPORATION

The following summary of the Company's activities and results of operations is qualified in its entirety by, and subject to, the more detailed information and consolidated financial statements included in this Offering Circular. The description of the Company's operations in this Offering Circular is on a consolidated basis unless otherwise indicated.

Overview

The Group is a global leader in the test and measurement industry, engaged in the manufacture and sale of semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. As the demand for high-performance semiconductors has continued to rise in recent years, so has the demand for comprehensive test solutions that meet the needs of next-generation devices. The Group has been working to meet this demand by developing a broad portfolio of cutting-edge products that offer one-stop, turnkey solutions optimised for each customer's specific needs. As the complexity of semiconductor devices continues to increase, the Group is working to employ new test methodologies such as AI-driven data analytics to automate the test flow and introduce innovations across the supply chain.

Selected Financial Data

The following selected consolidated financial information should be read in conjunction with the Group's Audited Consolidated Financial Statements and related notes, the Group's Unaudited Condensed Quarterly Consolidated Financial Statements and related notes, and "Recent Business" included elsewhere in this Offering Circular. The consolidated statement of profit or loss data and cash flow data for the fiscal years ended 31 March 2023, 2024 and 2025 and the consolidated statement of financial position data as at 31 March 2023, 2024 and 2025 have been extracted without material adjustment from the Group's audited consolidated financial statements as at and for the fiscal years ended 31 March 2023, 2024 and 2025 included elsewhere in this Offering Circular. The consolidated statement of profit or loss data and cash flow data for the nine-month periods ended 31 December 2024 and 2025 and the consolidated statement of financial position data as at 31 December 2025 have been extracted without material adjustment from the Group's unaudited condensed quarterly consolidated financial statements as at 31 December 2025 and for the nine-month periods ended 31 December 2024 and 2025 included elsewhere in this Offering Circular. Statement of financial position data as at 31 December 2024 has been omitted. The historical results of operations for an interim period are not necessarily indicative of results for the year ended 31 March 2026 or for any other period.

	Fiscal year ended/As at 31 March		
	2023	**2024**	**2025**
	(*Millions of yen, except per share data and management indicators*)		
Statement of Profit or Loss Data:			
Net sales	¥560,191	¥486,507	¥779,707
Gross profit	319,061	246,030	445,085
Selling, general and administrative expenses ("SG&A")	152,042	158,963	195,392
Operating income	167,687	81,628	228,161
Income before income taxes	171,270	78,170	224,774
Net income attributable to owners of the parent	130,400	62,290	161,177
Statement of Financial Position Data:			
Total assets	600,224	671,229	854,210
Total equity	368,694	431,178	506,539
Cash Flow Data:			
Net cash provided by operating activities	70,224	32,668	285,971
Net cash provided by (used in) investing activities	(26,706)	(27,940)	(42,189)
Net cash provided by (used in) financing activities	(77,434)	10,760	(82,818)
Free cash flow[(1)]	43,518	4,728	243,782
Per Share Data[(2)] (Yen):			
Basic earnings per Share	174.35	84.45	218.67
Diluted earnings per Share	173.68	84.16	218.01
Dividend per share (interim)[(3)]	16.25	16.25	19.00
Dividend per share (year-end)[(4)]	17.50	18.00	20.00

	Fiscal year ended/As at 31 March		
	2023	2024	2025
	(*Millions of yen, except per share data and management indicators*)		
Management Indicators:			
Overseas net sales as a percentage of total net sales[5] (per cent)	96.3	95.9	98.0
Gross profit margin[6] (per cent)	57.0	50.6	57.1
Operating income margin[7] (per cent)	29.9	16.8	29.3
Net income ratio[8] (per cent)	23.3	12.8	20.7
R&D expenses (millions of yen)	60,094	65,492	71,399
R&D expenses as a percentage of total net sales (per cent)	10.7	13.5	9.2
Capital expenditures[9] (millions of yen)	25,048	20,831	21,015
Depreciation and amortization (millions of yen)	21,396	26,104	27,075
Adjusted EBITDA[10][11] (millions of yen)	189,083	107,732	255,236
Adjusted EBITDA margin[11][12] (per cent)	33.8	22.1	32.7
Shareholders' equity ratio[13] (per cent)	61.4	64.2	59.3
Return on equity[14] ("ROE") (per cent)	39.3	15.6	34.4
Return on invested capital[15] (ROIC) (per cent)	34.6	13.5	31.5

Notes:

(1) Free cash flow = Net cash provided by operating activities + Net cash provided by (used in) investing activities.

(2) The Company conducted a 4-for-1 share split with the effective date of 1 October 2023. The per Share data in the above table has been adjusted to reflect such share split (as if such share split took place at the beginning of the relevant period).

(3) Dividend per share (interim) is the interim dividend (with record date of 30 September) per share paid within such fiscal year, retroactively adjusted where relevant for the share split mentioned in Note (2) above.

(4) Dividend per share (year-end) is the year-end dividend (with record date of 31 March) per share paid within the following fiscal year, retroactively adjusted where relevant for the share split mentioned in Note (2) above.

(5) Overseas net sales = Net sales to unaffiliated customers in Asia (excluding Japan) + net sales to unaffiliated customers in the Americas + net sales to unaffiliated customers in Europe.

(6) Gross profit margin = Gross profit ÷ Net sales × 100.

(7) Operating income margin = Operating income ÷ Net sales × 100.

(8) Net income ratio = Net income attributable to owners of the parent ÷ Net sales × 100.

(9) Capital expenditures = the acquisition of property, plant and equipment and intangible assets during the period.

(10) Adjusted EBITDA = Operating income + Depreciation and amortization. Set out below is a reconciliation of Adjusted EBITDA:

	Fiscal year ended 31 March		
	2023	2024	2025
		(*Millions of yen*)	
Operating income	¥167,687	¥81,628	¥228,161
Depreciation and amortization	21,396	26,104	27,075
Adjusted EBITDA	¥189,083	¥107,732	¥255,236

(11) The Company's definition of Adjusted EBITDA and Adjusted EBITDA margin differ from definitions of EBITDA (which some companies define based on its acronym "earnings before interest, taxes, depreciation and amortization") or EBITDA margin that are used by other companies. Accordingly, these measures may not be comparable with EBITDA, EBITDA margin or similarly titled measures that are presented by other companies, thereby diminishing their utility in terms of comparability.

(12) Adjusted EBITDA margin = Adjusted EBITDA ÷ Net sales × 100.

(13) Shareholders' equity ratio = Total equity ÷ Total assets × 100.

(14) ROE = Net income attributable to owners of the parent ÷ Total equity (average at beginning and end of period) × 100

(15) ROIC = NOPAT ÷ Invested capital (average of the beginning and end of the relevant period). NOPAT = Operating income × (1 – tax rate (25 per cent)). Invested capital = Short-term borrowings + Long-term borrowings + Total equity. It should be noted that the tax rate of 25 per cent differs from the Group's effective tax rate for accounting purposes. See "Presentation of Financial and Other Information—Use of Non-IFRS Measures".

	Nine-month period ended/As at 31 December	
	2024	2025
	(*Millions of yen, except per share data and management indicators*)	
Statement of Profit or Loss Data:		
Net sales	¥547,358	¥800,537
Gross profit	305,851	504,987
SG&A expenses	141,690	162,064
Operating income	164,126	346,006

	Nine-month period ended/As at 31 December	
	2024	2025
	(*Millions of yen, except per share data and management indicators*)	
Income before income taxes	163,192	344,349
Net income attributable to owners of the parent	121,210	248,526
Statement of Financial Position Data:		
Total assets	—	1,020,515
Total equity	—	674,299
Cash Flow Data:		
Net cash provided by operating activities	170,365	218,554
Net cash provided by (used in) investing activities	(16,443)	(24,342)
Net cash provided by (used in) financing activities	(65,296)	(132,869)
Free cash flow[(1)]	153,922	194,212
Per Share Data (Yen):		
Basic earnings per Share	164.21	340.60
Diluted earnings per Share	163.72	339.45
Management Indicators:		
Overseas net sales as a percentage of total net sales[(2)] (per cent)	97.6	97.8
Gross profit margin[(3)] (per cent)	55.9	63.1
Operating income margin[(4)] (per cent)	30.0	43.2
Net income ratio[(5)] (per cent)	22.1	31.0
Depreciation and amortization (millions of yen)	20,979	18,797
Adjusted EBITDA[(6)(7)] (millions of yen)	185,105	364,803
Adjusted EBITDA margin[(7)(8)] (per cent)	33.8	45.6
Shareholders' equity ratio[(9)] (per cent)	—	66.1

Notes:

(1) Free cash flow = Net cash provided by operating activities + Net cash provided by (used in) investing activities.

(2) Overseas net sales = Net sales to unaffiliated customers in Asia (excluding Japan) + net sales to unaffiliated customers in the Americas + net sales to unaffiliated customers in Europe.

(3) Gross profit margin = Gross profit ÷ Net sales × 100.

(4) Operating income margin = Operating income ÷ Net sales × 100.

(5) Net income ratio = Net income attributable to owners of the parent ÷ Net sales × 100.

(6) Adjusted EBITDA = Operating income + Depreciation and amortization. Set out below is a reconciliation of Adjusted EBITDA:

	Nine-month period ended 31 December	
	2024	2025
	(*Millions of yen*)	
Operating income	¥164,126	¥346,006
Depreciation and amortization	20,979	18,797
Adjusted EBITDA	¥185,105	¥364,803

(7) The Company's definition of Adjusted EBITDA and Adjusted EBITDA margin differ from definitions of EBITDA (which some companies define based on its acronym "earnings before interest, taxes, depreciation and amortization") or EBITDA margin that are used by other companies. Accordingly, these measures may not be comparable with EBITDA, EBITDA margin or similarly titled measures that are presented by other companies, thereby diminishing their utility in terms of comparability.

(8) Adjusted EBITDA margin = Adjusted EBITDA ÷ Net sales × 100.

(9) Shareholders' equity ratio = Total equity ÷ Total assets × 100.

RECENT BUSINESS

The following discussion and analysis of the Group's results of operations and financial condition should be read with "Presentation of Financial and Other Information", "ADVANTEST CORPORATION—Selected Financial Data", the Audited Consolidated Financial Statements and the notes thereto, and the Unaudited Condensed Quarterly Consolidated Financial Statements and the notes thereto, appearing elsewhere in this Offering Circular. The audited consolidated financial statements have been prepared and presented in accordance with IFRS and the unaudited condensed quarterly consolidated financial statements have been prepared based on IFRS, except that certain of the required disclosures and notes are not presented, as permitted by the Tokyo Stock Exchange rules.

Overview

The Group is a global leader in the test and measurement industry, engaged in the manufacture and sale of semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. As the demand for high-performance semiconductors has continued to rise in recent years, so has the demand for comprehensive test solutions that meet the needs of next-generation devices. The Group has been working to meet this demand by developing a broad portfolio of cutting-edge products that offer one-stop, turnkey solutions optimised for each customer's specific needs. As the complexity of semiconductor devices continues to increase, the Group is working to employ new test methodologies such as AI-driven data analytics to automate the test flow and introduce innovations across the supply chain.

Significant Accounting Policies

The Group's significant accounting policies are set out in Note 3 to the audited consolidated financial statements for the fiscal year ended 31 March 2025 included elsewhere in this Offering Circular.

In preparing consolidated financial statements, the Group has made judgments, accounting estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. However, actual results are subject to the uncertainties inherent in estimates, and as such, may differ from such estimates. See Note 4 to the audited consolidated financial statements for the fiscal years ended 31 March 2025 included elsewhere in this Offering Circular.

Change in Reportable Segments and Presentation of Segment Data

Until the fiscal year ended 31 March 2025, the Group had managed its business in three reportable segments, namely: (i) Semiconductor and Component Test System Business, (ii) Mechatronics System Business, and (iii) Services, Support and Others. Commencing from 1 April 2025, the Group decided to change its reportable segments, into: (i) Test System Business, and (ii) Services and Others. Accordingly, in this Offering Circular, segment information for the nine-month period ended 31 December 2024 has been retrospectively recast based on the new reportable segments consistent with the segment information for the nine-month period ended 31 December 2025. See "Segment Information" under Notes to the Unaudited Condensed Quarterly Consolidated Financial Statements as at and for the nine-month period ended 31 December 2025. In this Offering Circular, while certain of the segment information for the fiscal years ended 31 March 2023, 2024 and 2025 has been retrospectively recast based on the new reportable segments starting 1 April 2025, certain other specified information has not been so recast.

Consolidated Results for the Fiscal Year Ended 31 March 2025 Compared to the Fiscal Year Ended 31 March 2024

Overview

During the fiscal year ended 31 March 2025, despite ongoing uncertainty arising from geopolitical risks, the global economy overall showed steady trends, supported in particular by the easing of monetary tightening policies in Europe and the United States.

Against this backdrop, the semiconductor market moved from the correction phase seen in the previous fiscal year to a recovery trend. While demand for semiconductors for applications such as automotive and industrial equipment remained subdued, demand related to the expansion of AI, including HPC devices for data centres and high-performance DRAM, supported market growth.

In the Group's semiconductor test equipment business, demand for high-performance semiconductors related to AI increased. To respond to customer delivery requirements, the Group focused on securing parts procurement and maintaining product supply capacity. Measures implemented included entering into long-term agreements with existing suppliers and diversifying supply sources for core components.

Results

Net Sales

In the fiscal year ended 31 March 2025, the Group's net sales amounted to ¥779,707 million, an increase of ¥293,200 million, or 60.3 per cent, compared to the previous fiscal year. The increase primarily reflected higher demand for semiconductor testers for AI-related applications, including SoC testers for HPC/AI-related uses and memory testers for high-performance DRAM, as well as the impact of the depreciation of the Japanese yen against US dollars.

Cost of Sales

Cost of sales for the fiscal year ended 31 March 2025 amounted to ¥334,622 million, an increase of ¥94,145 million, or 39.1 per cent, compared to the previous fiscal year. The increase was primarily attributable to the increase in net sales.

Gross Profit

As a result, gross profit for the fiscal year ended 31 March 2025 amounted to ¥445,085 million, an increase of ¥199,055 million, or 80.9 per cent, compared to the previous fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal year ended 31 March 2025 amounted to ¥195,392 million, an increase of ¥36,429 million, or 22.9 per cent, compared to the previous fiscal year, primarily reflecting higher product warranty provisions due to an increased installed base, and higher personnel costs resulting from an increase in staff.

Other Income (Expenses), Net

In the fiscal year ended 31 March 2025, other expenses (net of other income) amounted to ¥21,532 million, compared to other expenses (net of other income) of ¥5,439 million in the previous fiscal year. This primarily reflected the recognition of impairment losses on a portion of goodwill and intangible assets in the fourth quarter of the fiscal year.

Operating Income

As a result of the above, operating income for the fiscal year ended 31 March 2025 amounted to ¥228,161 million, an increase of ¥146,533 million, or 179.5 per cent, compared to the previous fiscal year. Operating income to net sales ratio was 29.3 per cent, an increase of 12.5 percentage points from the previous fiscal year.

Financial Income (Expenses), Net

In the fiscal year ended 31 March 2025, financial expenses (net of financial income) amounted to ¥3,387 million, compared to financial expenses (net of financial income) of ¥3,458 million recorded in the previous fiscal year.

Income before Income Taxes

As a result of the above, income before income taxes for the fiscal year ended 31 March 2025 amounted to ¥224,774 million, an increase of ¥146,604 million, or 187.5 per cent, compared to the previous fiscal year.

Income Taxes

In the fiscal year ended 31 March 2025, the Group's effective tax rate was 28.3 per cent, while the effective tax rate for the previous fiscal year was 20.3 per cent. The effective tax rate rose higher than expected, due to impairment losses which are not deductible for tax purposes recognised in the fourth quarter of the fiscal

year ended 31 March 2025. For more details, see Note 15 to the audited consolidated financial statements as at and for the fiscal year ended 31 March 2025.

Net Income Attributable to Owners of the Parent

As a result of the above, net income attributable to owners of the parent for the fiscal year ended 31 March 2025 amounted to ¥161,177 million, an increase of ¥98,887 million, or 158.8 per cent, compared to the previous fiscal year.

Results by Reportable Segments

Results by Reportable Segments Prior to Change in Reportable Segments

The following description of results by reportable segments are based on the reportable segments for the fiscal year ended 31 March 2025, prior to the change in reportable segments that took effect on 1 April 2025. See "Presentation of Financial and Other Information—Change in Reportable Segments and Presentation of Segment Data".

Semiconductor and Component Test System Business

In the Semiconductor and Component Test System Business segment, while demand for mature semiconductors for automotive and industrial equipment applications remained subdued during the fiscal year ended 31 March 2025, sales of test equipment for high-performance SoC semiconductors increased, reflecting increasing semiconductor complexity and performance requirements, including for HPC-related devices. In addition, sales of test equipment for memory semiconductors increased, primarily due to demand for high-performance DRAM, including HBM. The increase in sales was also supported by measures to secure materials procurement and maintain product supply.

As a result of the above, net sales in the Semiconductor and Component Test System Business segment for the fiscal year ended 31 March 2025 amounted to ¥598,128 million, an increase of ¥266,586 million, or 80.4 per cent, compared to the previous fiscal year. Segment income amounted to ¥244,021 million, an increase of ¥152,105 million, or 165.5 per cent, compared to the previous fiscal year.

Mechatronics System Business

In the Mechatronics System Business segment, sales increased during the fiscal year ended 31 March 2025, primarily reflecting higher demand for semiconductor test equipment-related device interfaces.

As a result of the above, net sales in the Mechatronics System Business segment for the fiscal year ended 31 March 2025 amounted to ¥73,180 million, an increase of ¥20,485 million, or 38.9 per cent, compared to the previous fiscal year. Segment income amounted to ¥16,786 million, an increase of ¥7,615 million, or 83.0 per cent, compared to the previous fiscal year.

Services, Support and Others

In the Services, Support and Others segment, sales of support services increased during the fiscal year ended 31 March 2025, reflecting growth in the installed base. However, impairment losses of ¥21,393 million were recognised on goodwill and intangible assets relating to the test sockets business of Essai, Inc. ("Essai"), primarily due to weaker sales to a major customer and delays in expanding sales to new customers. As a result, the segment recorded a loss exceeding that of the previous fiscal year. For reference, the segment loss in the previous fiscal year included an income of ¥3,179 million from settlement payments related to disputes with business partners, as well as impairment losses of ¥8,998 million on a portion of goodwill.

As a result of the above, net sales in the Services, Support and Others segment for the fiscal year ended 31 March 2025 amounted to ¥108,399 million, an increase of ¥6,129 million, or 6.0 per cent, compared to the previous fiscal year. Segment loss amounted to ¥10,914 million, an increase of ¥8,086 million, or 285.9 per cent, compared to the previous fiscal year.

Results by Reportable Segments Retrospectively Recast to Reflect the Change in Reportable Segments

The following description of results by reportable segments have been retrospectively recast based on the change in reportable segments that took effect on 1 April 2025. See "Presentation of Financial and Other Information—Change in Reportable Segments and Presentation of Segment Data".

Test System Business

Net sales in the Test System Business segment for the fiscal year ended 31 March 2025 amounted to ¥682,819 million, an increase of ¥285,197 million, or 71.7 per cent, compared to the previous fiscal year. Segment income amounted to ¥262,120 million, an increase of ¥155,822 million, or 146.6 per cent, compared to the previous fiscal year.

Services and Others

Net sales in the Services and Others segment for the fiscal year ended 31 March 2025 amounted to ¥96,888 million, an increase of ¥8,003 million, or 9.0 per cent, compared to the previous fiscal year. Segment loss amounted to ¥16,125 million, an increase of ¥8,283 million, or 105.6 per cent, compared to the previous fiscal year.

Results by Geographic Markets (Location of Customer)

The Group's overseas net sales (net sales to unaffiliated customers in Asia (excluding Japan) + net sales to unaffiliated customers in the Americas + net sales to unaffiliated customers in Europe) as a percentage of total net sales was 98.0 per cent for the fiscal year ended 31 March 2025 (compared to 95.9 per cent in the previous fiscal year).

Net sales to unaffiliated customers in Japan decreased by ¥3,874 million, or 19.6 per cent, compared to the previous fiscal year to ¥15,849 million in the fiscal year ended 31 March 2025.

Net sales to unaffiliated customers in Asia (excluding Japan) increased by ¥285,257 million, or 69.3 per cent, compared to the previous fiscal year to ¥696,777 million in the fiscal year ended 31 March 2025. This was mainly due to strong sales of test systems for SoC semiconductors in Taiwan.

Net sales to unaffiliated customers in the Americas increased by ¥9,498 million, or 25.2 per cent, compared to the previous fiscal year to ¥47,119 million in the fiscal year ended 31 March 2025.

Net sales to unaffiliated customers in Europe increased by ¥2,319 million, or 13.1 per cent, compared to the previous fiscal year to ¥19,962 million in the fiscal year ended 31 March 2025.

Consolidated Results for the Nine-Month Period Ended 31 December 2025 Compared to the Nine-Month Period Ended 31 December 2024

Overview

During the nine-month period ended 31 December 2025, the global economy as a whole trended firmly. Under such global economic conditions, the semiconductor industry's growth continued to be driven by AI-related semiconductors, such as HPC devices and high-performance DRAM for data centres. In addition, demand for semiconductors for consumer electronics products, particularly smartphones, trended firmly, while early indications of a bottoming out emerged in the automotive and industrial equipment sectors from mid-year.

In the Group's business, demand for testers for AI-related high-performance semiconductors grew significantly. The Group has worked to expand product supply capabilities in order to meet customers' strong capital investment appetite to the greatest extent possible and successfully carried out timely product deliveries.

Results

Net Sales

In the nine-month period ended 31 December 2025, the Group's net sales amounted to ¥800,537 million, an increase of ¥253,179 million, or 46.3 per cent, compared to the same period in the previous fiscal year. The increase primarily reflected, among others, the significant growth in demand for testers for AI-related high-performance semiconductors.

Cost of Sales

Cost of sales for the nine-month period ended 31 December 2025 amounted to ¥295,550 million, an increase of ¥54,043 million, or 22.4 per cent, compared to the same period in the previous fiscal year. The increase was primarily attributable to the increase in net sales.

Gross Profit

As a result, gross profit for the nine-month period ended 31 December 2025 amounted to ¥504,987 million, an increase of ¥199,136 million, or 65.1 per cent, compared to the same period in the previous fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine-month period ended 31 December 2025 amounted to ¥162,064 million, an increase of ¥20,374 million, or 14.4 per cent, compared to the same period in the previous fiscal year, primarily reflecting additional expenses linked to revenue growth, and higher personnel costs associated with increased development headcount, and other expenses related to initiatives to enhance the Group's medium- to long-term competitiveness.

Other Income (Expenses), Net

In the nine-month period ended 31 December 2025, other income (net of other expenses) amounted to ¥3,083 million, compared to other expenses (net of other income) of ¥35 million recorded in the same period in the previous fiscal year. This primarily reflected income from the partial divestiture of a business.

Operating Income

As a result of the above, operating income for the nine-month period ended 31 December 2025 amounted to ¥346,006 million, an increase of ¥181,880 million, or 110.8 per cent, compared to the same period in the previous fiscal year. Operating income to net sales ratio was 43.2 per cent, an increase of 13.2 percentage points from the same period in the previous fiscal year.

Financial Income (Expenses), Net

In the nine-month period ended 31 December 2025, financial expenses (net of financial income) amounted to ¥1,657 million, compared to financial expenses (net of financial income) of ¥934 million recorded in the same period in the previous fiscal year.

Income before Income Taxes

As a result of the above, income before income taxes for the nine-month period ended 31 December 2025 amounted to ¥344,349 million, an increase of ¥181,157 million, or 111.0 per cent, compared to the same period in the previous fiscal year.

Income Taxes

In the nine-month period ended 31 December 2025, income taxes amounted to ¥95,823 million, an increase of ¥53,841 million, or 128.2 per cent, compared to the same period in the previous fiscal year. This primarily reflected an increase in taxable income.

Net Income Attributable to Owners of the Parent

As a result of the above, net income attributable to owners of the parent for the nine-month period ended 31 December 2025 amounted to ¥248,526 million, an increase of ¥127,316 million, or 105.0 per cent, compared to the same period in the previous fiscal year.

Results by Reportable Segments

The following description of results by reportable segments are based on the reportable segments following the change in reportable segments that took effect on 1 April 2025. See "Presentation of Financial and Other Information—Change in Reportable Segments and Presentation of Segment Data".

Test System Business

In this segment, sales of SoC test systems for high-performance SoC semiconductors increased significantly during the nine-month period ended 31 December 2025. This reflected the rising tester demand driven by the growing complexity and enhanced performance of semiconductors, in response to the increasing demand for HPC devices and AI-related semiconductors. On the other hand, tester demand for mature semiconductors such as those used in the automotive and industrial equipment sectors remained soft. With regard to memory test systems, sales for devices such as high-performance DRAM remained strong. Ongoing enhancements to supply capabilities also supported this segment's sales growth amid such a high level of demand.

As a result of the above, net sales in the Test System Business segment for the nine-month period ended 31 December 2025 amounted to ¥723,065 million, an increase of ¥244,406 million, or 51.1 per cent, compared to the same period in the previous fiscal year. Segment income amounted to ¥357,700 million, an increase of ¥181,688 million, or 103.2 per cent, compared to the same period in the previous fiscal year.

Services and Others

In this segment, support services sales increased in the nine-month period ended 31 December 2025, as the installed base grew. Segment income for nine-month period ended 31 December 2025 includes a gain of ¥2,504 million resulting from the partial divestiture of a business.

As a result of the above, net sales in the Services and Others segment for the nine-month period ended 31 December 2025 amounted to ¥77,482 million, an increase of ¥8,783 million, or 12.8 per cent, compared to the same period in the previous fiscal year. Segment income amounted to ¥4,751 million, an increase of ¥4,286 million, or 921.7 per cent, compared to the same period in the previous fiscal year.

Financial Condition

Consolidated Statement of Financial Position as at 31 March 2025 Compared to Consolidated Statement of Financial Position as at 31 March 2024

As at 31 March 2025, total assets amounted to ¥854,210 million, an increase of ¥182,981 million compared to 31 March 2024, principally reflecting increases in cash and cash equivalents of ¥155,842 million, trade and other receivables of ¥24,176 million, deferred tax assets of ¥14,471 million and other financial assets of ¥10,028 million, partially offset by a decrease in goodwill and intangible assets of ¥20,149 million.

Total liabilities as at 31 March 2025 amounted to ¥347,671 million, an increase of ¥107,620 million compared to 31 March 2024. This principally reflected increases in income taxes payable of ¥62,761 million and trade and other payables of ¥30,230 million.

Total equity as at 31 March 2025 amounted to ¥506,539 million, an increase of ¥75,361 million compared to 31 March 2024. As a result, the shareholders' equity ratio (total equity ÷ total assets × 100) decreased by 4.9 percentage points to 59.3 per cent as at 31 March 2025, from 64.2 per cent as at 31 March 2024.

Consolidated Statement of Financial Position as at 31 December 2025 Compared to Consolidated Statement of Financial Position as at 31 March 2025

As at 31 December 2025, total assets amounted to ¥1,020,515 million, an increase of ¥166,305 million compared to 31 March 2025, principally reflecting increases in cash and cash equivalents of ¥66,778 million, other financial assets of ¥31,027 million, trade and other receivables of ¥30,287 million, property, plant and equipment of ¥17,117 million and inventories of ¥12,757 million.

Total liabilities as at 31 December 2025 amounted to ¥346,216 million, a decrease of ¥1,455 million compared to 31 March 2025. This was primarily attributable to a decrease of ¥13,232 million in income taxes payable offset by increases of ¥5,945 million in other financial liabilities, ¥3,722 million in other current liabilities, and ¥2,173 million in provisions.

Total equity as at 31 December 2025 amounted to ¥674,299 million, an increase of ¥167,760 million compared to 31 March 2025. As a result, the shareholders' equity ratio (total equity ÷ total assets × 100) increased by 6.8 percentage points to 66.1 per cent as at 31 December 2025, from 59.3 per cent as at 31 March 2025.

Liquidity and Capital Resources

Cash Flows for the Fiscal Year Ended 31 March 2025 Compared to the Fiscal Year Ended 31 March 2024

In the fiscal year ended 31 March 2025, net cash provided by operating activities amounted to ¥285,971 million, an increase of ¥253,303 million compared to ¥32,668 million recorded in the previous fiscal year. In the fiscal year ended 31 March 2025, net cash provided by operating activities reflected, among others, income before income taxes of ¥224,774 million, increases in trade and other payables of ¥30,124 million and trade and other receivables of ¥28,090 million, as well as adjustments for non-cash items, including depreciation and amortization.

Net cash used in investing activities for the fiscal year ended 31 March 2025 amounted to ¥42,189 million, compared to ¥27,940 million recorded in the previous fiscal year. In the fiscal year ended 31 March 2025, net cash used in investing activities reflected, among others, purchases of equity instruments of ¥18,529 million, purchases of property, plant and equipment of ¥17,414 million and acquisitions of subsidiaries of ¥3,815 million.

Net cash used in financing activities for the fiscal year ended 31 March 2025 amounted to ¥82,818 million, compared to net cash provided by financing activities of ¥10,760 million recorded in the previous fiscal year. In the fiscal year ended 31 March 2025, net cash used in financing activities reflected, among others, purchases of treasury shares of ¥50,080 million and dividends paid of ¥27,320 million.

As a result of the above, cash and cash equivalents as at 31 March 2025 amounted to ¥262,544 million, an increase of ¥155,842 million compared to ¥106,702 million as at 31 March 2024.

Cash Flows for the Nine-Month Period Ended 31 December 2025 Compared to the Nine-Month Period Ended 31 December 2024

In the nine-month period ended 31 December 2025, net cash provided by operating activities amounted to ¥218,554 million, an increase of ¥48,189 million compared to ¥170,365 million recorded in the same period in the previous fiscal year. In the nine-month period ended 31 December 2025, net cash provided by operating activities reflected, among others, income before income taxes of ¥344,349 million, income taxes paid of ¥109,891 million, increases of ¥23,040 million in trade and other receivables, ¥9,239 million in inventories, and adjustments of non-cash items such as depreciation and amortization.

Net cash used in investing activities for the nine-month period ended 31 December 2025 amounted to ¥24,342 million, compared to ¥16,443 million recorded in the same period in the previous fiscal year. In the nine-month period ended 31 December 2025, net cash used in investing activities reflected, among others, purchases of property, plant and equipment in the amount of ¥24,734 million, proceeds from transfer of business in the amount of ¥2,902 million and purchases of intangible assets in the amount of ¥2,002 million.

Net cash used in financing activities for the nine-month period ended 31 December 2025 amounted to ¥132,869 million, compared to ¥65,296 million recorded in the same period in the previous fiscal year. In the nine-month period ended 31 December 2025, net cash used in financing activities reflected, among others, purchases of treasury shares of ¥93,517 million and dividends paid of ¥35,471 million.

As a result of the above, cash and cash equivalents as at 31 December 2025 amounted to ¥329,322 million, an increase of ¥66,778 million compared to ¥262,544 million as at 31 March 2025.

Funding

The Group maintains cash primarily for business investment, working capital and liquidity purposes. In managing its capital structure, the Group prioritises financial soundness while remaining flexible in the utilisation of liabilities, taking into account capital efficiency and liquidity conditions.

As at 31 March 2025 and 31 December 2025, the Group's interest-bearing debt (consisting of short-term borrowings and long-term borrowings) amounted to ¥74,955 million and ¥75,651 million, respectively.

The following table sets out the scheduled maturities of the Group's financial liabilities as at 31 March 2025:

	Carry-ing Amount	Contrac-tual Cash Flow	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years
				(*Millions of yen*)				
Non-derivative financial liabilities:								
Trade and other payables	107,093	107,093	107,093	—	—	—	—	—
Borrowings	74,955	75,879	75,876	—	—	3	—	—
Lease liabilities	18,548	19,749	5,304	4,391	4,086	3,008	2,903	57
Other financial liabilities	4,329	4,405	2,866	215	868	226	230	—
Total	204,925	207,126	191,139	4,606	4,954	3,237	3,133	57
Derivative financial liabilities:								
Cross-currency rate swap	2,924	2,924	2,924	—	—	—	—	—
Total	2,924	2,924	2,924	—	—	—	—	—

The Group generally derives the funds required for its operations from cash flow from operating activities and cash and cash equivalents on hand and, to the extent such cash flows are not sufficient, from borrowings. The Group monitors its capital position and financial indicators in order to maintain a balanced capital structure and a stable and flexible financial condition.

Derivative transactions are entered into solely for the purpose of mitigating risks arising from underlying transactions, including foreign exchange risks, and are not used for speculative or trading purposes.

As is customary in Japan, domestic short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees, as appropriate) with respect to present and future indebtedness will be given at the request of a lending bank under certain circumstances, and that the bank shall have the right, as the obligations become due or in the event of default, to offset any cash deposited against such obligations.

Material Contracts

During the fiscal year ended 31 March 2025, Advantest Netherlands B.V., a newly established subsidiary of Advantest Europe GmbH, the Company's European subsidiary, entered into a stock transfer agreement to acquire all outstanding shares of the Netherlands-based company, Salland Engineering International B.V. See Note 32 to the audited consolidated financial statements for the fiscal year ended 31 March 2025.

Capital Expenditure

The Group made capital investments totalling ¥21.0 billion during the fiscal year ended 31 March 2025 (representing the acquisition of property, plant and equipment and intangible assets during the period), mainly for the development of new products, rationalisation and labour-saving of production, and expansion of production capacity.

Mainly for the development and manufacturing of new products and production increases, capital investments of ¥9.4 billion were made in the Semiconductor and Component Test System Business segment, ¥1.6 billion in the Mechatronics System Business segment and ¥9.1 billion in the Services, Support and Others segment, respectively. The segments referred to in this paragraph are the reportable segments of the Group prior to the reclassification that took effect from 1 April 2025. See "Presentation of Financial and Other Information—Change in Reportable Segments and Presentation of Segment Data".

BUSINESS

Overview

The Group is a global leader in the test and measurement industry, engaged in the manufacture and sale of semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. As the demand for high-performance semiconductors has continued to rise in recent years, so has the demand for comprehensive test solutions that meet the needs of next-generation devices. The Group has been working to meet this demand by developing a broad portfolio of cutting-edge products that offer one-stop, turnkey solutions optimised for each customer's specific needs. As the complexity of semiconductor devices continues to increase, the Group is working to employ new test methodologies such as AI-driven data analytics to automate the test flow and introduce innovations across the supply chain.

The Group divides its business into two reportable segments, namely: (i) Test System Business, and (ii) Services and Others.

- *Test System Business*. This segment includes the Group's core products, test systems, as well as test handlers that transfer semiconductor devices to the systems, device interfaces that electrically connect the devices to the systems, and solutions for system-level testing of semiconductors and modules. For the nine-month period ended 31 December 2025, net sales to unaffiliated customers in this segment amounted to ¥723,055 million, or 90.3 per cent of total consolidated net sales.

- *Services and Others*. This segment consists of providing comprehensive customer solutions support services, offering nanotechnology-related products SEM for photomask inspection, and support services and sales of consumables. For the nine-month period ended 31 December 2025, net sales to unaffiliated customers in this segment amounted to ¥77,482 million, or 9.7 per cent of total consolidated net sales.

As at 31 December 2025, the Company had seven domestic consolidated subsidiaries and 34 overseas consolidated subsidiaries. The Company's consolidated net sales, operating income, income before income taxes and net income attributable to owners of the parent for the fiscal year ended 31 March 2025 amounted to ¥779,707 million, ¥228,161 million, ¥224,774 million and ¥161,177 million, respectively. The Company's consolidated net sales, operating income, income before income taxes and net income attributable to owners of the parent for the nine-month period ended 31 December 2025 amounted to ¥800,537 million, ¥346,006 million, ¥344,349 million and ¥248,526 million, respectively.

The Company is incorporated under Japanese law with limited liability as a joint stock corporation (*kabushiki kaisha*). The registered head office of the Company is at Shin Marunouchi Center Bldg., 6-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan. The Shares are listed on the Prime Market of the Tokyo Stock Exchange.

History and Development of the Company

The Company commenced operations in July 1954, and was incorporated in December 1954 under the name Takeda Riken Industry Co., Ltd. as a limited liability, joint-stock company in Japan. The company developed electronic measuring instruments, such as frequency counters and current/voltage metres, utilising digital measurement technology. It built the foundation of its business by riding the wave of Japan's rapid economic growth and the growth of the electronics industry. In the mid-1960s, the company invested a large amount of development funds to shift from single measuring instruments to measurement systems. At the time, the oil crisis posed challenges to the company, and it faced a period of financial difficulty. However, while developing several other products, the company succeeded in commercialising a "semiconductor tester" that capitalised on the emerging Japanese semiconductor industry.

In 1979, the company expanded into overseas markets with what was then considered the world's fastest semiconductor test system, and by 1985, when the name of the company was changed to its current name, it had the largest share of the global tester market. In the 1990s, the semiconductor industry grew significantly against the backdrop of the widespread adoption of personal computers and the Internet. Despite being affected by market cycles, the company achieved robust growth. In particular, it established a dominant position in the memory tester market, which contributed to the Group's current competitive advantage.

In the 2000s, the semiconductor market continued to expand while growth in the tester market slowed. The Group also faced a change in market structure with the division of labour between design and manufacturing. In 2011, the company acquired Verigy Ltd. ("Verigy"), which had a new business model tailored to the foundry model. Through this acquisition, the Company achieved strong partnerships with a wide range of customers. The semiconductor market accelerated its growth in the latter half of the 2010s, driven by the increasing in digital data traffic volume and rising demand for 5G-related services. As the semiconductor device market's renewed growth is driven by the increasing speed and complexity of semiconductor devices, the strengthening of the Group's customer base which it has pursued has now manifested in its business performance.

The Shares were first listed on the Tokyo Stock Exchange in February 1983. Since the change in market segmentation by the Tokyo Stock Exchange in 2022, the Shares have been listed on the Prime Market of the Tokyo Stock Exchange.

Market Trends

SoC Tester Market Size Trends

The SoC tester market size has been on an increasing trend, albeit with cyclicality. While the market exhibits cyclicality depending on the level of capital investment by customers, such cyclicality is expected to moderate as the breadth of semiconductor demand expands. Against the backdrop of changes in the demand structure described below, the Group considers that the market is likely to continue its medium- to long-term growth trend.

SoC test demand is determined by the capacity expansion (capacity buy) and demand based on the performance evolution cycle of semiconductors (technology buy). In addition to the increase in tester demand due to the broadening base of semiconductor demand, the need to ensure reliability predicated on growing complexity is also driving test demand. Moreover, the challenges associated with miniaturisation and increasing complexity of semiconductors are driving importance of testing and are tailwinds to tester demand.

The capacity buy is influenced by semiconductor manufacturers' production plans, the design and manufacturing proficiency of individual target devices under test, improvements in test efficiency, and fabless companies' plans for selecting and switching test supply chains.

On the other hand, demand for technology buys is increasing year by year against the backdrop of technological advancements such as smartphone performance improvements and new technology trends such as HPC/AI/machine learning. These are driving semiconductor miniaturisation, heterogenous integration, and complexity growth, as represented by advanced packaging. The resulting increase in transistor counts and the level of integration cause an increase in test volume and test insertions.

Memory Tester Market Size Trends

The memory tester market is showing an expanding trend due to a broadening range of memory semiconductor applications and rising quality assurance requirements in response to technological advancements. The demand for memory testers is essentially determined by the industry's bit growth rate and the trend in memory bandwidth (data transmission speed). This is because as bits on a chip increases, test time increases, and the increase in bandwidth drives demand for faster speed for test. In addition to higher memory density and interface speeds, the trend toward higher reliability requirement is also an important driver of demand.

Strategy

Mid- to Long-term Management Policy

The following are the components of the Group's mid- to long-term management policy:

Purpose and Mission

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

Grand Design

This long-term management policy defines the commitments and strategies needed for the Group to thrive as a business that embodies its corporate mission and purpose. This helps employees around the world work together to create customer value and improve corporate value. In the fiscal year ended 31 March 2019, the Group formulated this management policy for the first time, and in 2024, it updated the policy based on its latest long-term business environment forecast. Under the "Grand Design", the Group formulates a three-year management plan, and is now executing its third Mid-term Management Plan (MTP3).

Vision Statement

The Group's vision statement, "Be the Most Trusted and Valued Test Solution Company in the Semiconductor Value Chain", describes what the Group wants itself to be in the future. Rather than just providing customers with semiconductor testing hardware, the Group is striving to become an essential hub and partner for the entire semiconductor value chain. The Group seeks to achieve this by delivering value in the form of innovative test solutions that enhance efficiency and address the increasingly complex challenges of semiconductor testing. By expanding the economic and social benefits it provides, the Group aims to become the most trusted and valued test solution business in the semiconductor value chain for all its stakeholders.

Long-term Goal

"Enhancing Stakeholder Values" is the Group's long-term management goal. The Group will strive to promote various initiatives that help to create a sustainable future for the world in an integrated manner while focusing on solving customer issues. Simultaneously, the Group aims to incorporate the needs and expectations of its stakeholders into its business activities. This approach is expected to expand the significance of the Group's purpose and mission and the value which it provides in a balanced, multifaceted way, both economically and socially.

Mid-Term Management Plan

This three-year management plan outlines strategies and targeted management metrics aligned with the vision described in the Grand Design. The Group has already executed two mid-term management plans, and it has been executing its third Mid-term Management Plan (MTP3) since 2024.

Mid-Term Management Plan (MTP3)

The Group expects that the semiconductor test market will continue to grow in the medium- to long-term, while experiencing short-term down cycles. In addition, the Group believes that its business opportunities will expand over the medium- to long-term, not only as the semiconductor market grows, but also as the industry faces the structural challenges of managing the increasing complexity of semiconductors. Against such an industry landscape, the Group will strive to expand the value it provides to stakeholders over the medium- to long-term by promoting its MTP3, which was formulated in accordance with the refreshed "Grand Design", and which covers the period from the fiscal year ended 31 March 2025 to the fiscal year ending 31 March 2027.

Set out below are the four strategies of MTP3 which the Group is pursuing:

Outpace the growth in the Group's core market

In the core market, the Group expects new growth opportunities to arise from increased semiconductor production volumes, high-performance semiconductors, and the increasing complexity of semiconductors. To seize these opportunities, the Group will strive to create new value that brings "Automation of Test", or improved efficiency in semiconductor testing, to its customers. The Group can achieve automation not only by improving the performance of individual test solutions but also through the organic integration of its diverse portfolio of products and solutions, as well as collaborations with external partners. Through these efforts, the Group will strive to grow faster than its core market.

Expand adjacently / new businesses

As semiconductors continue to become more high-performance and complex, there is demand for broader and more integrated test solutions. The Group has been expanding its business into system-level test and test peripherals and will continue to increase the value it provides to customers. More specifically, the Group will

utilise its installed base of products to promote its field services, Advantest Cloud Solutions™ and Applied Research & Venture Team to create business opportunities.

Drive operational excellence

The Group will continue to work to solve testing issues in the semiconductor industry by utilising in-house technologies, expertise, and resources on a cross-functional basis. In addition to the above, to become a company that is valuable to all stakeholders, the Group believes that it needs to improve not only the excellence of its products and technologies but also the efficiency and effectiveness of all its operations. To this end, the Group is committed to accelerating internal operations and streamlining resources by using DX, building a resilient supply chain, strengthening human capital through recruiting qualified talent and expanding employee training, and improving internal productivity through the use of AI and data analytics.

Enhance sustainability

The Group will work to further strengthen its foundation for enhancing corporate value through proactive and positive action on a variety of sustainability issues. This includes climate change and human rights, the execution of responsible business activities, such as legal compliance and adherence to ethical business practices, and the reinforcement of risk management and enhancement of corporate governance. By taking these steps, the Group seeks to earn greater trust from each stakeholder. The Group will also strive to cultivate and instil a common culture and shared values within the group, as these are the starting points for promoting initiatives related to sustainability.

Operations

General

The Group is a global leader in the test and measurement industry, engaged in the manufacture and sale of semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces.

The Group's previous organisational structure consisted of three reportable segments, which were "Semiconductor and Component Test System Business", "Mechatronics System Business" and "Services, Support and Others". In efforts to provide comprehensive test solutions that include not only test equipment but also peripherals, from the first quarter of the fiscal year ended 31 March 2026, the Group has changed its reportable segments into two, which are "Test System Business" and "Services and Others". These reportable segments are determined based on the nature of the products and the markets. Segment information is prepared on the same basis that management reviews financial information for operational decision-making purposes.

The following tables set out the Group's net sales and the percentage of consolidated net sales for the periods and segments indicated:

	Fiscal year ended 31 March					
	2023		2024		2025	
	Net Sales	Percentage of Consolidated Net Sales	Net Sales	Percentage of Consolidated Net Sales	Net Sales	Percentage of Consolidated Net Sales
	(*Millions of yen*)	(*Per cent*)	(*Millions of yen*)	(*Per cent*)	(*Millions of yen*)	(*Per cent*)
Test System Business...	¥473,571	84.5%	¥397,622	81.7%	¥682,819	87.6%
Services and Others	86,659	15.5	88,885	18.3	96,888	12.4
Elimination and corporate[(2)]	(39)	(0.0)	—	—	—	—
Total consolidated net sales	¥560,191	100.0%	¥486,507	100.0%	¥779,707	100.0%

Notes:
(1) Segment information for the fiscal years ended 31 March 2023, 2024 and 2025 in the above table has been retrospectively recast based on the new reportable segments starting 1 April 2025. See "Presentation of Financial and Other Information—Change in Reportable Segments and Presentation of Segment Data".
(2) Elimination and corporate include elimination of inter-segment transactions.

	Nine-month period ended 31 December			
	2024		2025	
	Net Sales	Percentage of Consolidated Net Sales	Net Sales	Percentage of Consolidated Net Sales
	(*Millions of yen*)	(*Per cent*)	(*Millions of yen*)	(*Per cent*)
Test System Business	¥478,659	87.4%	¥723,065	90.3%
Services and Others	68,699	12.6	77,482	9.7
Elimination and corporate[(2)]	—	—	(10)	(0.0)
Total consolidated net sales	¥547,358	100.0%	¥800,537	100.0%

Notes:
(1) Segment information for the nine-month period ended 31 December 2024 in the above table has been retrospectively recast based on the new reportable segments starting 1 April 2025. See "Presentation of Financial and Other Information—Change in Reportable Segments and Presentation of Segment Data".
(2) Elimination and corporate include elimination of inter-segment transactions.

The following table sets out the Group's segment income (loss) (consolidated operating income (loss) before share-based compensation expense) for the periods and segments indicated:

	Fiscal year ended 31 March			Nine-month period ended 31 December	
	2023	2024	2025	2024	2025
			(*Millions of yen*)		
Test System Business	¥173,534	¥106,298	¥262,120	¥176,012	¥357,700
Services and Others	12,757	(7,842)	(16,125)	465	4,751
Elimination and corporate[(2)]	(17,084)	(15,059)	(14,941)	(10,349)	(13,164)
Total consolidated operating income (loss) before share-based compensation expense	¥169,207	¥83,397	¥231,054	¥166,128	¥349,287

Notes:
(1) Segment information for the fiscal years ended 31 March 2023, 2024 and 2025 and the nine-month period ended 31 December 2024 in the above table has been retrospectively recast based on the new reportable segments starting 1 April 2025. See "Presentation of Financial and Other Information—Change in Reportable Segments and Presentation of Segment Data".
(2) Elimination and corporate include elimination of inter-segment transactions and total corporate expenses not allocated to any reportable segment.

Most of the Group's sales are to customers outside Japan. The following table sets out the Group's net sales to unaffiliated customers by region (based on the location of the customer) and the percentage of consolidated net sales for the periods indicated:

	Fiscal year ended 31 March					
	2023		2024		2025	
	Net Sales to Unaffiliated Customers	Percentage of Consolidated Net Sales	Net Sales to Unaffiliated Customers	Percentage of Consolidated Net Sales	Net Sales to Unaffiliated Customers	Percentage of Consolidated Net Sales
	(*Millions of yen*)	(*Per cent*)	(*Millions of yen*)	(*Per cent*)	(*Millions of yen*)	(*Per cent*)
Japan	¥20,522	3.7%	¥19,723	4.1%	¥15,849	2.0%
Americas	42,882	7.6	37,621	7.7	47,119	6.0
Europe	17,328	3.1	17,643	3.6	19,962	2.6
Asia	479,459	85.6	411,520	84.6	696,777	89.4
Total consolidated net sales	¥560,191	100.0%	¥486,507	100.0%	¥779,707	100.0%

The percentage of net sales to unaffiliated customers outside Japan (being net sales to unaffiliated customers in Americas, Europe and Asia) of total consolidated net sales for the nine-month period ended 31 December 2025 was 97.8 per cent, compared to 97.6 per cent in the corresponding period of the previous fiscal year.

Test System Business

The test system business provides product lines such as test systems for SoC semiconductor devices, test systems for memory semiconductor devices, test handlers and mechatronic-applied products for handling semiconductor devices, and device interfaces that serve as interfaces with the devices that are measured, and test solutions of system level testing for such as semiconductor and modules.

Test System

Test systems are primarily used in the wafer or package testing stages of the semiconductor process, testing a large number of semiconductor devices automatically and simultaneously. Test data not only determines whether a test result is a pass or fail but also provides various insights that lead to improvements in semiconductor processes.

Semiconductor devices are broadly categorised into SoC and memory, and the Group offers test systems that can handle both. For SoC test systems, the Group adopts a modular structure with interchangeable functional boards, enabling flexible adaptation to various types of semiconductor devices. For memory, the Group offers specialised equipment that can simultaneously test large quantities of memory devices with the same specifications.

Historically, memory testers had been the Group's main business. However, in the 2000s, the Group began strengthening the SoC tester business, which now accounts for the majority of segment sales, thanks in part to the acquisition of Verigy in 2011.

The table below shows the sales breakdown of SoC and memory testers for the periods indicated:

	Fiscal year ended/As at 31 March		
	2023	**2024**	**2025**
		(*Millions of yen*)	
SoC Test Systems	¥325,424	¥245,688	¥440,452
Memory Test Systems	78,828	85,854	157,676

SoC Testers

The Group's SoC testers mainly fall in two categories: (i) Computing and Communications, and (ii) Automotive, Industrial, Consumer, and DDIC.

"Computing" in the Computing and Communications category includes leading-edge devices such as HPC and AI, and "communications" include application processors (APs) for smartphones as well as RF devices such as for WiFi and Bluetooth. Automotive, Industrial, Consumer and DDIC category includes a wide range of semiconductors for automotive, industrial and consumer markets, including standard logic ICs such as microcontroller units (MCUs), CMOS image sensors, analogue/mixed signal ICs, and PMIC, as well as DDICs. The semiconductors tested in the Computing and Communications category are mainly high-performance semiconductors that are manufactured using leading-edge processes, while the Automotive, Industrial, Consumer, and DDIC categories are mostly semiconductors that are manufactured using mature processes.

The table below shows an approximate breakdown of sales of the Group's SoC testers (rounded to the nearest 5 per cent):

	Fiscal year ended/As at 31 March		
	2023	**2024**	**2025**
		(*Per cent*)	
Computing and Communications	65%	60%	90%
Automotive, Industrial, Consumer and DDIC	35%	40%	10%

Memory Testers

The Group's memory testers are broken down by application: DRAM and non-volatile memory. The table below shows an approximate breakdown of sales of the Group's memory testers (rounded to the nearest 5 per cent):

	Fiscal year ended/As at 31 March		
	2023	2024	2025
		(*Per cent*)	
DRAM	60%	90%	95%
Non-volatile memory	40%	10%	5%

Test Handlers & Device Interfaces

In semiconductor testing, automation is key to improving productivity and throughput. To achieve this, the Group offers test handlers and device interfaces. Handlers transport devices to the test systems and work to ensure device functionality under varying conditions, such as fluctuations in temperature and voltage. Device interfaces are the tools that are electrically connected to the test system to ensure compatibility based on the specifications and shapes of the devices. The Group provides a one-stop solution of devices integrated into a comprehensive "test cell". Sales of test handlers and device interfaces tend to move in tandem with sales of semiconductor testers.

System Level Test System

As semiconductor devices become increasingly complex, defects can occur when devices are incorporated into final products even if individual devices have undergone earlier testing phases. System-level test systems expand test coverage by testing devices in an environment similar to that of the final product, thereby contributing to improved device quality and reliability.

Services and Others

The Group's Services and Others segment consists of comprehensive customer solutions provided in connection with the Test System Business segment, operations related to nano-technology products, support services, sales of consumables and others.

Support Service

To achieve greater accuracy and reliability in highly technical semiconductor testing, the Group's field service engineers work from locations around the world to support all aspects of the testing process including rapid test system start-up and uptime improvement.

Metrology / SEM

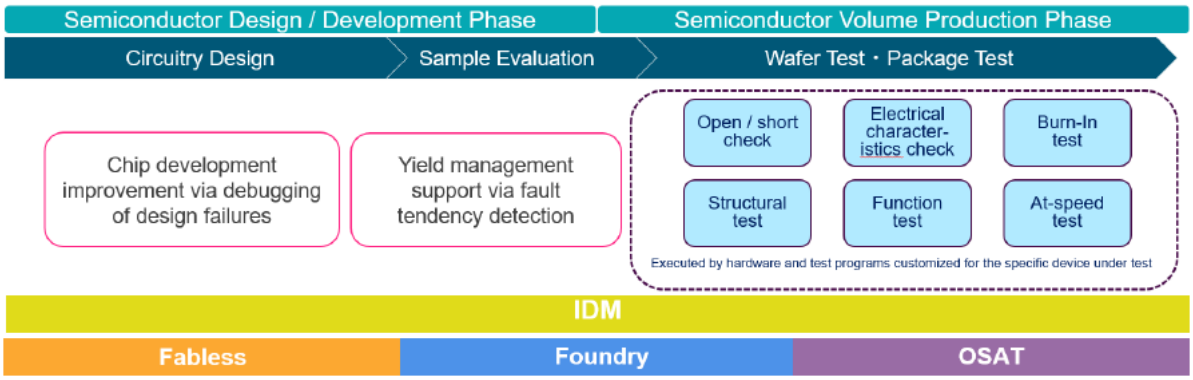
The Group's SEM products measure and review tiny circuit patterns in photomasks with high precision and stability. It is utilised in processes for advanced devices that require fine line widths and structures.

Advantest Interconnect Solutions™

Advantest Interconnect Solutions™ ("AIS") is a product unit that integrates solutions from Essai, acquired in 2020, and R&D Altanova, Inc. ("R&D Altanova"), acquired in 2021. By combining high-level interconnect solutions that encompass interface boards, substrates, sockets, and thermal control units with its test systems, the Group works to provide more enhanced end-to-end test solutions.

Customer Base

The Group's customers include semiconductor manufacturers. The Group supplies testers primarily to IDMs, fabless semiconductor design companies, foundries (such as wafer fabrication companies), and OSATs. The Group has strong relationships with a wide variety of customers, whether they are IDMs, fabless, foundries, or OSATs. Traditionally, in the semiconductor industry, IDMs with a vertically integrated model that handled everything from design to manufacturing to sales were the main players. In the last 20 years or so, however, the rise of fabless, foundries, and OSATs has become prominent, and the global disaggregated model (the fabless-foundry-OSAT model) has grown. Under the disaggregated model, the same testers selected by fabless companies for verification during device design are often used by foundries for sample evaluation and wafer testing, and by OSATs for post-assembly package testing. As such, decision-making by a fabless customer is an important point for tester selection in the disaggregated model.



Role of Testers and the Testing Process

Semiconductor testers test the performance of semiconductors, and their role is mainly divided into design evaluation and volume production of semiconductors. Although the volume is larger for volume production, recently the demand for testers used in the design and development phase has been increasing. With the growing complexity of semiconductor design, testers are helping customers shorten their development time by screening design defects and providing feedback at the semiconductor's evaluation phase.

In volume production, testers are used for wafer testing and for package testing. The front-end process is for wafer fabrication, and takes place at the very end of wafer fabrication process by testing wafers. The back-end process is to assemble and package chips which have been singulated from wafers. The package test is conducted at the final stage of the back-end process to screen defects.

In semiconductor testing, electrical signals are applied to semiconductor devices, and the output signals are compared with reference data and expected values to determine whether the device has passed or failed. Semiconductor manufacturing is said to involve more than one thousand individual process steps. Among these steps, semiconductor testing is the only process that uses electrical signals to test devices, playing a critical role in quality assurance.

The Group plays a role in supporting device quality by providing seamless technical testing support from semiconductor development to volume production across a full range of customers such as IDMs, fabless, foundries, and OSATs. The Company believes that this long-standing commitment to advancing test solutions by overcoming technical challenges throughout the test supply chain, from fabless to foundries to OSATs, has strengthened the trust between the Group and each of the players in the supply chain.

Product Portfolio

In recent years, with increasing complexities of semiconductors and challenges of their development and manufacturing, test challenges are also growing. These challenges are heightening the increasing importance of providing a comprehensive test environment, as opposed to just providing a tester, in order to achieve highly accurate testing. In its product portfolio, the Group owns different pieces of technology that enable a comprehensive test environment including the contact technology necessary for measurement, test handlers with active thermal control capability, and device interfaces necessary for high-performance measurement. The Company believes that the Group's technological capability to provide optimal combination of testers and peripheral equipment simultaneously enables it to speedily create the optimal measurement environment for its customers. The Group's customers are able to bring their products to market faster, thereby enhancing their competitive advantage. The higher the performance of a device, the more it highlights the Group's strength in providing a one-stop solution in a timely manner.

Testers are at the core of the Group's comprehensive solution approach. Based on its close relationship with customers, the Group is able to gain insight into their technological needs and challenges, and design products with the scalability to support the technological evolution from time to time. What is at the core of the Group's tester scalability is its module architecture approach in SoC testers. For devices such as SoCs that boast a large number of applications and fast device upgrade cycles, the module architecture helps customers secure a return on their tester investment. This is because the ability to flexibly reconfigure testers through the module architecture. Necessary functions can be reconfigured in modules according to the application, leading to a higher return on investment for customers. By preparing a wide range of modules, including digital, analogue, and power-mixed signal, technological advancements can be made flexibly.

Research and Development

In order to enable leading-edge technologies, the Group undertakes R&D initiatives to develop products which play a central role in the area of measuring technologies to support electronics, information and communications, and semiconductor manufacturing. The Group's R&D focuses on the development of new products and the improvement of existing products. In particular, in the Test System Business segment, a large and ongoing investment in R&D is necessary in order to maintain market competitiveness and to provide many types of products that meet the various needs of the customers. The Group also conducts research of basic technologies.

The following table sets out the Group's R&D expenses and their percentage of consolidated net sales for the period indicated:

	Fiscal year ended 31 March		
	2023	**2024**	**2025**
Total R&D Expenses (millions of yen)	¥60,094	¥65,492	¥71,399
Total R&D expenses as percentage of consolidated net sales (per cent).....	10.7%	13.5%	9.2%

The content and achievements of the Group's R&D activities in the fiscal year ended 31 March 2025 included the following:

- Basic Technology:
  - development of electro-optic devices, optical sources, and photonic integrated circuits for photoelectric fusion device test systems;
  - component technologies of pin-electronics, test vector and timing generation and DC parametric testing for semiconductor and component test systems;
  - development of compound semiconductor, including less-distortion, high-speed high-frequency devices used for semiconductor and component test systems;
  - development of new test signal generation methodologies with low power consumption for multi-level modulation or future RF signal;
  - development of a novel calibration methodology for ultra-high speed signal integrity and tens of thousands channels;
  - development of micro area metrology with emerging sensor technologies for structural failure inside devices;
  - development of data linkage and analysis methods throughout the semiconductor supply chain, from design to testing; and
  - development of an automated silicon validation solution "SiConic™" offering a seamless flow between Electronic Design Automation tools and the Group's ATE solutions.
- Testing System:
  - Semiconductor and component test system:
    - development of semiconductor and component test systems that enable testing of super high speed memory semiconductors at actual motion speed;
    - development of semiconductor and component test systems that enhance the functionality of testing of DRAM semiconductors and flash memory semiconductors and require less floor space;
    - development of high speed memory burn in system to enable reliability and functionality testing on high parallel memory devices;

- development of semiconductor and component test systems that have the capacity to simultaneously test multiple complex SoC semiconductors with large pin counts and require less floor space;
- development of semiconductor and component test systems with specialised applications such as image sensor devices with increasingly high pixels, display driver devices with increasingly complex pixels;
- development of semiconductor and component test systems for devices that operate at extremely high frequencies such as millimetre wave communication standards and for networks that carry extremely high density transmissions;
- development of high speed transmission technologies for high speed large pin counts and high speed transmission signal contact technologies;
- development of application software for interface between the semiconductor designing environment and semiconductor and component test systems, as well as development of software to analyse defective semiconductors; and
- development of a high-voltage, high-current semiconductor and component test system for testing power devices used in EVs.

- Mechatronics system:
  - development of test handlers for memory semiconductors enabling measuring of multiple semiconductors with high throughput testing;
  - development of test handlers for SoC semiconductors that respond to diversified device types and packages;
  - development of test equipment for handling silicon die required for the latest chiplet devices;
  - development of real Active Thermal Control technology with high speed response and high reliability for high power devices;
  - development of core technology; vision alignment for fine pitch and small package by high density device;
  - development of alignment technology and transmission interface technology required for photoelectric fusion device test;
  - development of the device interface (substrate/circuit technology) to measure high speed device;
  - development of conveyance technology and the device interface which supports miniaturisation and fine pitches of semiconductors; and
  - development of advanced electron-beam metrology systems for leading-edge photomask to measure pattern critical dimension, and to review and analyse defects found on a sample.

- Services and Others:
  - development of system level testing technologies and methods to test semiconductor components and modules to ensure compliance of the device in its final integrated product environment; and
  - development of test sockets with large pin counts, high speed response and high reliability for high power devices, and development of thermal control units.

The Group has R&D facilities in Japan, Europe, the United States of America and China.

The Group promotes joint development efforts between its various research facilities to capitalise on the capabilities of its researchers worldwide. The Group's R&D team for semiconductor and component test systems in Japan works closely with the R&D teams in Europe and the United States of America for the development of hardware and software.

Sales and Marketing

The Group sells its products globally. The Group's direct sales department includes engineers who have in-depth knowledge of the customer's business and technology needs. The Group maintains its sales and support centres in close physical proximity to key customer sites in order to identify its customers' needs in the early stage of product development and to provide required support in a timely fashion.

The Group believes that its best marketing strategy is to demonstrate the ability to develop products that meet the customer's specific needs, produce and deliver them in the required time and quantity, and support the customer and the product with sufficient technical and maintenance support. The Group holds exhibitions from time to time to demonstrate and market its products to target customers. The Group also markets its products by participating in industry trade shows and advertising in trade magazines.

The following table sets out the Group's net sales to major counterparties, and the ratio of such sales to total consolidated net sales for the periods indicated:

	Fiscal year ended 31 March					
	2023		2024		2025	
	Net Sales to the Customer	Percentage of Consolidated Net Sales	Net Sales to the Customer	Percentage of Consolidated Net Sales	Net Sales to the Customer	Percentage of Consolidated Net Sales
	(*Millions of yen*)	(*Per cent*)	(*Millions of yen*)	(*Per cent*)	(*Millions of yen*)	(*Per cent*)
Taiwan Semiconductor Manufacturing Co., Ltd.	—	—	—	—	¥96,158	12.3%
Samsung Group[(1)]	—	—	¥57,725	11.9%	¥87,734	11.3%

Notes:
(1) Samsung Group denotes Samsung Electronics Co., Ltd. and its subsidiaries.
(2) In the above table, disclosures have been omitted for customers whose sales did not account for 10 per cent or more of total consolidated net sales.

Manufacturing and Supplies

The Group's manufacturing is principally based on customer orders. Short-term trends of orders tend to fluctuate significantly depending on the investment trends of customers. See "—Property, Plant and Equipment" for information relating to the Group's principal manufacturing facilities.

The Group's products contain electronic and mechanical components (both standard products and customised products manufactured to the Group's specification) that are provided by a wide range of suppliers. The Group has at times experienced delays in obtaining timely delivery of certain components from suppliers, which may have impacted and could continue to impact the timing of the Group's manufacturing and the delivery of those products to the customers. While many of the components which the Group uses are available from multiple suppliers, certain items are obtained from sole sources, and as such, the Group may experience a temporary adverse impact if any of its sole source suppliers delay or cease to deliver products.

The Group's test systems consist of over one million components, each serving a critical role in the functionality of the final product. If even one component is missing, the final product cannot be shipped. For this reason, the Group has made a fundamental shift from a "just-in-time" model to a "just-in-case" approach, conducting detailed scenario planning—developing strategies for high, expected, and low cases. Working closely with its suppliers, the Group leverages buffer strategies and visibility tools so they can respond quickly to market fluctuations. With this approach, the Group has been able to expand its production capacity in the last several years. By building strategic buffers, the Group is able to respond immediately to demand surges. Additionally, careful inventory management is required to oversee product rollovers, and the Group's supply chain division works closely with business units to ensure the Group is prepared for growth while reducing the risk of inventory obsolescence.

The Group also adopts a hybrid production approach that combines outsourced and in-house manufacturing. Its supply chain model is tailored to each product, striking what the Group considers to be an effective balance between the two. For high-volume, low-mix or highly configurable products, the Group utilises fully outsourced manufacturing through Electronics Manufacturing Services (EMS) partners, leveraging their scale and manufacturing expertise. For low-volume, high-complexity products, the Group relies on in-house production; these products require a higher level of sophistication in both design and production, so close coordination across design, engineering, and supply chain teams is essential to ensure precision and quality. The Company believes that these approaches allow the Group to flexibly scale production in response to business cycles and shifting market demands.

Property, Plant and Equipment

The following table sets out certain information relating to the Company's principal property and equipment by property as at 31 March 2025:

Name of Property	Location	Segment[(1)]	Description of the Property/ Equipment	Book Value				
				Buildings and Structures	Land	Land (Areas Owned/Leased)	Others	Total
				(*Millions of yen, except land areas owned/leased in thousands of square metres*)				
Gunma R&D Center	Gunma, Japan	Semiconductor and Component Test System Business, Mechatronics System Business, Services, Support and Others	Development equipment	¥2,966	¥4,069	195,617.84m^2	¥2,815	¥9,850
Saitama R&D Center	Saitama, Japan	Mechatronics System Business	Development equipment	222	1,388	56,977.77	429	2,039
Gunma Factory	Gunma, Japan	Semiconductor and Component Test System Business, Mechatronics System Business, Services, Support and Others	Manufacturing equipment	895	1,593	88,512.16	2,920	5,408

Note:
(1) The segments referred to in the above table are the reportable segments of the Group prior to the reclassification that took effect from 1 April 2025. See "Presentation of Financial and Other Information—Change in Reportable Segments and Presentation of Segment Data".

The following table sets out certain information relating to the principal property and equipment of the Company's overseas subsidiaries by subsidiary as at 31 March 2025:

Name of Subsidiary	Location	Segment[(1)]	Description of the Property/ Equipment	Book Value				
				Buildings and Structures	Land	Land (Areas Owned/Leased)	Others	Total
				(*Millions of yen, except land areas owned/leased in thousands of square metres*)				
Advantest Korea Co., Ltd.	Cheonan, South Korea	Semiconductor and Component Test System Business, Mechatronics System Business, Services, Support and Others	Manufacturing equipment	¥3,527	¥1,909	39,605m^2	¥960	¥6,396
Essai, Inc.	Arizona, USA	Services, Support and Others	Manufacturing equipment	7,603	2,083	60,195	4,353	14,039

Note:
(1) The segments referred to in the above table are the reportable segments of the Group prior to the reclassification that took effect from 1 April 2025. See "Presentation of Financial and Other Information—Change in Reportable Segments and Presentation of Segment Data".

Competition

The Group faces stiff competition throughout the world. The Group's primary competitors in the semiconductor and component test system market include, among others, Teradyne, Inc., Hangzhou Changchuan Technology Co., Ltd. (CCTech), Beijing Huafeng Test & Control Technology Co., Ltd. (Accotest), YC Corp., Cohu, Inc., UniTest Co., Ltd., and EXICON Ltd. In the mechatronics system related market, the Group also competes with Hangzhou Changchuan Technology Co., Ltd. (CCTech), Cohu, Inc., Hon. Precision, Inc. and TechWing, Inc. in test handler devices, and with TSE Co., Ltd., ISC. Ltd. and BeLINK Co., Ltd. in device interfaces. Some of these competitors have greater financial and other resources than the Group.

The Group faces many challenges in its businesses, including increased pressure from customers to produce semiconductor and component test systems, mechatronics systems that reduce testing costs, and catering to customers that have developed internal test solutions. Due to the characteristics of recurring types of business (equivalent to the running cost of the customer), there are numerous demands for cost reductions in device interfaces. If a competitor acquires a vendor that supplies core technology components, or if the PCB design/manufacturing technology that is essential to achieving high performance is leaked to a competitor, the Group could lose its product performance advantage and pricing control, hence making it difficult to maintain or secure business.

To compete effectively and maintain and expand its market share, the Group must continue to enhance its business processes to lower the cost of its products or introduce enhancements that lower overall testing costs. The Group also expects its competitors to continue to introduce new products with improvements in price and performance, as well as increasing their customer service and support offerings, and expects new market participants to launch low-price testers.

The Group believes that the principal factors of competition are:

- *Performance*. The performance of products is determined by their accuracy, test speed, throughput and ability to test semiconductors with large pin counts. High performance products reduce the customer's cost of testing.
- *Reliability*. Products that operate with minimal downtime allow semiconductor production and engineering work to proceed without frequent intervention and provides more cost-effective operation.
- *Delivery time*. Semiconductor manufacturers require timely delivery of products, especially in periods of high demand.
- *Price*. The need for more sophisticated products often translates into higher testing costs for semiconductor manufacturers.
- *System architecture*. Product architecture that is modular expands the product life because the system can be adapted to meet the customer's new requirements, while largely retaining compatibility with existing test programmes.
- *Software*. Products that use software that is easier to use and more powerful reduce the amount of engineering resources needed to develop and operate test programmes.
- *Customer support*. Customer-specific applications programmes, worldwide service and customer training contribute to the efficient use of products and reduce the customer's cost of testing.
- *Qualified technical personnel*. Having in place a team of highly qualified engineers and other customer service and support personnel is essential for securing sales and maintaining and developing strong relationships with key customers.

Testers are critical for ensuring the quality of customer devices. Changing a tester platform is essentially equivalent to rebuilding the entire environment for device development, evaluation, and mass production, resulting in significant additional costs for the customer. The Company believes that the Group's current competitive position is largely the result of continuous efforts to innovate and expand its product portfolio to meet the ever-changing demands of a broader customer base.

Based on its own research, the Company believes that it has a majority share of the global market (in terms of sales) in both SoC testers and memory testers. The Company also believes that the Group has the largest customer base in the industry. The expansion of the customer base creates a virtuous cycle and can also be a starting point for the next growth cycle. By meeting the demands and challenges of a broader customer base, the Group can more effectively identify the needs of the next-generation tester development, which in turn reduces risk and improves the efficiency of R&D projects and increases the value of the solutions which it provides. By continuing the process of feeding test trends into the next-generation tester development, the Group has evolved to serve a broader range of applications.

As for its product portfolio, the increasing complexity of devices is leading to further increase the importance of the Group's broad portfolio. A concrete example of this is advanced packaging. While circuit integration in semiconductors has traditionally been pursued in the 2D (planar) direction, development in the 2.5D and 3D directions is accelerating with a focus on increased computational efficiency and energy savings. With such technological advancement, customers are re-evaluating their test methodologies. The Group believes that its broad product portfolio and comprehensive test coverage are contributing to this shift by supporting the need for more advanced testing and enhanced quality assurance.

Intellectual Property and Licences

The development of the Group's products, both hardware and software, is based in significant part on its proprietary information, its brands and its technology. The Group seeks to protect its rights in proprietary information, brands and technology through various methods, such as patents; copyrights; trademarks; trade secrets; standards of business conduct and related business practices; and technology licence agreements, software licence agreements, non-disclosure agreements, employment agreements, and other agreements. However, these protections might not be effective in all circumstances. Competitors might independently develop similar technology or exploit the proprietary information and brands of the Group in countries where the Group lacks enforceable intellectual property rights or where enforcement of such rights through the legal system provides an insufficient deterrent. In addition, intellectual property protections can lapse or be invalidated through appropriate legal processes. While the Group does not consider any one or group of licences and intellectual property rights to be so important that their expiration or termination would materially affect the Group's business, the Group considers all of its licences and intellectual property rights to be important.

Regulations

The Group is subject to the regulatory regimes of each country in which it operates, including, among others, those relating to its products, export controls and customs regulations, product safety, antitrust, anti-corruption, corporate governance, labour, human rights and taxation. The scope of the laws and regulations which the Group is required to comply with can vary greatly by jurisdiction, and the Group therefore is required to monitor closely any changes in existing regulations or the introduction of new regulations applicable to it.

The Group is subject to various environmental laws and regulations concerning air pollution, water pollution, hazardous substances, waste disposal, recycling, global warming prevention and rationalisation of energy use. Regardless of whether it is found to be negligent, the Group may be required to assume liability for contamination of land at its manufacturing facilities and other locations. The Group may become subject to legal or social responsibilities with respect to its current or past business activities affecting the environment. In addition, should environmental regulations or social demands become increasingly restrictive in the future, the Group may become subject to additional responsibilities and regulations by which it is required to take various countermeasures. These changes could affect the Group's business development, business performance, reputation and credibility. Specifically, as of the date of this Offering Circular, the Group's manufacturing operations in Japan are subject to and affected by, among others, the following national regulations: the Air Pollution Control Act, the Water Pollution Control Act, the Noise Regulation Act, the Offensive Odor Control Act, the Soil Contamination Countermeasures Act, the Act on Improvement of Pollution Prevention Systems in Specified Factories, the Purification Tank Act, the Factory Location Act, the Act on Preventing Environmental Pollution of Mercury, the Rational Use and Proper Management of Fluorocarbons Act, the Act on the Protection of the Ozone Layer Through the Control of Specified Substances and Other Measures, the Act on Promotion of Global Warming Countermeasures, the Act on Rationalizing Energy Use and Shifting to Non-fossil Energy, the Act on the Improvement of Energy Consumption Performance of Buildings, the Waste Management and Public Cleansing Act, the Recycling of Specified Kinds of Home Appliances Act, the Act on Recycling of End-of-Life Automobiles, the Construction Material Recycling Act, the Act on the Promotion of Effective Utilization of Resources, the Basic Act on Establishing a Sound Material-Cycle Society, the Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement, the Poisonous and

Deleterious Substances Control Act, the High Pressure Gas Safety Act, the Fire Service Act, the Industrial Safety and Health Act and other laws of Japan. The Group is also subject to local regulations, which in some cases impose stricter requirements than the national regulations.

Sustainability

As stated in "—Strategy—Mid- to Long-term Management Policy", the Group's medium- to long-term management policy "Grand Design" sets out the Group's vision statement as "Be the most trusted and valued test solution company in the semiconductor value chain". In order to be a business that embodies this vision, the Group works to promote various initiatives that it believes will lead to the realisation of a sustainable society in an integrated manner, while focusing on solving customer issues. Simultaneously, by appropriately reflecting the expectations and demands of its stakeholders in its business activities, the Group aims to expand the significance of its *raison d'être* and the value that it provides in a balanced and multifaceted way, both economically and socially.

The Group has positioned "Enhance Sustainability" as one of the four key strategies outlined in its third mid-term management plan (MTP3). The Group conducts materiality assessments for mid/long-term risk analysis and issues related to sustainability and discuss them at management meetings. The Group is also promoting business growth strategies and initiatives that address social issues in an integrated manner by creating medium-term action plans that incorporate specific goals and standards.

Specifically, the Group identifies important issues from the perspectives of both its stakeholders and its business, such as issues related to business value creation (e.g., increasing customer value), issues related to strengthening the Group's business foundation (e.g., upgrading its human capital), issues related to strengthening the management foundation (e.g., reviewing the management execution system), issues related to regulations and social/environmental risk management, and trends in international disclosure standards related to sustainability. The Group organises these issues into a "Sustainability Action Plan", a sub-plan of its mid-term management plan. Furthermore, the Group strategically promotes activities to achieve the goals set for each issue in the Sustainability Action Plan. The activities and goals outlined in the Sustainability Action Plan are regularly reviewed in response to their changing relevance to the Group.

Legal Proceedings

The Group is currently not involved in any litigation or other legal proceedings which, if determined against the Group, would be expected to have a material adverse effect on the Group's business, results of operations or financial condition.

MANAGEMENT AND EMPLOYEES

Management

Under the Companies Act, joint stock corporations in Japan may adopt a corporate governance structure comprised of a Board of Directors and an Audit and Supervisory Committee, commonly referred to as the audit and supervisory committee system, in lieu of the traditional structure comprised of a Board of Directors and a board of corporate auditors or the alternative structure comprised of a Board of Directors and three statutory committees. The Company adopted the audit and supervisory committee system in June 2015.

Pursuant to the audit and supervisory committee system, the Board of Directors is comprised of Directors who are Audit and Supervisory Committee Members and Directors who are not. The Company's Articles of Incorporation provide for not more than fifteen Directors in total of which not more than five Directors are to be Audit and Supervisory Committee Members. All Directors are elected by the Company's shareholders at a general meeting of shareholders, with Directors who are Audit and Supervisory Committee Members elected separately from other Directors. The term of office of Directors who are not Audit and Supervisory Committee Members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within one year after their election, and the term of office of Directors who are Audit and Supervisory Committee Members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within two years after their election, but all Directors may serve any number of consecutive terms.

The Board of Directors has the ultimate responsibility for the administration and supervision of the Company's affairs. The Board of Directors, however, may delegate by its resolution some or all of its decision-making authority in respect of the execution of operational matters (excluding certain matters specified in the Companies Act) to individual Directors. The Board of Directors elects one or more Representative Directors from among its members who are not Audit and Supervisory Committee Members. Each of the Representative Directors has the authority to represent the Company in the conduct of the Company's affairs. The Board of Directors may also elect by its resolution one Chairperson and one Vice-Chairperson of the Board of Directors.

The Company has been working to strengthen the oversight and supervisory functions of the Board of Directors by appointing a majority of its directors as outside directors and, from April 2024 onwards, by segregating the roles of Group CEO and Chairperson of the Board of Directors, with a non-executive director serving as Chairperson of the Board of Directors.

The Directors who are Audit and Supervisory Committee Members are not required to be certified public accountants. They may not serve concurrently as executive directors, managers or any other type of employee for the Company or for any of the Company's subsidiaries, or as accounting advisors or corporate executive officers for any of the Company's subsidiaries. In addition, more than half of the Directors who are Audit and Supervisory Committee Members at any one time must be Outside Directors as defined under the Companies Act, who have not served as executive directors, corporate executive officers, managers or any other type of employee for the Company or any of the Company's subsidiaries for 10 years prior to their election and fulfil certain other requirements specified in the Companies Act.

The Audit and Supervisory Committee has a statutory duty to audit the administration of the Company's affairs by its Directors, to examine the financial statements and business reports to be submitted to the shareholders by a Representative Director, to prepare an audit report each year, and to determine details of proposals concerning the appointment and dismissal of independent auditors and the refusal to reappoint independent auditors for submission to general meetings of shareholders. The Audit and Supervisory Committee also has the authority to determine opinions on appointment, dismissal or resignation of Directors who are not Audit and Supervisory Committee Members, in which case the Audit and Supervisory Committee may express its opinion at the general meeting of shareholders, and to determine opinions on compensation of Directors who are not Audit and Supervisory Committee Members, in which case the Audit and Supervisory Committee may express its opinion at the general meeting of shareholders. An Audit and Supervisory Committee Member may note his or her opinion in the audit report issued by the Audit and Supervisory Committee if such opinion differs from that expressed in the audit report.

In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, companies, shares of which are listed on the Tokyo Stock Exchange, including the Company, are required to have at least one independent officer. Such independent officer is required to be an Outside Director or outside corporate auditor (as defined under the Companies Act) who is unlikely to have conflicts of interest with shareholders of the relevant company.

In addition to Audit and Supervisory Committee Members, the Company must appoint by a resolution of a general meeting of shareholders a certified public accountant or an auditing corporation as an independent auditor, which has the statutory duties of auditing the financial statements to be submitted by a Representative Director to the general meetings of shareholders and preparing its audit report thereon. Currently, the Company's independent auditor is Ernst & Young ShinNihon LLC.

The Company has also established its Nomination and Compensation Committee as a voluntary organisation to assist the Board of Directors in the appointment/dismissal of Directors and Executive Officers and in determining their compensation with the aim of improving the fairness, validity and transparency of the appointment/selection and dismissal/removal of Directors and Executive Officers and their compensation. The Nomination and Compensation Committee is responsible for the functions of both "the Nomination Committee" and "the Compensation Committee".

The Company has in place an Executive Officers System to clarify and separate the functions of Board members (decision-making and supervision) from the functions of Executive Officers (business execution) with the aim of making Board activities more effective. The Company delegates necessary authorities to ensure the prompt and efficient performance of duties and the Executive Management Committee is positioned as a decision-making body for important business execution matters of the Company. Of the operations to which authority has been delegated, important matters above a certain level are, in principle, deliberated at the Executive Management Committee. The Executive Management Committee is composed of the Senior Executive Officers. From among the executive officers, those suitable to lead Group management are appointed as Executive Management Committee Meeting members.

Directors

The members of the Board of Directors of the Company as at the date of this Offering Circular are as follows:

Name	Title
Douglas Lefever	Representative Director, Senior Executive Officer, Group CEO
Koichi Tsukui	Representative Director, Senior Executive Officer and President, Group COO
Yoshiaki Yoshida	Director, Chairperson of the Board
Toshimitsu Urabe(1)	Director
Nicholas Benes(1)	Director
Naoto Nishida(1)	Director
Yuichi Kurita	Director, Standing Audit and Supervisory Committee Member
Sayaka Sumida(1)	Director, Audit and Supervisory Committee Member
Tomoko Nakada(1)	Director, Audit and Supervisory Committee Member

Note:
(1) Outside Director as defined under the Companies Act.

Directors' Remuneration

The following table sets out certain information regarding the amount of compensation received by the members of the Board of Directors in the fiscal year ended 31 March 2025:

			Total compensation by category				
			Cash compensation		Non-cash compensation		
Officer category	Company category	Total compensation	Base compensation	Performance-based compensation	Restricted stock compensation	Performance-based stock remuneration	Number of eligible directors
			(*Millions of yen*)				
Directors (excluding Audit and Supervisory Committee members) (excluding	The Company	¥1,188	¥221	¥254	¥289	¥424	3
	Consolidated subsidiaries of the Company	11	11	—	—	—	

Officer category	Company category	Total compensation	Total compensation by category				Number of eligible directors
			Cash compensation		Non-cash compensation		
			Base compensation	Performance-based compensation	Restricted stock compensation	Performance-based stock remuneration	
Outside Directors)							
Directors (Audit and Supervisory Committee members) (excluding Outside Directors)	The Company	47	44	—	3	—	1
Outside Directors (excluding Audit and Supervisory Committee members)	The Company	50	43	—	7	—	3
Outside Directors (Audit and Supervisory Committee members)	The Company	36	31	—	5	—	2

Notes:
(1) As at 31 March 2025, the number of Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee members) and Outside Directors were three and five, respectively.
(2) Performance-based bonuses are paid to Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee members) as performance-based compensation.
(3) Restricted stock compensation and performance-based stock remuneration are recorded as expenses in accordance with IFRS for the fiscal year ended 31 March 2025.

The following table sets out certain information regarding Directors with total consolidated compensation of ¥100 million or more in the fiscal year ended 31 March 2025:

Name (Title)	Company	Total consolidated compensation	Total consolidated compensation by category			
			Cash compensation		Non-cash compensation	
			Base compensation	Performance-based compensation	Restricted stock compensation	Performance-based stock remuneration
			(*Millions of yen*)			
Douglas Lefever (Director)	The Company	¥912	¥120	¥182	¥237	¥362
	Consolidated subsidiaries of the Company		11	—	—	—
Koichi Tsukui (Director)	The Company	197	49	72	27	49

Note:
(1) Performance-based bonuses are paid to Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee members) as performance-based compensation.

Executive Officers

The Executive Officers of the Company as at the date of this Offering Circular are as follows:

Name	Title	Function and Significant Concurrent positions
Douglas Lefever	Representative Director, Senior Executive Officer, Group CEO	

Name	Title	Function and Significant Concurrent positions
Koichi Tsukui	Representative Director, Senior Executive Officer and President, Group COO	
Keith Hardwick	Senior Executive Officer	CHO (Chief Human Capital Officer)
Yasuo Mihashi	Senior Executive Officer	CSO (Chief Stakeholder Relations Officer)
Juergen Serrer	Senior Executive Officer	CTO & Test System Business Group Leader (Chief Technology Officer)
Makoto Nakahara	Senior Executive Officer	Leader, CEO Office
Sanjeev Mohan	Senior Executive Officer	CCRO (Chief Customer Relations Officer)
Richard Junger	Senior Executive Officer	CSCO (Chief Supply Chain Officer)
Yong Xu	Senior Executive Officer	China Business Strategy
Toshiaki Adachi	Senior Executive Officer	Sub-leader, Test System Business Group
Hisako Takada	Senior Executive Officer	CFO (Chief Financial Officer)
Kesa Yorozu	Senior Executive Officer	CLO (Chief Legal Officer)
Robert Leindl	Senior Executive Officer	CDO & CIO (Chief Digital Officer & Chief Information Technology Officer), Leader, BPR & DX Unit
Suan Seng Sim (Ricky Sim)	Executive Officer	Managing Director (CEO), Advantest (Singapore) Pte. Ltd.
Wan-Kun Wu (Alex Wu)	Executive Officer	Chairman of the Board and President (CEO), Advantest Taiwan Inc.
Akio Osawa	Executive Officer	Leader, System Solution Unit, Sales Unit
Yasushi Yoshimoto	Executive Officer	Co-CHO (Co-Chief Human Capital Officer)
Jaehyuk Cha	Executive Officer	Representative Director and President, Advantest Korea Co., Ltd.
Daisuke Watanabe	Executive Officer	Leader, Technology Development Unit, Technology & Research Group
Ralf Stoffels	Executive Officer	Leader, 93000 Product Unit, SoC Test Business Unit, Test System Business Group
Katsuhiko Tsunetsugu	Executive Officer	Sub-leader, Corporate Finance Unit
Andre Vachenauer	Executive Officer	Leader, Corporate IT Unit
Kazuyuki Yamashita	Executive Officer	Leader, DH Business Unit, Test System Business Group
Steven Hsieh	Executive Officer	Asia SoC Sales & Support
Jintie Li	Executive Officer	Director, Advantest (China) Co., Ltd.
Fabio Morgana	Executive Officer	Leader, Research & Venture Unit, Technology & Research Group
Jonathan Sinskie	Executive Officer	Leader, ATS Business Unit, Test System Business Group
Mitsuru Sakai	Executive Officer	Leader, Memory Test Business Unit, Test System Business Group
Toshimichi Iwai	Executive Officer	Leader, Nanotechnology Business Unit

Limited Liability Agreements and Indemnification Agreements

Limited Liability Agreements

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company enters into contracts with its Directors (excluding its Executive Directors) to limit their liabilities for failure to perform their duties. The upper limit of liability for damages based on this agreement is the minimum liability as stipulated by laws and regulations.

Indemnification Agreements

The Company has concluded indemnification agreements with all its Directors pursuant to Article 430-2, Paragraph 1 of the Companies Act. Under the said agreements, the Company shall indemnify them against expenses listed in Item 1 of the said Paragraph and losses listed in Item 2 of the said Paragraph to the extent permitted by laws and regulations. However, certain conditions of exemption are established to ensure that the appropriateness of the execution of duties by the insured persons is not impaired by the said agreements, and the amount of expenses and losses of no less than ¥3 million requires deliberation by the Board of Directors.

Directors and Officers Liability Insurance Contracts

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

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

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

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

Employees

The following table sets out the number of full-time employees of the Company on a consolidated basis (excluding secondees from the Group to companies outside the Group, and including secondees into the Group from companies outside the Group) as at 31 March 2023, 2024 and 2025, according to reportable segments applicable at those dates (prior to the change in reportable segments that took effect on 1 April 2025):

	As at 31 March		
	2023	**2024**	**2025**
Semiconductor and Component Test System Business	3,333	3,503	3,613
	(282)	(310)	(312)
Mechatronics System Business	674	682	723
	(75)	(79)	(90)
Services, Support and Others	2,318	2,353	2,423
	(149)	(147)	(143)
Corporate (Common)	219	228	242
	(42)	(47)	(53)
Total	6,544	6,766	7,001
	(548)	(583)	(598)

Notes:

(1) The number of employees indicates the number of full-time employees (excluding employees seconded from the Group to outside the Group, but including employees seconded from outside the Group to the Group) and, in parentheses, the average number of temporary employees for the fiscal year (separate from the full-time employees).

(2) The number of employees listed as Corporate (Common) includes the number of employees who belong to Administration Group or others that cannot be classified in a specific segment.

The principal labour union within the Group is Advantest Labour Union, which is an organisation in the Company, and it is also a member of the Japanese Electrical Electronic & Information Union. There are similar organisations in consolidated subsidiaries.

The Company believes that the Group's relationships with its employees is good.

Share-based Compensation Plans / Stock Option Plans

The Company has in place a restricted stock compensation plan for Directors (excluding Audit and Supervisory Committee members and Outside Directors), Executive Officers and executive employees as an incentive. The Company also has in place a performance share unit plan ("PSU") for Directors (excluding Audit and Supervisory Committee members and Outside Directors) and Executive Officers as an incentive, from the fiscal year ended 31 March 2022.

Since the Company has replaced the existing performance-based stock remuneration plans with the current share-based compensation plan consisting of a restricted stock compensation plan and a performance share unit plan, no additional establishment of trusts with regard to existing performance-based stock remuneration plan introduced for Directors (excluding Audit and Supervisory Committee members and Outside Directors) and a performance-based stock remuneration plan introduced for executive officers and executive employees of the Company and its major group subsidiaries in the fiscal year 31 March 2019 have taken place and will take place in the future. However, the granting of points under the performance-based stock remuneration plan established prior to the fiscal year ended 31 March 2021 may be possible in the future.

The Company currently has no outstanding stock option plans.

See Note 24 to the audited consolidated financial statements for the fiscal year ended 31 March 2025 for further details relating to the Company's share-based compensation plans.

SUBSIDIARIES

As at 31 December 2025, the Company had seven domestic consolidated subsidiaries and 34 overseas consolidated subsidiaries.

The following table sets forth the Company's principal consolidated subsidiaries as at 31 March 2025:

Name	Location	Principal business	Issued capital[(1)]	Voting rights held by the Company[(1)]
Advantest America, Inc.	California, USA	Development and sales of test systems	US$4,059 thousand	100.0%
Advantest Test Solutions, Inc.	California, USA	Design and sales of system level test products	US$2,500 thousand	100.0%
Essai, Inc.	Arizona, USA	Design, production and sales of test sockets	US$500 thousand	100.0%
Advantest Europe GmbH	Munich, Germany	Development and sales of test systems	EUR10,793 thousand	100.0%
Advantest Taiwan Inc.	Hsinchu County, Taiwan	Sales of test systems	NTD500,000 thousand	100.0%
Advantest (Singapore) Pte. Ltd.	Singapore	Sales of test systems	SGD15,300 thousand	100.0%
Advantest Korea Co., Ltd.	Cheonan, South Korea	Sales support of test systems	KRW9,516 million	100.0%
Advantest (China) Co., Ltd.	Shanghai, China	Sales support of test systems	US$8,000 thousand	100.0%

Notes:
(1) Includes indirect holdings.
(2) "NTD" stands for New Taiwan Dollars, "SGD" stands for Singapore dollars, and "KRW" stands for South Korean Won.

JAPANESE FOREIGN EXCHANGE AND CERTAIN OTHER REGULATIONS

Foreign Exchange Regulations

The following is a general summary of major Japanese foreign exchange controls regulations applicable to holders of Shares or voting rights thereunder who are "exchange non-residents" or "foreign investors", as described below. The statements regarding Japanese foreign exchange controls regulations set forth below are based on the laws and regulations in force and as interpreted by the Japanese authorities as of the date of this offering circular and are subject to subsequent changes in the applicable Japanese laws or interpretations thereof. This summary is not exhaustive of all possible foreign exchange controls considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall foreign exchange controls consequences of the acquisition, ownership and disposition of Shares or voting rights thereunder by consulting their own advisors.

The Foreign Exchange Regulations and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended, the "FEFTA") and its related cabinet orders and ministerial ordinances (collectively, the "Foreign Exchange Regulations"), govern certain aspects relating to the acquisition and holding of Shares and voting rights by "exchange non-residents" and by "foreign investors" (as these terms are defined below). In general, the Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents to purchase or sell shares of a Japanese listed corporation outside Japan using currencies other than Japanese yen.

"Exchange residents" are defined in the Foreign Exchange Regulations as:

(i) individuals who reside within Japan; or

(ii) corporations whose principal offices are located within Japan.

"Exchange non-residents" are defined in the Foreign Exchange Regulations as:

(i) individuals who do not reside in Japan; or

(ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations located within Japan are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

"Foreign investors" are defined in the Foreign Exchange Regulations as:

(i) individuals who are exchange non-residents;

(ii) corporations or other entities organised under the laws of foreign countries or whose principal offices are located outside Japan (excluding partnerships falling within (iv) below);

(iii) corporations of which 50 per cent or more of the total voting rights are held, directly or indirectly, by individuals and/or corporations falling within (i) and/or (ii) above;

(iv) partnerships under the Japanese Civil Code established to invest in corporations, limited partnerships for investment under the Limited Partnership Act for Investment of Japan (Act No. 90 of 1998, as amended) or any other similar partnerships under foreign law of which (a) 50 per cent or more of the total contributions are made by individuals and/or corporations falling within (i), (ii), (iii) above and/or (v) below or any other persons prescribed under the Foreign Exchange Regulations or (b) a majority of the general partners are individuals and/or corporations falling within (i), (ii), (iii) above and/or (v) below or any other persons prescribed under the Foreign Exchange Regulations; or

(v) corporations or other entities, a majority of whose directors or other officers (or directors or other officers having the power of representation) are individuals who are exchange non-residents.

Acquisition of Shares

In general, the acquisition by an exchange non-resident of shares of stock of a Japanese corporation from an exchange resident requires post facto reporting by the exchange resident to the Minister of Finance of Japan through the Bank of Japan. No such reporting requirement is imposed, however, if:

(i) the aggregate purchase price of the relevant shares is ¥100 million or less;

(ii) the acquisition is effected through any bank, financial instruments business operator or other entity prescribed by the Foreign Exchange Regulations acting as an agent or intermediary; or

(iii) the acquisition constitutes an "inward direct investment" described below.

Inward Direct Investment in Shares of Listed Corporations

Japanese listed corporations are classified into the following categories under the Foreign Exchange Regulations as so amended:

(i) corporations engaged only in businesses other than certain businesses designated by the Foreign Exchange Regulations as Designated Businesses, or the Designated Businesses;

(ii) corporations engaged in the Designated Businesses other than Core Sector Designated Businesses as defined in (iii) below, or the Non-Core Sector Designated Businesses; and

(iii) corporations engaged in certain Designated Businesses designated by the Foreign Exchange Regulations as core sector businesses, or the Core Sector Designated Businesses.

The Group currently engages, among others, in the business of manufacturing semiconductor manufacturing equipment, which is the Core Sector Designated Business as referred to in category (iii) above.

Definition of Inward Direct Investment

If a foreign investor acquires shares or voting rights of a Japanese corporation that is listed on a Japanese stock exchange, such as the Shares, or that is traded on an over-the-counter market in Japan and, as a result of such acquisition, the foreign investor, in combination with any of its existing holdings, directly or indirectly holds one per cent or more of the total number of issued shares or the total number of voting rights of the relevant corporation, such acquisition constitutes an "inward direct investment". In addition, an acquisition of the authority to exercise, either directly or through instructions, voting rights held by other shareholders that results in the foreign investor, in combination with any of its existing holdings, directly or indirectly holding one per cent or more of the total number of voting rights of the relevant corporation constitutes an "inward direct investment".

In addition to the acquisitions of shares or voting rights as described above, if a foreign investor (i) is granted the authority to exercise voting rights on behalf of other shareholders of the relevant corporation listed on a Japanese stock exchange regarding certain matters which may give such foreign investor the power to control, or may have material influence on, the management of such corporation, such as the election or removal of directors, or (ii) obtains consent from another foreign investor holding the voting rights of the relevant corporation to exercise the voting rights of such corporation held by such foreign investor jointly, and, in each case, as a result of these arrangements, the number of the voting rights directly or indirectly held by the foreign investor, including the total number of the voting rights subject to such authorisation to exercise, or the sum of the number of the voting rights directly or indirectly held by the foreign investor and such other foreign investors subject to such joint voting agreement, as the case may be, is 10 per cent or more of the total number of voting rights of the relevant corporation, each such arrangement regarding voting rights, or a "voting arrangement", also constitutes an "inward direct investment".

Additionally, if a foreign investor directly or indirectly holds one per cent or more of the total voting rights of a Japanese listed corporation and, at a general meeting of shareholders, consents to certain proposals having material influence on the management of such corporation such as (i) the election of such foreign investor or any of its related persons (as defined in the Foreign Exchange Regulations) as directors or corporate auditors or (ii) transfer or discontinuation of its business, such consent also constitutes an "inward direct investment".

Prior Notification Requirements regarding Inward Direct Investment

Prior notification requirements upon an acquisition of shares or voting rights

If a foreign investor intends to consummate an acquisition of shares or voting rights of a Japanese listed corporation or the authority to exercise, either directly or through instructions, the relevant voting rights held by other shareholders that constitutes an "inward direct investment" as described above, in certain circumstances, such as where the foreign investor is a resident in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations, or where that Japanese corporation is engaged in the Designated Businesses, a prior notification of the relevant inward direct investment must be filed with the Minister of Finance and any other competent Ministers in advance of such inward direct investment.

However, if a foreign investor is seeking to acquire any shares or voting rights of a Japanese listed corporation engaged in the Designated Businesses or the authority to exercise, either directly or through instructions, the relevant voting rights held by other shareholders and such acquisition would constitute an "inward direct investment", such foreign investor may be eligible for the exemptions, if certain conditions are met.

In the case of an acquisition of shares or voting rights or the authority to exercise, either directly or through instructions, voting rights of a Japanese listed corporation that is engaged in the Non-Core Sector Designated Businesses, the foreign investor may be exempted from the prior notification requirement, if such foreign investor complies with all of the following conditions, or the Exemption Conditions:

(i) the foreign investor or its related persons (as defined in the Foreign Exchange Regulations) will not become directors or corporate auditors of the relevant corporation;

(ii) the foreign investor will not make certain proposals (as prescribed in the Foreign Exchange Regulations) at the general meeting of shareholders of the relevant corporation, including transfer or discontinuation of the Designated Businesses; and

(iii) the foreign investor will not access non-public technical information in relation to the Designated Businesses of the relevant corporation, or propose certain actions that may lead to the leak of such non-public technical information (as prescribed in the Foreign Exchange Regulations).

In addition, in the case of an acquisition of shares or voting rights or the authority to exercise, directly or through instructions, voting rights of a Japanese listed corporation that is engaged in the Core Sector Designated Businesses, one of which is currently engaged by the Company as described above, the foreign investor may be exempted from the prior notification requirement, if, as a result of such acquisition, the foreign investor, in combination with any of its existing holdings, directly or indirectly holds less than 10 per cent of the total number of issued shares or voting rights of the relevant corporation, and such foreign investor complies with all of the following conditions, in addition to the Exemption Conditions referred to in (i) through (iii) above:

(a) the foreign investor will not attend, or not cause any persons designated by it to attend, meetings of the relevant corporation's board of directors, or meetings of committees having authority to make important decisions, in respect of the Core Sector Designated Businesses of the relevant corporation; and

(b) the foreign investor will not make, or not cause any persons designated by it to make, proposals to such board or committees or their members in writing or electronic form requesting any response or actions by certain deadlines in respect of the Core Sector Designated Businesses of the relevant corporation.

Notwithstanding the above, if a foreign investor, other than those who fall within the category of the disqualified investors as described in the following sentence, is classified in a category of certain foreign financial institutions (as prescribed in the Foreign Exchange Regulations) and complies with the Exemption Conditions, such foreign investor may be eligible for the exemptions, even if the acquisition results in such foreign investor's direct or indirect holding of 10 per cent or more of the total number of issued shares or voting rights of the corporation engaged in the Core Sector Designated Businesses. On the other hand, if a foreign investor falls within any of the categories of disqualified investors designated by the Foreign Exchange Regulations (such as (a) investors who have been sanctioned during previous five years due to violations of the FEFTA, (b) the Foreign Governments, etc. (as prescribed in the Foreign Exchange Regulations), (c) foreign investors who have obligations to cooperate with Foreign Governments, etc. in collecting certain information pursuant to agreements with such

Foreign Governments, etc. or foreign laws and regulations and (d) certain investors that are owned by, or have a certain other relationship with, Foreign Governments, etc. (in the cases of (b), (c) and (d), excluding those who are not otherwise accredited by the Minister of Finance)), in no event may such foreign investor be eligible for the exemptions as described above.

Pursuant to the amendments to the Foreign Exchange Regulations with taking into effect in May 2025, the scope of the above-mentioned disqualified investors, who are not eligible for the exemptions described above, was expanded to include (a) foreign investors who have obligations to cooperate with Foreign Governments, etc. in collecting information related to Japan's national security pursuant to agreements with such Foreign Governments, etc. or foreign laws and regulations, (b) certain investors that are owned by, or have a certain other relationship with, the Foreign Governments, etc. or foreign investors set forth in (a) above and (c) directors or other officers of organisations falling within category (a) or (b) above, or collectively, the Specified Foreign Investors that are not otherwise accredited by the Minister of Finance. In addition, the exemption from the prior notification requirement was amended not to be applicable to the case where foreign investors equivalent to the Specified Foreign Investor, or the Quasi-Specified Foreign Investors (as prescribed in the Foreign Exchange Regulations), who include a foreign investor (i) whose managerial decision is made substantially by the foreign investors set forth in (a) above, (ii) whose managerial decision is made substantially in a country other than the country of incorporation and affected by laws and regulations, etc. imposing obligations set forth in (a) above or (iii) who has obligations to disclose information in order to cooperate with Foreign Governments, etc. pursuant to agreements with the Specified Foreign Investors or the foreign investor set forth in this (iii), seeks to acquire shares or voting rights, including authority to exercise, either directly or through instructions, voting rights owned by others, of a listed corporation, or the Designated Core Business Entity which is engaged in the Core Sector Designated Businesses and also falls under the Specified Essential Infrastructure Service Providers as defined in the Economic Security Promotion Act (Act No. 43 of 2022, as amended), even if such foreign investor (x) as a result of an acquisition of such shares or voting rights, including authority to exercise, either directly or through instructions, voting rights owned by others, of such listed corporation, together with parties that have a special relationship with that foreign investor, holds or has authority to exercise less than 10 per cent of the total issued shares or voting rights of such listed corporation, or (y) falls under a category of certain foreign financial institutions (as prescribed in the Foreign Exchange Regulations) set forth in the preceding paragraph. Further, the Exemption Conditions, which must be complied with for a foreign investor to be exempted from the prior notification requirement, were amended to include the following two additional conditions set forth in items (i) and (ii) below, when they apply to the case of an acquisition by a Quasi-Specified Foreign Investor of shares or voting rights, including authority to exercise, either directly or through instructions, voting rights owned by others, of a listed corporation which is engaged in the Core Sector Designated Businesses but is not the Designated Core Business Entity, as a result of which acquisition, together with parties that have a special relationship with that Quasi-Specified Foreign Investor, such Quasi-Specified Foreign Investor holds or has authority to exercise less than 10 per cent of the total issued shares or voting rights of the above mentioned corporation:

(i) the foreign investor will not access non-public information in relation to the Core Sector Designated Businesses of such corporation, or take certain other actions that may lead to the leak of such non-public information (as prescribed in the Foreign Exchange Regulations); and

(ii) the foreign investor will not work, or cause its closely-related persons (prescribed in the Foreign Exchange Regulations) to work, in relation to the Core Sector Designated Businesses of such corporation, as an employee for such corporation or will not solicit any officers or employees of such corporation to work for the foreign investor or any third party.

Acquisitions of shares by foreign investors by way of share split are not subject to the foregoing notification requirements.

Prior notification requirements relating to voting

In addition to the prior-notification requirements upon an acquisition of shares or voting rights as described above, if a foreign investor (i) intends to make a voting arrangement with respect to a Japanese listed corporation engaged in the Designated Businesses or (ii) consents to a proposal relating to (a) the election of such foreign investor or any of its related persons as directors or corporate auditors or (b) transfer or discontinuation of the Designated Businesses directly or indirectly proposed by such foreign investor, in each case, that constitutes an "inward direct investment" as described above, in certain circumstances, a prior notification of the relevant inward direct investment must be filed with the Minister of Finance and any other competent Ministers in advance of such inward direct investment. In such case, the exemptions from the prior notification requirements described above may not be available, except for cases where the relevant voting arrangement is a joint voting agreement

with other foreign investors to exercise voting rights regarding matters other than certain matters which may give the foreign investor the power to control, or may have a material influence on, the management of the relevant corporation, such as the election or removal of directors.

Procedures for Prior Notification regarding Inward Direct Investment

If such prior notification is filed, the proposed inward direct investment may not be consummated until 30 days after the date of filing during which time the Ministers will review the proposed inward direct investment, although this screening period may be shortened by such Ministers if they no longer deem it necessary to review the proposed inward direct investment, or may be shortened, if the proposed inward direct investment is determined not to raise concerns from the perspective of national security or certain other factors. The Ministers may extend the screening period up to five (5) months if they deem it necessary to continue to review the proposed inward direct investment and may recommend any modification or discontinuation of the proposed inward direct investment and, if the foreign investor does not accept such recommendation, the Ministers may order the modification or discontinuation of such inward direct investment. In addition, if the Ministers consider the proposed inward direct investment to be an inward direct investment that is likely to cause damage to the national security of Japan and, if a foreign investor (i) consummates such inward direct investment without filing the prior notification described above; (ii) consummates such inward direct investment before the expiration of the screening period described above; (iii) in connection with such inward direct investment, makes false statements in the prior notification described above; or (iv) does not follow the recommendation or order issued by the Ministers to modify or discontinue such inward direct investment, the Ministers may order such foreign investor to divest of all or part of the shares acquired or to take other measures.

Post Facto Reporting Requirements regarding Inward Direct Investment

A foreign investor who files a prior notification and consummates an inward direct investment would be required to file a transaction report with the Minister of Finance and any other competent Ministers within 45 days from and including the date of such inward direct investment. A foreign investor who consummates an inward direct investment as described above through an acquisition of shares or voting rights or the authority to exercise, directly or through instructions, voting rights of a Japanese listed corporation that is engaged in the Designated Businesses, but is not subject to the prior notification requirements as described above due to the exemptions from such prior notification requirements, in general, must file a post facto report of the relevant inward direct investment with the Minister of Finance and any other competent Ministers having jurisdiction over such Japanese corporation within 45 days from and including the date on which the foreign investor (excluding, in the cases of (i) and (ii) below, a foreign investor who falls within a category of certain foreign financial institutions, as prescribed in the Foreign Exchange Regulations) would, as a result of such acquisition and in combination with any of its existing holdings, hold, directly or indirectly, (i) one per cent or more but less than three per cent of the total number of issued shares or voting rights, for the first time, (ii) three per cent or more but less than 10 per cent of the total number of issued shares or voting rights, for the first time, or (iii) 10 per cent or more of the total number of issued shares or voting rights. In addition, if a foreign investor consummates the inward direct investment described above through the acquisition of shares or voting rights or the authority to exercise, directly or through instructions, voting rights of a Japanese listed corporation that is not engaged in the Designated Businesses (which is, in general, not subject to the prior notification requirements described above) and, such foreign investor would, as a result of such inward direct investment and in combination with any of its existing holdings, hold, directly or indirectly, 10 per cent or more of shares or voting rights of the total number of issued shares or voting rights of the relevant listed corporation, such foreign investor, in general, must file a post facto report of the relevant inward direct investment with the Minister of Finance and any other competent Ministers having jurisdiction over such Japanese corporation within 45 days from and including the date of such inward direct investment.

Additionally, if a foreign investor consummates the inward direct investment as described above through a voting arrangement with respect to a Japanese listed corporation that is not engaged in the Designated Businesses (which is, in general, not subject to the prior notification requirements described above), such foreign investor, in general, must file a post facto report of the relevant inward direct investment with the Minister of Finance and any other competent Ministers having jurisdiction over such Japanese corporation within 45 days from and including the date of such inward direct investment.

Acquisitions of shares by foreign investors by way of share split are not subject to the foregoing reporting requirements.

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds from sales in Japan of, shares held by exchange non-residents may generally be converted into any foreign currency and repatriated abroad.

Reporting of Substantial Shareholdings

The FIEA and its related regulations require any person who has become, regardless of residence, beneficially and solely or jointly, a holder of more than five per cent of the total issued shares of capital stock of a corporation that is listed on any Japanese stock exchange, or that is traded on an over-the-counter market in Japan to file a report concerning the shareholdings with the Director-General of the competent Local Finance Bureau of the Ministry of Finance, in general, within five business days. With certain exceptions, a similar report must also be filed if the percentage of such holdings subsequently increases or decreases one per cent or more, or if any change occurs in material matters set out in reports previously filed unless and until a holder files a report stating a holding of five per cent or less of the total issued shares of capital stock. For this purpose, shares issuable or transferable to such person upon his or her exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by the holder and the issuer's total issued shares of capital stock. These reports are required to be filed and made publicly available through the EDINET system, which is an electronic disclosure system operated by the Financial Services Agency of Japan.

DESCRIPTION OF THE SHARES AND CERTAIN REGULATIONS

Set out below is certain information concerning the Shares, including brief summaries of certain provisions of the Company's articles of incorporation and share handling regulations and of the Companies Act relating to joint stock corporations (kabushiki kaisha), and certain related legislation, all as currently in effect.

General

The table below shows the Company's share capital as of the date of this Offering Circular:

Type of share capital	Authorised shares	Issued shares
Common stock	1,760,000,000	732,000,000

All issued Shares are fully paid and non-assessable and generally transferable through the book-entry system as described below. The transfer agent for the Shares is Mitsubishi UFJ Trust and Banking Corporation, located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8212, Japan. The transfer agent maintains the Company's register of shareholders.

The Japanese book-entry transfer system for listed shares of Japanese companies under the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc. of Japan (Act No.75 of 2001, as amended), or the Book-Entry Act, including regulations promulgated thereunder, will apply to the Shares. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialised, and shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholders have an account at JASDEC, the only institution that is designated by the relevant authorities as a clearing house under the Book-Entry Act. "Account management institutions" are financial instruments business operators (i.e., securities firms), banks, trust companies and certain other financial institutions that meet the requirements prescribed by the Book-Entry Act. Under the Book-Entry Act, transfer of the Shares is effected exclusively through entry in the records maintained by JASDEC and the account management institutions, and title to the shares passes to the transferee at the time when the transfer of the shares is recorded in the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal holder of the shares recorded in such account.

Under the Companies Act and the Book-Entry Act, in order to assert against the Company shareholders' rights to which shareholders as of a given record date are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends), a shareholder must have its name and address registered in the Company's register of shareholders, except in limited circumstances. Under the central book-entry transfer system, such registration on the register of shareholders is made upon the receipt by the Company of necessary information from JASDEC through a notice of all shareholders (*soukabunushi tsuchi*). See "—Record Date" below. On the other hand, in order to assert shareholders' rights to which shareholders are entitled regardless of record dates, such as minority shareholders' rights, including the right to propose a matter to be considered at a general meeting of shareholders but excluding shareholders' rights to request the Company to purchase or sell shares constituting less than a full unit (as described in "—Unit Share System"), upon a shareholder's request, JASDEC shall issue to the Company a notice of certain information (*kobetsu kabunushi tsuchi*), which information includes the name and address of such shareholder. Under the Book-Entry Act, a shareholder must exercise its shareholder's right within four weeks after the notice of certain information (*kobetsu kabunushi tsuchi*) above.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account management institution. Such notice will be forwarded to the Company through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from the Company to non-resident shareholders are delivered to such standing proxies or mailing addresses.

Under the Japanese book-entry transfer system, when opening an account at an account management institution, a shareholder must enter into an agreement with the account management institution.

Distribution of Surplus

General

Under the Companies Act, distribution of cash or other assets by a joint stock corporation to its shareholders, including dividends, takes the form of distribution of Surplus (as defined in "—Restriction on Distribution of Surplus"). The Company is permitted to make distributions of Surplus to its shareholders any number of times per fiscal year, subject to certain limitations described in "—Restriction on Distribution of Surplus". Under the Companies Act, distributions of Surplus are, in principle, required to be authorised by a resolution of a general meeting of shareholders. Distributions of Surplus are, however, permitted pursuant to a resolution adopted by the Board of Directors if:

(a) the Company's articles of incorporation so provide;

(b) the Company selects an independent auditor and forms an Audit and Supervisory committee;

(c) the normal term of office of each director who is not a member of the Audit and Supervisory Committee terminates on or prior to the date of conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within the period of one year from the appointment of such director; and

(d) the Company's non-consolidated annual financial statements and certain documents for the latest fiscal year fairly present its non-consolidated assets and profit or loss, as required by ordinances of the Ministry of Justice of Japan, or the Ministry of Justice.

As of the date of this offering circular, the requirements described in (a) through (d) are met in respect of the Company. Distributions of Surplus may be made in cash or in kind in proportion to the number of Shares held by each shareholder. A resolution adopted at a general meeting of shareholders or the Board of Directors authorising a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, the Company may, pursuant to a resolution adopted at a general meeting of shareholders or (as the case may be) the Board of Directors, grant to its shareholders a right to require the Company to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution adopted at a general meeting of shareholders (see "—Voting Rights" with respect to a "special resolution").

Under its articles of incorporation, the Company's record dates for year-end dividends and interim dividends, if any, are 31 March and 30 September, respectively, in each year. In Japan, the "ex-dividend date" (the date from which purchasers of shares through Japanese stock exchanges will not be entitled to the dividends to be paid to registered shareholders as of any record date) and the record date for dividends precede the date of determination of the amount of the dividend to be paid. The ex-dividend date of the Shares is generally the business day immediately prior to the record date. Under its articles of incorporation, the Company is not obligated to pay any distribution of Surplus that is paid in cash that has not been received by a shareholder after the lapse of three years from the commencement date of such distribution.

Restriction on Distribution of Surplus

In making a distribution of Surplus, the Company must set aside in its capital reserves and/or retained earnings a total amount equal to one-tenth of the amount of Surplus so distributed until the sum of such capital reserves and retained earnings reaches one-quarter of its share capital.

The amount of Surplus, or the Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D – (E + F + G)$$

In the above formula:

"A" = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on the Company's non-consolidated balance sheet as of the end of the last fiscal year.

"B" = (if the Company has disposed of its treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by the Company less the book value thereof.

"C" = (if the Company has reduced its share capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to capital reserves or retained earnings (if any).

"D" = (if the Company has reduced its capital reserves or retained earnings after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to share capital (if any).

"E" = (if the Company has cancelled its treasury stock after the end of the last fiscal year) the book value of such treasury stock.

"F" = (if the Company has distributed Surplus to its shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed.

"G" = certain other amounts set forth in an ordinance of the Ministry of Justice, including the following:

- if the Company has reduced Surplus and increased its share capital, capital reserves or retained earnings after the end of the last fiscal year, the amount of such reduction; and
- if the Company has distributed Surplus to shareholders after the end of the last fiscal year, the amount set aside in its capital reserves or retained earnings, if any, as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by the Company may not exceed a prescribed distributable amount, or the Distributable Amount, as calculated on the effective date of such distribution. The Distributable Amount of the Company at any given time shall be the amount of Surplus less the aggregate of (a) the book value of its treasury stock, (b) the amount of consideration for any of its treasury stock disposed of by the Company after the end of the last fiscal year and (c) certain other amounts set forth in an ordinance of the Ministry of Justice, including all or a certain part of the amount by which one-half of its goodwill and deferred assets exceeds, if at all, the total of the share capital, capital reserves and retained earnings, each such amount being the amount in its non-consolidated balance sheet as of the end of the last fiscal year, as calculated in accordance with the ordinance of the Ministry of Justice. If the Company has become, at the Company's option, a company with respect to which its consolidated balance sheet should also be considered in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), the Company will further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of the shareholders' equity appearing on its non-consolidated balance sheet as of the end of the last fiscal year and certain other amounts set forth in ordinances of the Ministry of Justice over (y) the total amount of the shareholders' equity and certain other amounts set forth in ordinances of the Ministry of Justice appearing on its consolidated balance sheet as of the end of the last fiscal year.

If the Company has prepared provisional financial statements as described below, and if such provisional financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of its treasury stock disposed of by the Company, during the period in respect of which such provisional financial statements have been prepared. The Company may prepare non-consolidated provisional financial statements in accordance with the Companies Act and an ordinance of the Ministry of Justice consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and a statement of income for the period from the first day of the subject fiscal year to the date of such balance sheet. Provisional financial statements so prepared by the Company must be audited by the Audit and Supervisory Committee and the independent auditor, and approved by the Board of Directors and (if so required by the Companies Act) a general meeting of shareholders, as required by the Companies Act and ordinances of the Ministry of Justice.

Capital and Reserves

Under the Companies Act, the paid-in amount of any newly issued shares is required to be accounted for as share capital, although the Company may account for an amount not exceeding one-half of such paid-in amount as capital reserves. The Company may generally reduce its capital reserves or retained earnings by a resolution of

a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as share capital. On the other hand, the Company may generally reduce its share capital by a special resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as capital reserves. In addition, the Company may reduce its Surplus and increase either (i) share capital or (ii) capital reserves and/or retained earnings by the same amount, in either case by a resolution of a general meeting of shareholders.

Share Splits

The Company may at any time split Shares into a greater number of Shares by a resolution of the Board of Directors or, if the authority to make such determination has been delegated by a resolution of the Board of Directors to an individual director, a determination of such individual director. When a share split is to be made, so long as its only class of outstanding stock is the common stock, the Company may increase the number of authorised shares to the extent that the ratio of such increase in authorised shares does not exceed the ratio of such share split by amending its articles of incorporation, which amendment may be effected by a resolution of the Board of Directors or, if the authority to make such determination has been delegated by a resolution of the Board of Directors to an individual director, a determination of such individual director without the approval of shareholders.

Before a share split, the Company must give public notice of the share split, specifying the record date therefor, not less than two weeks prior to such record date.

Under the Japanese book-entry transfer system, on the effective date of the share split, the numbers of shares recorded in all accounts held by the shareholders at account management institutions will be increased in accordance with the applicable ratio.

Consolidation of Shares

The Company may at any time consolidate Shares into a smaller number of shares by a special resolution of the general meeting of shareholders (i.e., a reverse share split). When a consolidation of shares is to be made, the Company must give public notice at least two weeks (or, in certain cases where any fractions of shares are left as a result of consolidation of shares, 20 days) prior to the effective date of the consolidation of shares. The Company must disclose the reason for the consolidation of shares at the general meeting of shareholders.

Under the Japanese book-entry transfer system, on the effective date of the consolidation of shares, the numbers of shares recorded in all accounts held by the shareholders at account management institutions will be decreased in accordance with the applicable ratio.

Unit Share System

The Company's articles of incorporation provide that 100 shares each constitute one unit of shares. Under the unit share system, shareholders have, at general meetings of shareholders, one voting right for each unit of shares held by them, and shares constituting less than a full unit carry no voting rights. The Company's articles of incorporation provide that the holders of shares constituting less than a full unit do not have shareholder rights, except for (a) those specified in the Companies Act or an ordinance of the Ministry of Justice which include rights (i) to receive dividends, (ii) to receive cash or other assets in the case of a consolidation of shares or share split, share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*), or merger or (iii) to be allotted rights to subscribe for new shares and stock acquisition rights (*shinkabu yoyakuken*) for free when such rights are granted to shareholders, (b) those to request the Company to acquire shares with an option to request for acquisition or (c) those to be allotted rights to subscribe for shares or stock acquisition rights in accordance with the number of shares held by such shareholder when such rights are granted to shareholders. Holders of shares constituting less than a full unit may at any time request that the Company purchases such shares constituting less than a full unit at their market price in accordance with its share handling regulations. In addition, holders of shares constituting less than a full unit may require that the Company sells them such number of shares, that, when combined with the number of shares already held by such holder, constitute a whole unit of shares; provided that the Company be obliged to comply with such request only when there is a sufficient number of treasury shares to accommodate such request. As prescribed in the share handling regulations, such requests must be made through an account management institution and JASDEC pursuant to the rules set by JASDEC without going through the notification procedure required for the exercise of shareholders' rights to which shareholders are entitled regardless of record dates as described in "—General". The Board of Directors or, if the authority to make such determination has been delegated by a resolution of the Board of Directors to an individual director, a determination of such individual

director may reduce the number of shares constituting one unit or cease to use the unit share system by amendments to the articles of incorporation without shareholders' approval even though amendments to the articles of incorporation generally require a special resolution adopted at the general meeting of shareholders.

Under the Japanese book-entry transfer system described in "—General", shares constituting less than a full unit are transferable. Under the rules of the Japanese stock exchanges, including the Tokyo Stock Exchange, however, shares constituting less than a full unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

General Meetings of Shareholders

Under the Company's articles of incorporation, the ordinary general meeting of shareholders is held within three months from 15 May of each year. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary. The place, the time, the purpose and certain other information of the general meeting of shareholders must be uploaded onto its website at least three weeks prior to the date set for the meeting, and notice of a general meeting of shareholders stating the URL of its website used and certain other information of the meeting must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for voting rights at an ordinary general meeting of shareholders is 15 May of each year.

Any shareholder holding at least 300 voting rights or one per cent of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders, and may request to include a summary of proposals which such shareholder intends to submit with respect to the matters that are purpose of such meeting in a convocation notice to the shareholders, by submitting a request to a Representative Director at least eight weeks prior to the date of such meeting, provided that the Company may limit the number of such matters requested by each shareholder to ten when including the summary in such convocation notice. Any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened if the articles of incorporation so provide. The Company's articles of incorporation currently do not include any such provisions.

Voting Rights

Shareholders of the Company's common stock have one voting right for each unit of shares held by them.

Except as otherwise provided by law or in its articles of incorporation, a majority of the voting rights held by the Company's shareholders present at a general meeting of shareholders is necessary to adopt a resolution at the meeting. The Company's articles of incorporation provide that the quorum for election of directors is one-third of the total number of voting rights. The Company's shareholders are not entitled to cumulative voting in the election of directors. A shareholder may exercise its voting rights in writing or through a proxy, provided that the proxy is also a holder of Shares having voting rights at such meeting. Generally, a shareholder may also exercise its voting rights by electronic means pursuant to the method designated by the Company.

The Companies Act provides that certain important matters shall be approved by "special resolution" of a general meeting of shareholders. Under the Company's articles of incorporation, the quorum for a special resolution is one-third of the total number of voting rights, and the approval of not less than two-thirds of the voting rights held by the shareholders present at the meeting is required for adopting a special resolution. Such important matters include:

(1) any amendment to the Company's articles of incorporation (except for such amendments that may be made without the approval of shareholders under the Companies Act, such as (i) an increase of the number of authorised shares to the extent that the ratio of such increase in authorised shares does not exceed the ratio of such share split, (ii) a reduction of the number of shares per unit of shares and (iii) termination of the unit share system);

(2) dismissal of a director who is a member of the Audit and Supervisory Committee;

(3) the Company's dissolution, merger or consolidation requiring shareholders' approval;

(4) establishment of a parent and wholly owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*) requiring shareholders' approval;

(5) establishment of a parent-subsidiary relationship by way of a partial share exchange (*kabushiki-kofu*) requiring shareholders' approval;

(6) transfer of the whole or a substantial part of the Company's business;

(7) transfer of the whole or a part of the Company's shares or equity interests in any of its subsidiaries where the amount of the book value of the equity interests so transferred exceeds one-fifth of the amount of its total assets as provided for by ordinances of the Ministry of Justice and the Company has no more than half of the voting rights of all holders of equity interests in that subsidiary as of the effective date of the transfer;

(8) taking over of the whole of the business of another company requiring shareholders' approval;

(9) a corporate split requiring shareholders' approval;

(10) consolidation of Shares;

(11) acquisition of Shares from a specific shareholder other than a subsidiary;

(12) distribution of Surplus in kind (except when shareholders are granted the right to require that such distribution be made in cash instead of in kind);

(13) issuance of new shares or sale of existing shares held by the Company as treasury stock at a "specially favourable" price except in the case of the allotment of shares to the shareholders; and

(14) issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) under "specially favourable" conditions except in the case of the allotment of stock acquisition rights to the shareholders.

Liquidation Rights

In the event of the Company's liquidation, the assets remaining after payment of all debts, liquidation expenses, and taxes will be distributed among holders of Shares in proportion to the respective numbers of shares held by them.

Issue of Additional Shares and Pre-emptive Rights

Holders of Shares have no pre-emptive rights. Authorised but unissued Shares may be issued, or existing shares held by the Company as treasury stock may be sold, at such times and upon such terms as the Board of Directors or, if the authority to make such determination has been delegated by a resolution of the Board of Directors to an individual director, a determination of such individual director determines subject to the limitations as to the issuance of new Shares or sale of existing shares held by the Company as treasury stock at a "specially favourable" price mentioned in "—Voting Rights". The Board of Directors or, if the authority to make such determination has been delegated by a resolution of the Board of Directors to an individual director, a determination of such individual director may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares or sale of existing shares held by the Company as treasury stock, in which case such rights must be given on uniform terms to all shareholders as of a record date not less than two weeks prior to which public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks' prior notice of the date on which such rights expire.

In the case of an issuance of shares (including a sale of existing shares held by the Company as treasury stock) or stock acquisition rights whereby any subscriber (including its subsidiaries and other companies set forth in ordinances of the Ministry of Justice) will hold more than 50 per cent of the voting rights of all shareholders, and if shareholders who hold one-tenth or more of the voting rights of all shareholders object to the issuance of shares or stock acquisition rights, the approval by a resolution of a general meeting of shareholders is generally required before the payment date (or the allotment date in the case of an issuance of stock acquisition rights) pursuant to the Companies Act. In addition, in the case of an issuance of shares (including a sale of existing shares held by the Company as treasury stock) or stock acquisition rights by a listed company by way of an allotment to a third party which would dilute the outstanding voting shares by 25 per cent or more or cause change of the controlling shareholder, in addition to a resolution of the Board of Directors, or, if the authority to make such determination has been delegated by a resolution of the Board of Directors to an individual director, a

determination of such individual director, shareholders' approval, through a resolution of a general meeting of shareholders or otherwise, or an affirmative opinion by a person independent of the Company's management is generally required pursuant to the rules of the Japanese stock exchanges.

Stock Acquisition Rights

The Company has issued and may issue additional stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire shares from the Company upon payment of the applicable exercise price and subject to other terms and conditions. The Company may also issue bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorised by the Board of Directors unless it is made under "specially favourable" conditions, as described in "—Voting Rights" or, in certain cases where the approval of the shareholders or an affirmative opinion from an independent person may be required, as described in "—Issue of Additional Shares and Pre-emptive Rights".

Record Date

As mentioned above, 31 March is the record date for the payment of year-end dividends, and 15 May is the record date for the determination of shareholders entitled to vote at the ordinary general meeting of shareholders. 30 September is the record date for the payment of interim dividends, if any. In addition, by a resolution of the Board of Directors or, if the authority to make such determination has been delegated by a resolution of the Board of Directors to an individual director, a determination of such individual director and after giving at least two weeks' prior public notice, the Company may at any time set a record date in order to determine the shareholders who are entitled to certain rights pertaining to the Shares.

Under the Book-Entry Act, JASDEC is required to give the Company notice of the names and addresses of the shareholders, the numbers of shares held by them and other relevant information as of such record date.

Acquisition of Common Stock

The Company may acquire Shares:

(1) by way of purchase on any Japanese stock exchange on which the Shares are listed or by way of tender offer (in either case pursuant to a resolution adopted by the Board of Directors or an ordinary resolution of a general meeting of shareholders);

(2) from a specific shareholder other than any of its subsidiaries (pursuant to a special resolution adopted at a general meeting of shareholders); or

(3) from any of its subsidiaries (pursuant to a resolution adopted by the Board of Directors or, if the authority to make such determination has been delegated by a resolution of the Board of Directors to an individual director, a determination of such individual director).

In the case of (2) above, any other shareholder may make a request to the Company that such shareholder be included as a seller in the proposed purchase unless the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (a) the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (2) above is adopted (or, if there is no trading in the shares on the stock exchange or the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter) and (b) if the shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (2) above is adopted, the price of the shares under the agreement with respect to such tender offer on such day.

The total amount of the purchase price of Shares may not exceed the Distributable Amount as described in "—Distribution of Surplus—Restriction on Distribution of Surplus".

The Company may hold the Shares acquired and may generally dispose of or cancel such shares by a resolution of the Board of Directors or, if the authority to make such determination has been delegated by a resolution of the Board of Directors to an individual director, a determination of such individual director.

Request by a Controlling Shareholder to Sell All Shares

A controlling shareholder holding, directly or indirectly, 90 per cent (or such other percentage above 90 per cent as may be provided in its articles of incorporation) or more of voting rights has the right to request, subject to approval by the Board of Directors, that the other shareholders and (if the controlling shareholder so determines) all holders of stock acquisition rights (in each case other than the Company and, if the controlling shareholder so determines, the controlling shareholder's wholly owned subsidiaries) sell to the controlling shareholder all shares and all stock acquisition rights, as the case may be, held by them (*kabushikitou uriwatashi seikyu*). If the approval is granted by a resolution of the Board of Directors, the Company will be required to give public notice thereof to all holders and registered pledgees of shares (and stock acquisition rights, as the case may be) not later than 20 days prior to the effective date of such sales, as proposed by the controlling shareholder.

Disposal of Shares of Common Stock Held by Shareholders Whose Location is Unknown

The Company is not required to continue to send notices to a shareholder if notices sent by the Company to such shareholder fail to arrive for five consecutive years or more at such shareholder's address registered in its register of shareholders or otherwise notified to the Company.

In the above case, if the relevant shareholder also fails to receive dividends on the shares continuously for five years or more at such shareholder's address registered in its register of shareholders or otherwise notified to the Company, then the Company may in general dispose of such shares at their then market price and hold or deposit the proceeds of such disposition on behalf of the relevant shareholder.

JAPANESE TAXATION

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares acquired upon the exercise of the Stock Acquisition Rights incorporated in the Bonds who are non-resident individuals or non-Japanese corporations, in either case having no permanent establishment in Japan ("non-resident Holders"). The statements regarding Japanese tax laws set out below are based on the laws in force and interpreted by the Japanese taxation authorities as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements or in the interpretation thereof after that date.

This summary is not exhaustive of all possible tax considerations which may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the Bonds and Shares, including, specifically, the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty, convention or agreement between Japan and their country of residence, by consulting their own tax advisers.

Bonds

Receipts of premium (if any) upon redemption of the Bonds by non-resident Holders are subject to Japanese income tax (including corporate income tax) but are not subject to any withholding tax. If the recipient is a resident or a corporation of a country with which Japan has an income tax treaty, Japanese tax treatment may be modified by any applicable provisions of such income tax treaty. Bondholders are advised to consult with their legal, accounting or other professional advisers as to the applicable tax treatment.

Gains derived from the sale of Bonds by a non-resident Holder thereof, are, in general, not subject to Japanese income tax. Exercise of the Stock Acquisition Rights is not a taxable event in general.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual, who has acquired Bonds from another individual as legatee, heir or donee even if none of the acquiring individual, the decedent or the donor is a Japanese resident.

Shares

Generally, a non-resident Holder of Shares is subject to Japanese income tax collected by way of withholding on dividends (meaning distributions from the Company's retained earnings for the Companies Act purposes) paid by it, and such tax will be withheld prior to payment of dividends. Share splits are, in general, not a taxable event.

Unless modified by any applicable tax treaty between Japan and the country of tax residence of a non-resident Holder, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations on their shares of stock to non-resident Holders is generally 20.42 per cent (or 20.2 per cent on or after 1 January 2048) under Japanese tax law. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the Shares) to non-resident Holders, other than any non-resident holder who is an individual shareholder holding 3 per cent or more of the total number of shares issued by the relevant Japanese corporation, the aforementioned withholding tax rate of 20.42 per cent (or 20.2 per cent on or after 1 January 2048) is reduced to (i) 15.315 per cent for dividends due and payable on or before 31 December 2047 and (ii) 15.15 per cent for dividends due and payable thereafter. Due to the imposition of a special additional withholding tax (2.1 per cent of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake (the "reconstruction surtax"), the original withholding tax rate of 15 per cent and 20 per cent, as applicable, has been effectively increased, respectively, to 15.315 per cent and 20.42 per cent. This overall withholding tax rate of 15.315 per cent or 20.42 per cent, as applicable, continues to apply until 31 December 2047, while the breakdown of the surtax portion of 0.315 per cent or 0.42 per cent, respectively, is (i) the reconstruction surtax of 0.315 per cent or 0.42 per cent (or 2.1 per cent of the original withholding tax rate) until 31 December 2026, and (ii) during the period beginning on 1 January 2027 and ending on 31 December 2047, the reconstruction surtax of 0.165 per cent or 0.22 per cent (or 1.1 per cent of the original withholding tax rate) and another special additional withholding tax of 0.15 per cent or 0.2 per cent (or 1.0 per cent of the original withholding tax rate) to fund strengthening Japan's national defence capabilities (the "defence surtax"). The 2026 tax reform, which was promulgated on 31 March 2026, has introduced the defence surtax while accordingly reducing the reconstruction surtax, to maintain the overall withholding tax rate. On or after 1 January 2048, the overall withholding tax rate will be 15.15 per cent or 20.2 per cent, as applicable, instead of 15.315 per cent or 20.42 per cent, where the only surtax will be the defence surtax of 0.15 per cent or 0.2 per cent, respectively (or 1.0 per cent of the original

withholding tax rate). All references to the tax rate of 15.315 per cent or 20.42 per cent, as applicable, in the foregoing descriptions will read accordingly.

If distributions are made from the Company's capital surplus, rather than retained earnings, for Companies Act purposes, the portion of such distributions in excess of the amount corresponding to a pro rata portion of return of capital as determined under Japanese tax laws would be deemed dividends for Japanese tax purposes, while the rest would be treated as return of capital for Japanese tax purposes. The deemed dividend portion, if any, would generally be subject to the same tax treatment as dividends as described above, and the return of capital portion would generally be treated as proceeds derived from the sale of Shares and subject to the same tax treatment as sale of Shares as described below. Distributions made in consideration of repurchase by the Company of its own shares or in connection with certain reorganisation transactions or liquidation of the Company will in general be treated substantially in the same manner.

Gains derived from the sale or other disposition of Shares outside Japan by a non-resident Holder thereof, who is a portfolio investor, are, in general, not subject to Japanese income tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual, who has acquired Shares from another individual as legatee, heir or donee even if none of the acquiring individual, the decedent or the donor is a Japanese resident.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated 1 April 2026 in respect of the Bonds (the "Subscription Agreement") between the Company, Nomura International plc, Daiwa Capital Markets Europe Limited and Mizuho International plc (the "Joint Lead Managers"), the Joint Lead Managers have agreed with the Company, subject to the satisfaction of certain conditions, severally but not jointly, to purchase the aggregate principal amount of the Bonds as indicated in the table below at the issue price of 100.0 per cent of the principal amount of the Bonds (the "Issue Price"), and to offer the Bonds at the offer price as stated on the cover page of this Offering Circular (the "Offer Price").

Joint Lead Managers	Principal Amount of the Bonds
Nomura International plc	¥60,000,000,000
Daiwa Capital Markets Europe Limited	¥30,000,000,000
Mizuho International plc	¥10,000,000,000
Total	¥100,000,000,000

No selling concession or combined management and underwriting commission will be payable by the Company in respect of the offering of the Bonds. The difference between the Issue Price and the Offer Price will be distributed among the Joint Lead Managers. The Company has agreed to pay certain costs in connection with the issue and offering of the Bonds. The Joint Lead Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to the Company as set out therein. The Company has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue and offering of the Bonds.

Lock-up

In connection with the issue and offering of the Bonds, the Company has agreed not to, and not to direct any entities or any persons acting at the direction of the Company to, (i) issue, offer, pledge, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Shares or any other capital stock of the Company, (ii) enter into any derivative transaction or any other transaction that transfers, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale, (iii) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility or (iv) publicly announce any intention to do any of the above, in each case, for a period beginning on the date of the Subscription Agreement and ending on the date 180 calendar days after the Closing Date without the prior written consent of the Joint Lead Managers, other than (a) the issue and sale by the Company of the Bonds (or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights by the Company), (b) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares, (c) the issue of Shares by the Company as a result of any stock split or the pro rata allocation of Shares or stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights, (d) the issue or transfer of Shares to the directors, officers or employees of the Company or any other member of the Group pursuant to the Company's restricted stock compensation plan, (e) the issue or transfer of Shares to the directors, officers or employees of the Company or any other member of the Group based on the Company's restricted stock unit plan and performance share unit plan, and the grant of the restricted stock units and performance share units under the Company's stock-based compensation plans, (f) the sale by the Company of Shares held by unidentified shareholders, and (g) any other issue or sale of Shares required by applicable Japanese laws and regulations.

Selling Restrictions

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Bonds or the Shares or the possession, circulation or distribution of this Offering Circular or any other material relating to the Company, the Bonds or the Shares where action for such purpose is required. Accordingly, neither the Bonds or the Shares may be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds or the Shares may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Neither the Company nor any of the Joint Lead Managers represent that the Bonds or the Shares may at any time lawfully be sold in the secondary market in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assume any responsibility for facilitating such sales.

United States

The Bonds are being offered and sold outside of the United States in reliance on Regulation S. Neither the Bonds nor the Shares have been or will be registered under the Securities Act and the Bonds may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds or the Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Japan

The Bonds have not been and will not be registered under the FIEA. Accordingly, each Joint Lead Manager has represented and agreed that, in connection with the initial offering of the Bonds, it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the account or benefit of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Prohibition of Sales to EEA Retail Investors

The Bonds which are the subject of the offering contemplated by this Offering Circular are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

  (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Prohibition of Sales to UK Retail Investors

The Bonds which are the subject of the offering contemplated by this Offering Circular are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is neither:

(i) a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law; nor

(ii) a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

In addition, in the United Kingdom, this Offering Circular is being distributed only to, and is directed only at (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or (ii) entities falling within Article 49(2)(a) to (e) of the Order (all such persons together being referred to as "relevant persons"). This Offering Circular must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this Offering Circular relates is only available to, and will be engaged in with, relevant persons.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, the Bonds have not been offered or sold, or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and neither this Offering Circular nor any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4(A) of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Any reference to the "SFA" is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Hong Kong

The Shares and the Bonds have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "Securities and Futures Ordinance") and any rules made under the Securities and Futures Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the Bonds has been issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under the Securities and Futures Ordinance.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds. The Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus pursuant to the FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Other Relationships

In connection with the offering, the Joint Lead Managers may for their own account enter into asset swaps, credit derivatives or other derivatives relating to the Bonds and/or components of the Bonds and/or the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions including facilitating short sales of the Shares by investors who are allocated Bonds. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Bonds). As a result of such transactions, the Joint Lead Managers may hold long or short positions in the Bonds and/or the Shares and/or derivatives relating thereto. No disclosure will be made of any such positions.

Certain of the Joint Lead Managers or their affiliates have in the past provided, are currently providing and may in the future provide investment and commercial banking, underwriting, advisory and other services to the Company and its subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. Interests may evolve out of these transactions that could potentially conflict with the interests of a purchaser of the Bonds.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Security Identification Number (ISIN) is XS3304376851 and the Common Code is 330437685.

2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 6857. The Legal Entity Identifier (LEI) for the Company is 353800EMK32PDKS9XR54.

3. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries and associates, or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥300,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST and rules of the SGX-ST so require. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate evidencing the Bonds is exchanged for definitive Certificates. In addition, in the event that the Global Certificate evidencing the Bonds is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

4. The Company has obtained all necessary consents, approvals and authorisations in Japan, if any, in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution dated 1 April 2026 of the Board of Directors of the Company.

5. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Group since 31 December 2025.

6. Copies of the latest unaudited annual and quarterly consolidated financial statements in English (being English translations of the Company's published *Kessan tanshin* (results announcements)) may be obtained, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified offices of each of the Agents during normal business hours, or electronically upon request to the Trustee, so long as any of the Bonds is outstanding.

7. The consolidated financial statements of the Company for each of the fiscal years ended 31 March 2023, 2024 and 2025 included in this Offering Circular, have been audited by Ernst & Young ShinNihon LLC, the Company's independent auditor, as stated in its audit reports appearing herein.

8. The unaudited condensed quarterly consolidated financial statements of the Company as at 31 December 2025 and for the nine-month periods ended 31 December 2024 and 2025, included in this Offering Circular, have been reviewed by Ernst & Young ShinNihon LLC, the Company's independent auditor, as stated in its review report appearing herein.

9. Except to the extent provided in Condition 6, the Conditions do not provide for participating rights in the event of a take-over of the Company.

10. The Trustee is entitled under each Trust Deed to rely on reports and certificates addressed and/or delivered to it by the independent auditor to the Company whether or not the same are subject to any limitation on the liability of the independent auditor to the Company and whether by reference to a monetary cap or otherwise.

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Notice to Investors

This Offering Circular does not represent "Other Information" as described in the Independent Auditor's Reports contained herein.

Independent Auditor's Report

The Board of Directors
Advantest Corporation

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Advantest Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill and intangible assets related to the system level test business

Description of Key Audit Matter

The Group has been strategically acquiring businesses to expand its test and measurement solutions in the semiconductor value chain. As of March 31, 2025, the cash generating unit (CGU) with significant goodwill and assets among the main businesses of the system level test was R&D Altanova group, and the amounts of goodwill and intangible assets allocated to this CGU were ¥27,479 million and ¥8,398 million, respectively. Furthermore, as of March 31, 2025, as a result of the recognition of impairment losses, the corresponding balances of goodwill and intangible assets attributable to the Essai, Inc. CGU were determined to be nil.

Company Name (CGU)	Date of Acquisition	Main Business Activities	Balances of Goodwill and Intangible Assets
Essai, Inc.	January 2020	Design, manufacture and sale of test sockets and thermal control units	Goodwill: - Intangible assets: -
R&D Altanova, Inc.	November 2021	Design, manufacture and sale of test interface boards	Goodwill: ¥27,479 million Intangible assets: ¥8,398 million

The total of the above goodwill and intangible assets was ¥35,877 million, which accounted for approximately 4% of total assets. The related amounts, the key assumptions used in the impairment test and the method used in the calculation are disclosed in Note 4 “Significant Accounting Judgments, Estimates and Assumptions” and Note 12 “Goodwill and Intangible Assets” of the notes to the consolidated financial statements.

In the fiscal year ended March 31, 2025, the proliferation of AI drove the growth in demand for semiconductors in the semiconductor market, and, accordingly, demand for the Group’s products for high-performance semiconductors related to AI also significantly increased. On the other hand, the demand for products other than AI-related applications, such as consumer electronics, automotive and industrial equipment, remained soft.

As a result of the impairment test, there were no impairment losses recognized for the R&D Altanova, Inc. CGU as it was generally progressing according to the business plan. However, the value in use of the Essai, Inc. CGU was less than the carrying amount due to softness in sales for a large-volume customer and delays in expanding sales to new customers, resulting in impairment losses of ¥21,393 million being recorded.

The impairment test is performed by comparing the values in use of each CGU with the carrying amounts of each business. The values in use of each CGU are determined by discounting estimated future cash flows to present value using pre-tax discount rates that reflect the time value of money and business specific risks based on the capital asset pricing model. The estimated future cash flows are determined based on the three-year business plan approved by management and specific growth rates after three years. The key assumptions in estimating the values in use are the sales forecasts for existing large-volume customers and prospects for gaining new customers on which to base a three-year business plan, the growth rates after three years, and the discount rates.

The above-mentioned businesses are in the semiconductor industry, which is expected to grow in the long term. On the other hand, in the medium term, demand is expected to fluctuate due to factors such as investment budgets of semiconductor manufacturers, which are the Group's customers, and geopolitical risks. As of March 31, 2025, sales of these businesses were highly dependent on large-volume customers, and it was important to acquire new customers by utilizing the customer base of the Group in order to achieve the business plan. Accordingly, there were uncertainties in the sales forecasts to existing large-volume customers and the prospects of gaining new customers, which served as the basis of the business plan and the forecasts of growth rates after three years, and a high degree of management judgment was required to determine these key assumptions. Furthermore, the calculation of the discount rates requires a high level of expertise in the determination of calculation methods and inputs.

Therefore, we determined the valuation of goodwill and intangible assets related to these businesses to be a key audit matter.

Auditor's Response

We performed the following audit procedures, among others to consider the valuation of goodwill and intangible assets:

(Evaluation of calculation method)

- We involved the valuation specialists of our network firm to assess the method used to calculate the values in use.

(Evaluation of the reasonableness of the business plan)

- We compared the estimated future cash flows for three years with the business plan approved by management to evaluate their consistency.
- We compared the Group's business plan for prior years with actual results to evaluate the effectiveness of management's estimation process.
- Regarding the sales forecasts to existing large-volume customers, which serve as the basis of the business plan, we inquired of management and the responsible officials of each business unit, compared with the sales backlog and publicly available data such as market reports and announcements published by customers and performed a trend analysis based on the past results.

・Regarding the prospects for gaining new customers, we inquired of management and the responsible officials of each business unit, examined the progress of new business negotiations, compared with the past customer acquisition results.

・Regarding the capital investments expected in the estimated future cash flows, we inquired of management and the responsible officials of each business unit and compared with the sales forecasts to evaluate consistency between these figures. Additionally, we conducted on-site visits and inquired of the responsible official of the business unit about the status of the technology transfer to Shin Puu Technology Co., Ltd., which was acquired for the expansion of production capacity for R&D Altanova, Inc., products and the operational status of the production line.

・We performed a sensitivity analysis of the business plan reflecting uncertainty in the sales forecasts.

(Evaluation of the reasonableness of the growth rates and discount rates)

・Regarding the growth rates for the period after three years, we inquired of management, compared with market reports, and performed the trend analysis based on the past results.

・We compared the discount rates with the estimation made by the valuation specialists of our network firm.

Valuation of inventories
Description of Key Audit Matter
The Group recorded inventories of ¥209,707 million on the consolidated statement of financial position as of March 31, 2025, which accounted for approximately 25% of total assets. Of this amount, raw materials and supplies totaled ¥128,752 million. The related amounts, the estimation method, and the assumptions used in valuation of inventories are disclosed in Note 4 “Significant Accounting Judgments, Estimates and Assumptions” of the notes to the consolidated financial statements. Additionally, as described in Note 9 “Inventories” of the notes to the consolidated financial statements, inventory valuation losses of ¥17,712 million were recorded for the fiscal year ended March 31, 2025. The Group measures inventories at the lower of cost or net realizable value after initial recognition. If net realizable value is less than cost, an impairment loss in the amount of the difference is recognized. In addition, the Group analyzes whether there is an excess inventory balance and considers the necessity of recording an impairment loss based on the demand forecast by item. The Group is in the semiconductor industry, which is expected to grow in the long term; however, in the medium term, significant fluctuations in demand are anticipated due to factors such as investment budgets of semiconductor manufacturers, which are the Group’s customers, and geopolitical risks. The Group strategically placed advance orders to prepare for sudden fluctuations in future demand, securing inventory balances at a high level, primarily focusing on raw materials.

In the fiscal year ended March 31, 2025, the demand for semiconductors due to the proliferation of AI drove the growth of the semiconductor market, and the demand for the Group's products for high-performance semiconductors related to AI also significantly increased. On the other hand, the demand for products other than AI-related applications, such as consumer electronics, automotive and industrial equipment, remained soft. The inventory turnover period for certain raw materials related to these specific products, which account for approximately 9% of total raw materials and supplies, became particularly long.

Since the demand forecasts by item are based on customer demand forecasts and involve uncertainty, a high level of management judgment is required in the valuation of inventories.

Therefore, we determined the valuation of certain inventories related to specific products for consumer electronics, automotive and industrial equipment to be a key audit matter.

Auditor's Response

We performed the following audit procedures, among others to consider the valuation of certain inventories related to specific products for consumer electronics, automotive and industrial equipment:

(1) Assessment of the Group's internal controls

・We assessed the effectiveness of the design and operation of the Group's internal controls relating to the valuation of inventories.

(2) Evaluation of the reasonableness of the valuation of inventories

・We inquired of management regarding their judgments on the valuation of inventories.

・We performed the following procedures for the demand forecasts by item:

  ・We examined the consistency between the demand forecasts by item used for valuation of inventories and the estimated future sales quantities by product model, as well as the consistency between the future sales quantities by product model and the Group's business plan. We also inquired of management about the demand forecasts for each business that underlie the business plan and compared them with available external data.

  ・We compared the estimated sales quantities by product model for prior years with actual sales results to evaluate the effectiveness of management's estimation process.

  ・Regarding the reasonableness of the demand forecasts by item, we inquired of the responsible officials of business units and examined their consistency with the raw material usage in the past to evaluate the reasonableness of the estimates.

  ・We inquired of the responsible officials of business units whether inventories that require a long period to be sold, are considered excess inventory, and examined the reasonableness of their judgements.

・We performed analytical procedures on the inventory balance and the inventory valuation losses by product model.

・We verified the consistency of the allowance for inventory valuation losses by product model with the supporting evidence.

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRS Accounting Standards, matters related to going concern.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRS Accounting Standards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

The fees for the audits of the financial statements of Advantest Corporation and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2025 are 390 million yen and 178 million yen, respectively.

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

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

/s/ Ernst & Young ShinNihon LLC
Tokyo, Japan

March 25, 2026

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

Millions of Yen

	Note	As of March 31, 2024	As of March 31, 2025
Assets			
Current assets			
Cash and cash equivalents	7, 30	106,702	262,544
Trade and other receivables	8, 30	88,855	113,031
Inventories	9	204,389	209,707
Other current assets	10, 30	20,315	14,471
Total current assets		420,261	599,753
Non-current assets			
Property, plant and equipment, net	11	78,884	78,602
Right-of-use-assets	13	19,106	18,338
Goodwill and intangible assets, net	12	98,514	78,365
Other financial assets	10, 30	20,139	30,167
Deferred tax assets	15	33,423	47,894
Other non-current assets	19	902	1,091
Total non-current assets	6	250,968	254,457
Total assets		671,229	854,210
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	16, 30	76,863	107,093
Short-term borrowings	17, 30	—	74,952
Income taxes payable		10,262	73,023
Provisions	18	8,668	12,454
Lease liabilities	13, 30	5,147	5,046
Other financial liabilities	30	1,868	5,790
Other current liabilities	22	23,469	31,066
Total current liabilities		126,277	309,424
Non-current liabilities			
Long-term borrowings	17, 30	75,143	3
Lease liabilities	13, 30	14,153	13,502
Retirement benefit liabilities	19	19,134	17,614
Deferred tax liabilities	15	3,934	4,709
Other non-current liabilities	30	1,410	2,419
Total non-current liabilities		113,774	38,247
Total liabilities		240,051	347,671
Equity			
Share capital	20	32,363	32,363
Share premium	20	45,441	46,665
Treasury shares	20	(56,353)	(104,193)
Retained earnings	20	355,299	489,850
Other components of equity	20	54,428	41,854
Total equity attributable to owners of the parent		431,178	506,539
Total equity		431,178	506,539
Total liabilities and equity		671,229	854,210

2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

Millions of Yen

	Note	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net sales	6, 22	486,507	779,707
Cost of sales	11, 12, 19	(240,477)	(334,622)
Gross profit		246,030	445,085
Selling, general and administrative expenses	11, 12, 18, 19, 23, 24	(158,963)	(195,392)
Other income	26	3,926	1,366
Other expenses	27	(9,365)	(22,898)
Operating income	6	81,628	228,161
Financial income	25	1,244	1,895
Financial expenses	25	(4,702)	(5,282)
Income before income taxes		78,170	224,774
Income taxes	15	(15,880)	(63,597)
Net income		62,290	161,177
Net income attributable to:			
Owners of the parent		62,290	161,177
Earnings per share:	29	Yen	Yen
Basic		84.45	218.67
Diluted		84.16	218.01

Consolidated Statement of Comprehensive Income

Millions of Yen

	Note	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net income		62,290	161,177
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plan	19, 20, 28	(640)	825
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	20, 28	(3,238)	(6,740)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	20, 28	26,029	(5,834)
Total other comprehensive income (loss)		22,151	(11,749)
Total comprehensive income for the year		84,441	149,428
Comprehensive income attributable to:			
Owners of the parent		84,441	149,428

3) Consolidated Statement of Changes in Equity

Millions of Yen

	Note	Equity attributable to owners of the parent						Total Equity
		Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	
Balance as of April 1, 2023		32,363	44,622	(59,099)	319,171	31,637	368,694	368,694
Net income					62,290		62,290	62,290
Other comprehensive income (loss), net of tax						22,151	22,151	22,151
Total comprehensive income for the year		—	—	—	62,290	22,151	84,441	84,441
Purchase of treasury shares	20			(17)			(17)	(17)
Disposal of treasury shares	20		(1,218)	2,727	(596)		913	913
Cancellation of treasury shares	20			36	(36)		—	—
Dividends	21				(24,890)		(24,890)	(24,890)
Share-based payments	24		1,639				1,639	1,639
Other			398				398	398
Transfer from other components of equity to retained earnings	20				(640)	640	—	—
Total transactions with the owners		—	819	2,746	(26,162)	640	(21,957)	(21,957)
Balance as of March 31, 2024		32,363	45,441	(56,353)	355,299	54,428	431,178	431,178
Net income					161,177		161,177	161,177
Other comprehensive income (loss), net of tax						(11,749)	(11,749)	(11,749)
Total comprehensive income for the year		—	—	—	161,177	(11,749)	149,428	149,428
Purchase of treasury shares	20		(48)	(50,005)			(50,053)	(50,053)
Disposal of treasury shares	20		(1,702)	2,165	(112)		351	351
Dividends	21				(27,339)		(27,339)	(27,339)
Share-based payments	24		2,893				2,893	2,893
Other			81				81	81
Transfer from other components of equity to retained earnings	20				825	(825)	—	—
Total transactions with the owners		—	1,224	(47,840)	(26,626)	(825)	(74,067)	(74,067)
Balance as of March 31, 2025		32,363	46,665	(104,193)	489,850	41,854	506,539	506,539

4) Consolidated Statement of Cash Flows

Millions of Yen

	Note	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities:			
Income before income taxes		78,170	224,774
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	11, 12, 13	26,104	27,075
Impairment losses	12	8,998	21,393
Share-based compensation expense	24	1,769	2,893
Changes in assets and liabilities:			
Trade and other receivables		17,400	(28,090)
Inventories		(30,923)	(4,682)
Trade and other payables		(16,857)	30,124
Warranty provisions		(478)	3,817
Advance receipts		(3,168)	11,099
Retirement benefit liabilities		(1,011)	(408)
Other		(249)	11,833
Subtotal		79,755	299,828
Interest and dividends received		1,202	1,808
Interest paid		(2,305)	(2,522)
Income taxes paid		(45,984)	(13,143)
Net cash provided by (used in) operating activities		32,668	285,971
Cash flows from investing activities:			
Proceeds from sale of equity instruments		1,150	—
Purchases of equity instruments		—	(18,529)
Proceeds from sale of property, plant and equipment		49	25
Purchases of property, plant and equipment		(19,592)	(17,414)
Purchases of intangible assets		(951)	(2,017)
Acquisition of subsidiaries	32	(8,260)	(3,815)
Other		(336)	(439)
Net cash provided by (used in) investing activities		(27,940)	(42,189)
Cash flows from financing activities:			
Proceeds from long-term borrowings	17	54,665	—
Repayments of long-term borrowings	17	(14,667)	—
Proceeds from disposal of treasury shares		867	352
Purchases of treasury shares	20	(17)	(50,080)
Dividends paid	21	(24,881)	(27,320)
Payments for lease liabilities	13	(5,207)	(5,323)
Other		—	(447)
Net cash provided by (used in) financing activities		10,760	(82,818)
Net effect of exchange rate changes on cash and cash equivalents		5,677	(5,122)
Net change in cash and cash equivalents		21,165	155,842
Cash and cash equivalents at the beginning of year		85,537	106,702
Cash and cash equivalents at the end of year	7	106,702	262,544

Notes to the Consolidated Financial Statements

1. Reporting Entity

Advantest Corporation is a public company located in Japan.

The Company's consolidated financial statements consist of the Company and its subsidiaries (collectively, "Advantest").

Advantest manufactures and sells semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. Advantest also engages in research and development activities and provides maintenance and support services associated with these products.

2. Basis of Preparation

(1) Compliance with IFRS Accounting Standards

Advantest prepares its consolidated financial statements in accordance with IFRS Accounting Standards (IFRS) issued by the International Accounting Standard Board. As Advantest meets the requirements of a "Specified Companies applying Designated IFRS" pursuant to Article 1-2 of the "Regulation on Consolidated Financial Statements", Advantest adopts Article 312 of the same regulation.

The consolidated financial statements were approved on March 25, 2026 by Koichi Tsukui, Representative Director, Senior Executive Officer and President, Group COO and Hisako Takada, Senior Executive Officer, CFO of the Company.

(2) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at their fair values, as included in Material Accounting Policies (see note 3 for additional details).

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese Yen, which is the Company's functional currency.

3. Material Accounting Policies

(1) Basis of Consolidation

Advantest's consolidated financial statements include financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control is obtained when the Company has risks or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the variable returns.

The Company consolidates all subsidiaries from the date on which the Company acquires control until the date on which the Company loses control.

Inter-company balances and transactions are eliminated in consolidation.

Subsidiaries' financial statements are adjusted, if necessary, when their accounting policies differ from those of the Company. For subsidiaries with different reporting dates from that of the Company, the financial statements based on provisional settlement of accounts made as of the reporting date are used in the preparation of the consolidated financial statements. The reporting date of the subsidiaries is not more than 3 months earlier than that of the Company.

(2) Business Combinations

Business combinations are accounted for using the acquisition method. Goodwill is measured as the excess of the total amount of the consideration transferred, the amount of any non-controlling interests in the acquiree and, if a business combination is achieved in stages, the amount of the fair value at the date of acquisition of acquirer's previously held equity interest in the acquiree over the net amounts recognized of the identifiable acquired assets and assumed liabilities (which is usually measured at fair value). If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. During the measurement period, which does not exceed one year from the acquisition date, the Company retrospectively adjusts the provisional amounts recognized at the acquisition date. Acquisition-related costs are recognized as expenses in the period in which they are incurred.

(3) Foreign Currency Translation

1) Translation of Foreign Currency Transactions

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency of each entity using the exchange rate at the end of the reporting period. Foreign currency transactions are converted into the functional currency using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized as financial income (expenses).

2) Translation of Foreign Operations

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

(4) Financial Instruments

1) Non-Derivative Financial Assets

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

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

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

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

Financial assets measured at amortized cost

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

- The financial asset is held within a business model with the objective of collecting contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets measured at fair value through other comprehensive income

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

Financial assets measured at fair value through profit or loss

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

2) Non-Derivative Financial Liabilities

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

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

Advantest derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

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

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

3) Equity

Share capital

Share capital is included in equity. The direct issuance costs of share capital are deducted, net of tax, from share premium.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized at purchase, sale and retirement of treasury shares.

4) Derivative Financial Instruments

Advantest uses derivative instruments primarily to manage exposures to foreign currency. The primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency. The instruments are not designated for trading or speculative purposes. Derivative financial instruments contain an element of risk in the event the counterparties are unable to meet the terms of the agreements. However, Advantest minimizes risk exposure by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines. Management of the Company does not expect any counterparty to default on its obligations and, therefore, does not expect to incur any losses due to counterparty default on its obligations. Advantest generally does not require or provide collateral for these derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and remeasured after initial recognition to their fair value. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

The accounting for changes in the fair value (that are, gains or losses) of a derivative instrument depends on the objective for holding such instrument and whether it meets the criteria for designation as a cash flow hedge or a fair value hedge.

If certain conditions are met, Advantest may elect to designate a derivative instrument as a hedge of exposures to changes in fair values, cash flows, or a net investment in a foreign operation.

(5) Impairment

1) Non-Derivative Financial Assets

Allowance for doubtful accounts against expected credit losses is recognized for financial assets measured at amortized cost.

Advantest assesses at the end of each reporting period whether the credit risk that relates to financial assets has increased significantly or not since initial recognition. If the credit risk has not increased significantly, Advantest recognizes an amount equal to 12-month expected credit losses as allowance for doubtful accounts. If the credit risk has increased significantly, Advantest recognizes an amount equal to lifetime expected credit losses as allowance for doubtful accounts. Advantest determines whether the credit risk has increased significantly or not based on the change of default risk.

Advantest always recognizes an amount equal to lifetime expected credit losses for trade receivables as allowance for doubtful accounts. If there has been a significant decrease of impairment loss on financial assets after initial recognition, Advantest recognizes in profit or loss, as an impairment gain, the amount of reversal that is required to adjust the allowance for doubtful accounts.

2) Non-Financial Assets

If there is any indication of impairment for non-financial assets other than inventories and deferred tax assets, the asset's recoverable amount is estimated, and the asset is tested for impairment. Goodwill is tested for impairment both annually and when there is any indication of impairment. An impairment loss is recognized if the recoverable amount of an asset, cash-generating unit (CGU) or CGU group is less than its carrying amount.

The recoverable amount of an asset, CGU or CGU group is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows associated with the asset, CGU or CGU group are discounted to present value using a pre-tax discount rate which reflects current market assessments of the time value of money and any risks specific to the asset, CGU or CGU group. For impairment testing purposes, assets are grouped together into the smallest assets, CGU or CGU group that generates cash inflows independently of cash inflows of other assets, CGU or CGU group. Goodwill is grouped together so that the impairment is tested for the smallest group of units used for internal reporting purposes. Goodwill acquired in a business combination is allocated to CGU or CGU group that is expected to benefit from the synergies of the business combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to that CGU or CGU group and then to reduce the carrying amounts of other assets in CGU or CGU group on a pro-rata basis.

Impairment losses on goodwill are not reversed. For all other assets, impairment losses are only reversed to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(6) Cash and Cash Equivalents

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

(7) Inventories

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

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

(8) Property, Plant and Equipment (except Right-of-Use Assets)

Property, plant and equipment are measured by using the cost model and are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs.

Except for assets that are not subject to depreciation such as land, assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of major asset items are as follows:

・Buildings:10 to 50 years
・Machinery and equipment:4 to 10 years
・Tool, furniture and fixture:2 to 10 years

The estimated useful lives, depreciation method and residual value are reviewed at each fiscal year end and if there are any changes made to the estimated useful lives, depreciation method and residual value, such changes are accounted for on a prospective basis as changes in estimate.

(9) Goodwill and Intangible Assets

1) Goodwill

Details on the measurement of goodwill at initial recognition are included in Business Combinations (see note (2) for additional details).

Goodwill is not amortized. It is allocated to CGU or group of CGUs that are identified according to types of business and regions and tested for impairment each fiscal year or when there is any indication of impairment. Impairment losses on goodwill are recognized in profit or loss, and no subsequent reversal is made.

After initial recognition, goodwill is presented at cost less accumulated impairment losses.

2) Intangible Assets (except Right-of-Use Assets)

Intangible assets acquired separately are measured at cost at the initial recognition, and the cost of intangible assets acquired through business combinations are recognized at fair value at the acquisition date.

Expenses on internally generated intangible assets are recognized as expense in the period when incurred, except for those that satisfy the criteria for recognition as assets. Internally generated intangible assets that satisfy the criteria for recognition as assets are stated at cost in the total amount of spending that is incurred after the assets first met recognition standards.

Intangible assets are subsequently measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets for which useful lives can be determined are amortized on a straight-line method over their estimated useful lives from the date the assets are available for use. These assets are also tested for impairment whenever there is any indication of impairment.

Estimated useful lives, residual values and amortization methods are reviewed at each fiscal year end and the effect of any changes in estimate are accounted for during the period in which the change occurred and on a prospective basis. The effect of any changes in estimate is recognized in the period in which the change occurs.

The estimated useful lives of major assets are as follows:

・Software:3 to 5 years
・Customer-related assets and technology-related assets:5 to 18 years

(10) Leases

1) Leases-Lessor

Advantest recognizes the lease transactions that do not transfer substantially all risks and rewards of ownership as property, plant and equipment in the consolidated statement of financial position and recognizes revenue on the straight line basis over the leasing period in the consolidated statement of profit or loss.

2) Leases-Lessee

Advantest recognizes right-of-use asset and lease liability at the inception of a lease contract. At the commencement date, a right-of-use asset is measured based on the amount of the initial measurement of the lease liability and depreciated on a straight-line basis over the lease term. The lease term is determined as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if it is reasonably certain to be exercised and periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

A lease liability is recognized and measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate. After the commencement date, the lease liability is measured by increasing or reducing the carrying amount to reflect interest on the lease liability and the lease payments made and re-measuring the carrying amount as necessary to reflect lease modifications.

Advantest has elected not to recognize short term leases and leases of low-value assets as right-of-use assets and lease liabilities, but expense over the lease term on a straight-line basis.

(11) Post-Employment Benefits

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

The Company and certain of its subsidiaries have retirement and severance defined contribution plans. Defined contribution plans are post-employment benefit plans in which the employer makes a certain amount of contributions to fund post-employment benefits and does not bear more legal and constructive obligations than the amount contributed. The contribution in defined contribution plans is recognized in profit or loss in the period during which services were provided by employees.

(12) Provisions

Provisions are recognized when Advantest has present legal or constructive obligations as a result of past events, when it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

Warranty Provisions

Advantest's products are generally subject to warranty, and Advantest provides contractual product warranty services, when the performance of products sold does not meet expected product specifications. Estimated repair expenses over the warranty period are accrued based on the historical ratio of actual repair expenses to corresponding sales, when product revenue is recognized.

(13) Share-Based Compensation

Advantest applies the fair-valued-based method of accounting for share-based compensation and recognizes share-based compensation expenses in the consolidated statement of profit or loss.

The cost of service received in share options is measured based on the grant-date fair value. The cost is recognized on the straight line basis over the period during which an employee is required to provide service in exchange for the award. The Black Scholes pricing model is used to estimate the value of share options. Expected dividend yield is determined by the Company's dividend ratio of the past and other associated factors. Risk free interest rate is determined by Japanese government bond yield for the period corresponding to expected life. Expected volatility is determined by historical volatility and trend of the Company's share prices, and other associated factors. Expected life is determined by the Company's option exercise history, post vesting employment termination behavior for similar grants, and other pertinent factors.

Advantest has performance-based stock remuneration plan and restricted stock compensation plan for directors, executive officers and executive employees as an incentive. The cost of service received in performance-based stock remuneration plan is measured based on the grant-date fair value of the Company's shares or any liabilities generated. The cost is recognized over the applicable period. The cost of service received in restricted stock compensation plan is measured based on the grant-date fair value of the Company's shares. The cost is recognized with a corresponding increase in equity over the applicable period.

(14) Revenue

Advantest recognizes revenue based on the five-step model.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations (accounting treatment for goods or services separately)

Step 3: Determine the transaction price (amount of consideration)

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognize revenue when the entity satisfies a performance obligation

Advantest sells test system products of semiconductor and mechatronics-related products such as test handlers that handling semiconductor devices, the revenue for these is recognized when control of such products is transferred to customers as the performance obligation is satisfied based on contractual terms. The timing at which control of such products transferred to customers is determined upon delivery or acceptance.

Additionally, Advantest has performance obligation towards customers on the service contracts. Revenue from such service contracts is recognized over the contract term on the straight-line basis.

(15) Financial Income and Expenses

Financial income mainly consists of dividend income, interest income, foreign exchange gains and changes in the fair value of financial instruments measured at fair value through profit or loss. Dividend income is recognized on the date when the right of Advantest to receive the dividend is established. Interest income is recognized using the effective interest method as incurred.

Financial expenses mainly consist of interest expenses, foreign exchange losses and changes in the fair value of financial instruments measured at fair value through profit or loss. Interest expenses are recognized using the effective interest method as incurred.

(16) Income Taxes

Current and deferred taxes are stated as income taxes in the consolidated statement of profit or loss except when they relate to business combinations or on items recognized in other comprehensive income or directly in equity.

Current and deferred taxes related to items recognized in other comprehensive income are recognized as other comprehensive income.

1) Current Taxes

Current income taxes are measured at the amount that is expected to be paid to or refunded from the tax authorities. For the calculation of the tax amount, Advantest uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

2) Deferred Taxes

Deferred income taxes are calculated based on the temporary differences between the amounts used for tax purpose and the carrying amount for assets and liabilities at the fiscal year end. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are recognized for taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, based on the tax laws that have been enacted or substantively enacted by the fiscal year end.

Deferred tax assets and deferred tax liabilities are not recognized for the following temporary differences:

- taxable temporary differences on initially recognized goodwill
- temporary differences arising from the initial recognition of assets or liabilities in transactions that are not business combinations and that, at the time of the transaction, affect neither accounting profit or loss nor taxable profit or loss, and at the time of the transaction, do not give rise to equal taxable and deductible temporary differences
- taxable temporary differences on investments in subsidiaries to the extent that the timing of the reversal of the temporary difference is controlled and that it is probable the temporary difference will not reverse in the foreseeable future
- deductible temporary differences on investments in subsidiaries to the extent that it is not probable the temporary differences will reverse in the foreseeable future

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority on the same taxable entity.

Advantest has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two Model rules published by the Organization for Economic Co-operation and Development (OECD) under the amendments to IAS 12. The impact of applying the exception on Advantest's consolidated financial statements is immaterial.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires Advantest to make judgments, accounting estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable according to the situation. Given their nature, however, actual results may differ from those estimates and assumptions.

The estimates and underlying assumptions are continuously reviewed. The effects of a change in these estimates and assumptions are recognized in the period of the change and subsequent periods.

The estimates and assumptions that could have a material effect on the amounts recognized in its consolidated financial statements are as follows:

(1) Valuation of Inventories

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2025

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Inventories	204,389	209,707

2) Other Information that Deepens the Understanding of Users of the Consolidated Financial Statements Regarding the Content of Accounting Estimates

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

In the fiscal year ended March 31, 2025, demand for semiconductors related to the proliferation of AI drove market growth. In the Advantest's semiconductor test equipment business, demand for high-performance semiconductors related to AI increased significantly. On the other hand, demand for products other than AI-related applications, such as consumer electronics, automotive and industrial equipment, has remained soft. The inventory turnover period for some raw materials related to these specific products, which account for approximately 9% of total raw materials and suppliers, has become particularly long.

(2) Impairment of Property, Plant and Equipment, Right-of-use Assets, Goodwill and Intangible Assets

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2025

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Property, plant and equipment, net	78,884	78,602
Right-of-use assets	19,106	18,338
Goodwill and intangible assets, net	98,514	78,365

2) Other Information that Deepens the Understanding of Users of the Consolidated Financial Statements Regarding the Content of Accounting Estimates

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

The impairment test is performed by comparing the carrying amount and the recoverable amount of cash-generating unit (CGU) or CGU group. If the recoverable amount is less than the carrying amount, impairment loss is recognized. The recoverable amount is based on the value in use mainly calculated by the discounted cash flow model. The estimated future cash flows associated with CGU or CGU group are discounted to present value using a pre-tax discount rate which reflects current market assessments of the time value of money and any risks specific to CGU or CGU group. The estimated future cash flows associated with CGU or CGU group are based on the business plan for 3 years approved by management and the growth rate after 3 years. Pre-tax discount rates used for measuring the value in use for the fiscal years ended March 31, 2024 and 2025 were 12.9% - 17.9% and 11.8% - 19.8%, respectively.

CGU that has significant goodwill and assets as of March 31, 2024 are Essai, Inc. and R&D Altanova group, and the amount of goodwill allocated to these CGUs are ¥6,356 million and ¥27,826 million, respectively. Essai, Inc. and R&D Altanova group also have significant intangible assets of ¥16,795 million and ¥8,901 million as of March 31, 2024, respectively.

CGU that has significant goodwill and assets as of March 31, 2025 is R&D Altanova group, and the amount of goodwill and intangible assets allocated to the CGU are ¥27,479 million and ¥8,398 million, respectively.

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

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

At the end of the fiscal year ended March 31, 2024, Essai, Inc. recognized ¥8,998 million of impairment loss, which is included in other expenses in the consolidated statement of profit or loss, for a portion of goodwill as sales forecast for a large-volume customer was weaker than originally expected, causing future cash flow projections to deteriorate. At the end of the fiscal year ended March 31, 2025, Essai, Inc. recognized ¥21,393 million of impairment losses, which is included in other expenses in the consolidated statement of profit or loss, for goodwill and intangible assets due to softness in sales for a major customer and delays in expanding sales to new customers. As a result, Essai, Inc. has no balance of goodwill and intangible assets.

The method of calculating the recoverable amount of goodwill is included in Goodwill and Intangible Assets (see note 12 for additional details).

(3) Post-Employment Benefits

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2025

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Retirement benefit liabilities	19,134	17,614

2) Other Information that Deepens the Understanding of Users of the Consolidated Financial Statements Regarding the Content of Accounting Estimates

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

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

These actuarial assumptions and related sensitivity analysis are included in Post-Employment Benefits (see note 19 for additional details).

(4) Valuation of Deferred Tax Assets

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2025

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets	33,423	47,894

2) Other Information that Deepens the Understanding of Users of the Consolidated Financial Statements Regarding the Content of Accounting Estimates

Advantest judges the recoverability of deferred tax assets depending on taxable income based on the business plan and tax planning.

Key assumption for estimates of taxable income is sales forecast of each business unit as the basis for business plan. Generally, a reduction rate of capital expenditures of semiconductor manufacturers during downturns in the semiconductor industry, including investments in semiconductor test systems, is much greater than a reduction rate of worldwide semiconductor sales due to significant demand volatility in the semiconductor industry. In addition, the semiconductor industry has been highly cyclical with recurring periods of excess inventory, which possibly have a severe effect on the semiconductor industry's demand for semiconductor test systems. Therefore, Advantest estimates the timing, period, and amount of taxable income taking into account deviation of past forecast and actual results as well as uncertainty due to future changes in economic conditions.

Differences in result and forecast of taxable income may have a material impact on the amount of deferred tax assets recognized in the consolidated financial statements in future periods.

The contents and amounts related to income taxes are included in the Income Taxes (see note 15 for additional details).

5. New Accounting Standards and Interpretations Issued but not yet Applied

New or revised accounting standards and interpretations that were issued by the date of approval of the consolidated financial statements but have not yet been applied by Advantest as of March 31, 2025, are principally as follows:

Standards and Interpretations	Title	Date of mandatory application (fiscal year beginning on or after)	Reporting periods of application (end date of the reporting period)	Overview of new/revised Standards and Interpretations
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	March 31, 2028	New standard of the presentation and disclosure of information in financial statements that replaces IAS 1

Advantest is currently assessing the impacts of adopting IFRS 18 “Presentation and Disclosure in Financial Statements”.

6. Segment Information

(1) Overview of Reportable Segments

Advantest manufactures and sells semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. Advantest also engages in research and development activities and provides maintenance and support services associated with these products. Advantest manages its reportable segments and operating segments under the same classification and has three reportable segments. These reportable segments are determined based on the nature of the products and the markets. Segment information is prepared on the same basis that management reviews financial information for operational decision making purposes.

The semiconductor and component test system segment provides customers with test system products for the semiconductor industry and the electronic parts industry. Product lines provided in the semiconductor and component test system segment include test systems for SoC semiconductor devices and test systems for memory semiconductor devices.

The mechatronics system segment provides product lines such as test handlers, mechatronic-applied products, for handling semiconductor devices, device interfaces that serve as interfaces with the devices that are measured and operations related to nano-technology products.

The services, support and others segment consists of comprehensive customer solutions provided in connection with the above segments, test solutions of system level testing for such as semiconductor and modules, support services, sales of consumables, sales of used products, equipment lease business and others.

(2) Information of Reportable Segments

Accounting treatment applied to operating segments is the same as in the note “3. Material Accounting Policies”.

Advantest uses the operating income (loss) before share-based compensation expense for management’s analysis of operating segments’ results.

Share-based compensation expense represents expenses for performance-based stock remuneration expense and restricted stock compensation expense.

Segment income (loss) is presented on the basis of operating income (loss) before share-based compensation expense.

Inter-segment sales are based on market prices.

Fiscal year ended March 31, 2024

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	331,542	52,695	102,270	—	486,507
Inter-segment sales	—	—	—	—	—
Total	331,542	52,695	102,270	—	486,507
Segment income (loss) (operating income (loss) before share-based compensation expense)	91,916	9,171	(2,828)	(14,862)	83,397
Adjustment:					
Share-based compensation expense	—	—	—	—	(1,769)
Operating income	—	—	—	—	81,628
Financial income	—	—	—	—	1,244
Financial expenses	—	—	—	—	(4,702)
Income before income taxes	—	—	—	—	78,170
(Other profit and loss items)					
Depreciation and amortization	14,926	1,300	8,836	1,042	26,104

Fiscal year ended March 31, 2025

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	598,128	73,180	108,399	—	779,707
Inter-segment sales	—	—	—	—	—
Total	598,128	73,180	108,399	—	779,707
Segment income (loss) (operating income (loss) before share-based compensation expense)	244,021	16,786	(10,914)	(18,839)	231,054
Adjustment:					
Share-based compensation expense	—	—	—	—	(2,893)
Operating income	—	—	—	—	228,161
Financial income	—	—	—	—	1,895
Financial expenses	—	—	—	—	(5,282)
Income before income taxes	—	—	—	—	224,774
(Other profit and loss items)					
Depreciation and amortization	15,564	1,306	9,105	1,100	27,075

(Notes) 1. Adjustments to segment income (loss) in Corporate principally represent corporate general and administrative expenses and

research and development expenses related to fundamental research activities that are not allocated to operating segments.

2. For services, support and others, the segment loss for the fiscal year ended March 31, 2024, includes an impairment loss of ¥8,998 million on a portion of the goodwill acquired through a business combination with Essai, Inc. in the system level test business, as well as a ¥3,179 million settlement income from a dispute with the counterparty. The segment loss for the fiscal year ended March 31, 2025, includes impairment losses of ¥21,393 million on the goodwill and intangible assets acquired through a business combination with Essai, Inc. in the system level test business.

(3) Net Sales to Unaffiliated Customers by Segments of Products and Services

The segments of similar products and services are the same as the segments in the report.

(4) Net Sales to Unaffiliated Customers by Region

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Japan	19,723	15,849
Americas	37,621	47,119
Europe	17,643	19,962
Asia	411,520	696,777
Total	486,507	779,707

Net sales to unaffiliated customers are based on customer's location. Net sales indicated as Asia were mainly generated in Taiwan, China and South Korea in the amount of ¥108,357 million, ¥157,064 million and ¥92,891 million for the fiscal year ended March 31, 2024 and ¥326,506 million, ¥175,105 million and ¥156,994 million for the fiscal year ended March 31, 2025, respectively. Substantially all net sales indicated as Americas were generated in the United States of America.

(5) Non-Current Assets (Property, Plant and Equipment, Right-of-Use Assets, Goodwill and Intangible Assets, Other Non-Current Assets) by Region

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Japan	50,164	49,310
Americas	106,932	79,152
Europe	16,718	24,097
Asia	23,592	23,683
Total	197,406	176,242

Non-current assets are those assets located in each geographic area.

Substantially all non-current assets indicated as Americas were located in the United States of America. Substantially all non-current assets indicated as Europe were located in Germany and Netherlands. Non-current assets in Asia were primarily located in Taiwan, South Korea, China and Singapore.

(6) Information of Main Customers

The customer group that accounted for 10% or more of the net sales was the Samsung Group, mainly in the semiconductor and component system and the mechatronics system segments of Advantest for the fiscal years ended March 31, 2024. Net sales to the Samsung Group amounted to ¥57,725 million for the fiscal year ended March 31, 2024.

The customer groups that accounted for 10% or more of the net sales were Taiwan Semiconductor Manufacturing Co., Ltd. and the Samsung Group for the fiscal years ended March 31, 2025. Net sales to Taiwan Semiconductor Manufacturing Co., Ltd. were mainly related to the semiconductor and component system segment of Advantest. Net sales to the Samsung Group were mainly related to the semiconductor and component system and the mechatronics system segments of Advantest. Net sales to Taiwan Semiconductor Manufacturing Co., Ltd. and the Samsung Group amounted to ¥96,158 million and ¥87,734 million for the fiscal year ended March 31, 2025, respectively.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents was as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Cash and short-term deposits with maturities of three months or less	106,702	262,544

Cash and cash equivalents are classified as financial assets measured at amortized cost.

The balances of cash and cash equivalents on the consolidated statement of financial position agreed with the respective balances in consolidated statement of cash flows.

8. Trade and Other Receivables

The breakdown of trade and other receivables was as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Note Receivables	6,662	4,942
Trade Receivables	74,153	100,942
Other Receivables	8,040	7,197
Allowance for doubtful accounts	—	(50)
Total	88,855	113,031

Trade and other receivables are presented net of the allowance for doubtful accounts in the consolidated statement of financial position.

Trade and other receivables are classified as financial assets measured at amortized cost.

9. Inventories

The breakdown of inventories was as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Finished goods	23,979	27,730
Work in process	38,872	53,225
Raw materials and supplies	141,538	128,752
Total	204,389	209,707

Inventory valuation losses recognized as an expense due to the decline in profitability for the fiscal years ended March 31, 2024 and 2025 were ¥7,347 million and ¥17,712 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets was as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Financial assets that are measured at fair value through other comprehensive income		
Equity instruments	18,008	27,680
Financial assets that are measured at fair value through profit or loss		
Derivatives	—	165
Financial assets measured at amortized cost	2,131	2,641
Total	20,139	30,486
Current assets	—	319
Non-current assets	20,139	30,167
Total	20,139	30,486

11. Property, Plant and Equipment, Net

(1) Increase or Decrease Table

Changes in carrying amount of property, plant and equipment were as follows:

Fiscal year ended March 31, 2024

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress (Note)	Total
Balance at beginning of year	11,786	13,529	30,902	2,743	5,086	64,046
Acquisition	—	2,598	12,726	1,455	3,104	19,883
Acquisition through business combinations	3,852	1,358	342	7	158	5,717
Sales and disposals	—	(4)	(260)	(22)	—	(286)
Depreciation	—	(1,485)	(13,646)	(1,212)	—	(16,343)
Exchange differences	918	1,129	2,825	189	806	5,867
Balance at end of year	16,556	17,125	32,889	3,160	9,154	78,884

Fiscal year ended March 31, 2025

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress (Note)	Total
Balance at beginning of year	16,556	17,125	32,889	3,160	9,154	78,884
Acquisition	—	8,757	11,475	2,149	(3,383)	18,998
Acquisition through business combinations	—	123	133	50	—	306
Sales and disposals	—	(28)	(929)	(40)	—	(997)
Depreciation	—	(1,903)	(13,775)	(1,342)	—	(17,020)
Exchange differences	(318)	(674)	(463)	(53)	(61)	(1,569)
Balance at end of year	16,238	23,400	29,330	3,924	5,710	78,602

(Note) Acquisitions of "construction in progress" are stated at net amounts, including increases from new acquisitions and transfers to each property, plant and equipment category.

Gross carrying amount, accumulated depreciation and impairment losses and carrying amount of property, plant and equipment were as follows:

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
As of March 31, 2024						
Gross carrying amount	17,595	46,675	102,699	11,729	9,154	187,852
Accumulated depreciation and impairment losses	1,039	29,550	69,810	8,569	—	108,968
Carrying amount	16,556	17,125	32,889	3,160	9,154	78,884

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
As of March 31, 2025						
Gross carrying amount	17,279	53,536	105,750	12,982	5,710	195,257
Accumulated depreciation and impairment losses	1,041	30,136	76,420	9,058	—	116,655
Carrying amount	16,238	23,400	29,330	3,924	5,710	78,602

Depreciation expense is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

(2) Impairment Losses

No impairment losses were recorded on property, plant and equipment for the year ended March 31, 2024 and 2025, respectively.

(3) Commitments Related to Acquisition of Fixed Assets

Commitments related to acquisition of fixed assets were as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Acquisition of Fixed Assets	460	368

12. Goodwill and Intangible Assets

(1) Increase or Decrease Table

Changes in carrying amount of goodwill and intangible assets were as follows:

Fiscal year ended March 31, 2024

Millions of Yen

	Goodwill	Software	Intangible assets recognized by business combination (Note)	Others	Total
Balance at beginning of year	63,092	2,423	29,993	259	95,767
Acquisition	—	940	—	8	948
Acquisition through business combinations	2,522	—	457	—	2,979
Sales and disposals	—	(5)	—	—	(5)
Amortization	—	(943)	(3,867)	(18)	(4,828)
Impairment losses	(8,998)	—	—	—	(8,998)
Exchange differences	8,638	158	3,823	32	12,651
Balance at end of year	65,254	2,573	30,406	281	98,514

Fiscal year ended March 31, 2025

Millions of Yen

	Goodwill	Software	Intangible assets recognized by business combination (Note)	Others	Total
Balance at beginning of year	65,254	2,573	30,406	281	98,514
Acquisition	—	2,016	—	1	2,017
Acquisition through business combinations	3,004	342	1,258	—	4,604
Sales and disposals	—	(19)	—	—	(19)
Amortization	—	(1,048)	(3,493)	(15)	(4,556)
Impairment losses	(6,381)	—	(15,012)	—	(21,393)
Exchange differences	(717)	(35)	(46)	(4)	(802)
Balance at end of year	61,160	3,829	13,113	263	78,365

(Note) “Intangible assets recognized by business combination” were mainly customer-related assets and technology-related assets.

Gross carrying amount, accumulated amortization and impairment losses and carrying amount of goodwill and intangible assets were as follows:

Millions of Yen

	Goodwill	Software	Intangible assets recognized by business combination	Others	Total
As of March 31, 2024					
Gross carrying amount	74,367	10,142	48,840	884	134,233
Accumulated amortization and impairment losses	9,113	7,569	18,434	603	35,719
Carrying amount	65,254	2,573	30,406	281	98,514
As of March 31, 2025					
Gross carrying amount	76,435	12,091	49,499	871	138,896
Accumulated amortization and impairment losses	15,275	8,262	36,386	608	60,531
Carrying amount	61,160	3,829	13,113	263	78,365

Amortization expense is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

The intangible assets at the end of the fiscal year ended March 31, 2024 were mainly intangible assets of ¥16,795 million and ¥8,901 million, recognized by the business combination of Essai, Inc. and R&D Altanova Inc., respectively.

The remaining amortization period at the end of the fiscal year ended March 31, 2024 were 7 years and 6 to 16 years, respectively.

The intangible assets at the end of the fiscal year ended March 31, 2025 was mainly intangible assets of ¥8,398 million, recognized by the business combination of R&D Altanova Inc. group.

The remaining amortization period at the end of the fiscal year ended March 31, 2025 was 3 to 15 years.

(2) Impairment Test for Goodwill

Carrying amounts of goodwill allocated to CGU or CGU group were as follows:

Millions of Yen

CGU or CGU group	As of March 31, 2024	As of March 31, 2025
Semiconductor and component test system business		
-Japan	11,949	14,787
-Collaudi Elettronici Automatizzati S.r.l.	1,713	1,701
Services, support and others		
-Japan	8,194	8,092
-Advantest Test Solutions, Inc.	9,216	9,101
-Essai, Inc.	6,356	—
-R&D Altanova, Inc. (Note)	27,826	27,479

The recoverable amounts of CGU or CGU group are calculated by the values in use based on the business plan for 3 years approved by management and the growth rate. The business plan reflects the past experience using external and internal data, for the cash flows exceeding the period, its value in use is calculated by the growth rate that does not exceed the expected long-term growth rate of the market CGU or CGU group belongs to. The growth rates used for fiscal years ended March 31, 2024 and 2025 were 0.4% - 6.0% and 0.5% - 6.0%, respectively.

Pre-tax discount rates used for measuring the value in use for fiscal years ended March 31, 2024 and 2025 were 12.9% - 17.9% and 11.8% - 19.8%, respectively. Since the recoverable amount of CGU or CGU group except for Essai, Inc. is well above the carrying amount, the probability that the recoverable amount is less than the carrying amount is expected low even when the primary assumption of the goodwill changes to reasonable extent.

At the end of the fiscal year ended March 31, 2025, R&D Altanova group had significant goodwill, and pre-tax discount rate used for measuring the value in use was 19.4%. R&D Altanova group might have a risk of impairment loss if pre-tax discount rate goes above 22.9%.

At the end of the fiscal year ended March 31, 2024, Essai, Inc. recognized ¥8,998 million of impairment loss, which is included in other expenses in the consolidated statement of profit or loss, for a portion of goodwill as sales forecast for a large-volume customer is weaker than originally expected, causing future cash flow projections to deteriorate. At the end of the fiscal year ended March 31, 2025, Essai, Inc. recognized ¥21,393 million of impairment losses, which is included in other expenses in the consolidated statement of profit or loss, for goodwill and intangible assets due to softness in sales for a major customer and delays in expanding sales to new customers. As of March 31, 2025, Essai, Inc. has no balance of goodwill and intangible assets, and pre-tax discount rate used for measuring the value in use was 15.5%.

(Note) See note 32 for R&D Altanova, Inc.

(3) Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for fiscal years ended March 31, 2024 and 2025 were ¥65,492 million and ¥71,399 million, respectively.

13. Leases

(1) Leases- Lessor

Advantest provides leases that enable its customers to use its semiconductor test systems. All leases are classified as operating leases. Lease terms range from 1 year to 3 years. Certain of the lease agreements as of March 31, 2024 are cancelable and all lease agreements as of March 31, 2025 are not cancelable. Maturity analysis for operating lease fee were as follows:

Fiscal year ended March 31, 2024

Millions of Yen

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Leasing fee	548	6	—	—	—	—	554

Fiscal year ended March 31, 2025

Millions of Yen

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Leasing fee	338	—	—	—	—	—	338

(2) Leases- Lessee

Advantest leases certain office space and office equipment under the lease contracts. Profit and loss related to right-of-use assets was as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Depreciation expense of right-of-use assets		
Buildings	3,605	3,950
Others	1,327	1,549
Total	4,932	5,499
Interest expense related to lease liabilities	421	514
Expenses related to short-term leases	25	57
Expenses related to leases of low-value assets	25	29

Carrying amount related to right-of-use assets was as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Right-of-use assets		
Buildings	16,831	16,040
Others	2,275	2,298
Total	19,106	18,338

The increase in right-of-use assets were ¥5,352 million and ¥5,450 million for the fiscal years ended March 31, 2024 and 2025, respectively.

In cases where the lessee is able to exercise an extension option without the lessor's consent, it is considered that the lessee has an extension option. In case where the lessee is able to terminate its lease contract in the middle of the contract, it is considered that the lessee has a termination option. Each of the affiliates exercises these options, as necessary.

Total cash outflows for leases were ¥5,257 million and ¥5,409 million for the fiscal years ended March 31, 2024 and 2025, respectively.

Of the changes in liabilities arising from financing activities, lease liabilities were as follows:

Fiscal year ended March 31, 2024

Millions of Yen

	As of April 1, 2023	Changes arising from cash flows	Non-cash changes		As of March 31, 2024
			Increase of right-of-use assets	Others	
Lease liabilities	17,487	(5,207)	5,352	1,668	19,300

Fiscal year ended March 31, 2025

Millions of Yen

	As of April 1, 2024	Changes arising from cash flows	Non-cash changes		As of March 31, 2025
			Increase of right-of-use assets	Others	
Lease liabilities	19,300	(5,323)	5,450	(879)	18,548

Maturity analyzes for lease liabilities as of March 31, 2025 is disclosed in note 30.

14. Subsidiaries

Details of the subsidiaries of the Group as of March 31, 2025 were as follows.

Name	Location	Principal business	Issued capital	Voting rights (Indirectly) held by the Company
Advantest America, Inc.	California, U.S.A.	Development and sales of test systems	US$4,059 thousand	100.0%
Advantest Test Solutions, Inc.	California, U.S.A.	Design and sales of system level test products	US$2,500 thousand	(100.0)% 100.0%
Essai, Inc.	Arizona, U.S.A.	Design, production and sales of test sockets	US$500 thousand	(100.0)% 100.0%
Advantest Europe GmbH	Munich, Germany	Development and sales of test systems	EUR10,793 thousand	100.0%
Advantest Taiwan Inc.	Hsinchu County, Taiwan	Sales of test systems	NTD500,000 thousand	100.0%
Advantest (Singapore) Pte. Ltd.	Singapore	Sales of test systems	SGD15,300 thousand	100.0%
Advantest Korea Co., Ltd.	Cheonan, South Korea	Sales support of test systems	KRW9,516 million	(62.5)% 100.0%
Advantest (China) Co., Ltd.	Shanghai, China	Sales support of test systems	US$8,000 thousand	(100.0)% 100.0%
Other 31 companies				

15. Income Taxes

(1) Deferred Tax Assets and Liabilities

The breakdown of deferred tax assets and liabilities was as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets		
Inventories	4,757	5,703
Warranty provisions	2,544	3,813
Retirement benefit liabilities	7,409	7,233
Accrued expenses	3,307	7,475
Research and development expenses capitalized for tax purposes	5,575	7,029
Operating loss carryforwards	273	195
Property, plant and equipment and Intangible assets	16,094	16,701
Tax credits	212	389
Lease liabilities	5,276	5,152
Others	3,116	3,400
Total deferred tax assets	48,563	57,090
Deferred tax liabilities		
Net change in fair values of financial assets	(1,566)	—
Undistributed earnings of foreign subsidiaries	(4,200)	(5,190)
Right-of-use assets	(5,226)	(5,095)
Property, plant and equipment and Intangible assets	(7,579)	(3,526)
Others	(503)	(94)
Total deferred tax liabilities	(19,074)	(13,905)
Net deferred tax assets	29,489	43,185

Net deferred tax assets were included in the following line items in the consolidated statement of financial position.

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets	33,423	47,894
Deferred tax liabilities	3,934	4,709

Changes in net deferred tax assets were as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net deferred tax assets		
Balance at beginning of year	20,749	29,489
Recognized in profit or loss	6,534	12,556
Recognized in other comprehensive income	2,716	1,589
Acquisition through business combinations	(772)	(386)
Others	262	(63)
Balance at end of year	29,489	43,185

Advantest recognizes deferred tax assets after taking into consideration taxable temporary differences, the forecasted future taxable profits and tax planning.

Deductible temporary differences, operating loss carryforwards and tax credits that are not recognized as deferred tax assets in the consolidated statement of financial position were as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Deductible temporary differences	29,450	82,322
Operating loss carryforwards	169	174
Tax credits	967	1,016

The expiration dates of operating loss carryforwards and tax credits that were not recognized as deferred tax assets in the consolidated statement of financial position were as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Operating loss carryforwards		
Not later than 1 year	—	—
Later than 1 year and not later than 5 years	—	—
Later than 5 years	169	174
Total	169	174
Tax credits		
Not later than 1 year	—	—
Later than 1 year and not later than 5 years	25	—
Later than 5 years	942	1,016
Total	967	1,016

The taxable temporary difference related to investments in subsidiaries for which deferred tax liabilities were not recognized for the fiscal year ended March 31, 2024 and 2025 were not material, respectively.

Deferred tax liabilities are not recognized for this difference for which Advantest can control timing of the reversal and that will unlikely reverse in the foreseeable future.

(2) Income Tax Expense

The breakdown of income tax expense was as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Income tax expense		
Current income tax expense	22,414	76,153
Deferred income tax expense		
Origination and reversal of temporary differences	(3,142)	(16,170)
Changes in unrecognized deferred tax assets	(3,383)	4,025
Adjustments to deferred tax assets and liabilities due to changes in tax rate	(9)	(411)
Total	15,880	63,597

Current and deferred income tax expense include tax benefit from operating loss carryforwards, tax credits, or temporary differences in past periods, which were not recognized as deferred tax assets. The tax benefits for the fiscal year ended March 31, 2024 and 2025 were not material, respectively.

(3) Reconciliation between Applicable Tax Rate and Effective Tax Rate

Reconciliation between the applicable tax rate and the effective tax rate was as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Applicable tax rate	30.5%	30.5%
Differences in statutory tax rate of foreign subsidiaries	(0.7)	(0.3)
Tax credits	(8.1)	(5.0)
Non-deductible expenses	2.1	0.6
Undistributed earnings of foreign subsidiaries	1.8	0.8
Changes in unrecognized deferred tax assets	(4.3)	1.8
Effect of tax rate changes	(0.0)	(0.2)
Others	(1.0)	0.1
Effective tax rate	20.3%	28.3%

The Company and its domestic subsidiaries are primarily affected by the corporation tax, resident tax and business tax. The statutory income tax rate calculated based on these rates for the fiscal years ended March 31, 2024 and 2025 were 30.5% and 30.5%, respectively.

Its foreign subsidiaries are affected by the corporation tax and other taxes at the domicile of each subsidiary.

16. Trade and Other Payables

The breakdown of trade and other payables was as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Accounts payable	44,211	70,875
Accrued expenses	25,303	28,855
Other payables	7,349	7,363
Total	76,863	107,093

17. Borrowings

(1) Breakdown of Borrowings

The breakdown of borrowings was as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025	Average interest rate (%)	Repayment Due (Year)
Short-term borrowings	—	—	—	—
Current portion of long-term borrowings	—	74,952	1.24%	2026
Long-term borrowings (excluding current portion)	75,143	3	12.97%	2029
Total	75,143	74,955		
Current liabilities	—	74,952		
Non-current liabilities	75,143	3		
Total	75,143	74,955		

(Notes) 1. Borrowings are classified as financial liabilities measured at amortized cost.

2. The average interest rates and the repayment due are as of the end of the current fiscal year.

3. With regard to the borrowings above, there are no assets pledged as collateral.

(2) Reconciliation of Changes in Liabilities Relating to Cash Flows Arising from Financing Activities

Fiscal year ended March 31, 2024

Millions of Yen

	Short-term borrowings	Long-term borrowings (Note)	Total
Balance at beginning of year	—	33,357	33,357
Changes from financing cash flows	—	39,998	39,998
Changes from non-cash activities			
Exchanges differences	—	1,788	1,788
Balance at end of year	—	75,143	75,143

(Note) These include amount of current portion of long-term borrowings.

Fiscal year ended March 31, 2025

Millions of Yen

	Short-term borrowings	Long-term borrowings (Note)	Total
Balance at beginning of year	—	75,143	75,143
Changes from financing cash flows	—	—	—
Changes from non-cash activities			
Exchanges differences	—	(188)	(188)
Balance at end of year	—	74,955	74,955

(Note) These include amount of current portion of long-term borrowings.

(3) Committed Line of Credit

The agreement for committed line of credit and the unused balance were as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Total amount of committed line of credit	60,000	60,000
Balance of borrowings	—	—
Unused committed line of credit	60,000	60,000

18. Provisions

Changes in warranty provisions were as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance at beginning of year	9,093	8,668
Increase during the year	13,780	17,809
Decrease due to intended use	(14,271)	(13,987)
Reversal during the year	—	—
Exchange differences	66	(36)
Balance at end of year	8,668	12,454
Current liabilities	8,668	12,454

Advantest's products are generally subject to warranty, and Advantest provides contractual product warranty services, when the performance of products sold does not meet expected product specifications. Estimated repair expenses over the warranty period are accrued based on the historical ratio of actual repair expenses to corresponding sales, when product revenue is recognized. Most of these expenses are expected to be incurred in the next fiscal year.

19. Post-Employment Benefits

Advantest has post-employment plans as follows:

(Defined benefit corporate pension plan and retirement and severance plans for Japan)

The Company and its domestic subsidiaries have a defined benefit corporate pension plan and unfunded retirement and severance plans (point-based benefits system) covering substantially all employees. The Company and its domestic subsidiaries shifted a part of defined benefit corporate pension plan to defined contribution plan on October 1, 2018.

The benefits for both defined benefit corporate pension plan and retirement and severance plans (point- based benefits system) are calculated based on accumulated points allocated to employees each year according to their job classification and their performance.

In defined benefit corporate pension plan, in accordance with the Defined-Benefit Corporate Pension Act of Japan, the Company and its domestic subsidiaries have an obligation to make contributions to Advantest Pension Fund (the Fund) which manages the corporate pension plans. The directors of the Fund are responsible for faithfully executing operations in compliance with laws and regulations, and any orders issued by the Minister of Health, Labor and Welfare, and the Director-General of Regional Bureaus of Health and Welfare based on laws and regulations, as well as the rules of the Fund and the resolution of the Board of Representatives. And the directors are jointly and severally liable for damages if they fail to manage and operate the Fund. The actual management of the contributions is conducted by trustees in accordance with rules approved by the Board of Representatives.

The Company and its domestic subsidiaries are required to make contributions to the Fund and obligated to make contributions in the amount stipulated by the Fund. Contributions are also regularly reviewed and adjusted as necessary to the extent permitted by laws and regulations. The Company and its domestic subsidiaries introduced a risk reserve contribution at ¥6,018 million, which has been contributed for five years within future expected risks from fiscal year ended March 31, 2022.

Plan assets are managed on the basis of soundness. However, financial instruments have inherent investment risks. Discount rates and other aspects of defined benefit plan obligations are based on pension actuarial assumptions. There is a risk when these pension actuarial assumptions are changed.

The retirement and severance plans (point-based system) are principally unfunded.

(Defined benefit pension plans for foreign subsidiaries)

Certain foreign subsidiaries also have defined benefit pension plans covering substantially all of their employees. Benefits payable under the plans are based on employee compensation levels and years of service.

(Defined contribution plan)

In defined contribution plan, the Company and its subsidiaries pay fixed contributions over entitlement period, and employees manage the contributed funds by themselves. Benefit is paid by a trustee organization, and the Company and its subsidiaries' obligation is limited to the contribution.

Disclosure of the amount recognized as an expense for the defined contribution plan is omitted since its immateriality.

(1) Defined Benefit Liabilities Recognized in the Consolidated Statement of Financial Position

Net defined benefit liabilities and assets recognized in the consolidated statement of financial position, defined benefit obligations and plan assets were as follows.

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Present value of defined benefit obligations	79,890	78,236
Fair value of plan assets	(67,877)	(70,580)
Subtotal	12,013	7,656
Effect of the asset ceiling	7,121	9,803
Net defined benefit liabilities	19,134	17,459

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Retirement benefit liabilities	19,134	17,614
Retirement benefit assets	—	(155)
Net defined benefit liabilities	19,134	17,459

(2) Defined Benefit Obligations and Plan Assets

The changes in present value of defined benefit obligations and fair value of plan assets of the Company and certain of its consolidated subsidiaries were as follows:

Japanese Plans

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Defined benefit obligations:		
Balance at the beginning of year	46,328	44,800
Service cost	1,038	951
Interest cost	551	691
Remeasurements:		
Actuarial (gain) or loss - Changes in demographic assumptions	134	146
Actuarial (gain) or loss - Changes in financial assumptions	(1,836)	(3,021)
Benefits paid	(1,415)	(1,830)
Balance at the end of year	44,800	41,737
Plan assets:		
Balance at the beginning of year	37,131	41,536
Interest income	442	641
Remeasurements:		
Actual return on plan assets, excluding interest income	3,517	(105)
Employer contributions	1,519	1,060
Benefits paid	(1,073)	(1,287)
Balance at the end of year	41,536	41,845
Net balance	3,264	(108)

Non-Japanese Plans

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Defined benefit obligations:		
Balance at the beginning of year	27,966	35,090
Service cost	1,660	1,841
Interest cost	1,066	1,200
Remeasurements:		
Actuarial (gain) or loss - Changes in demographic assumptions	439	157
Actuarial (gain) or loss - Changes in financial assumptions	601	(1,244)
Benefits paid	(797)	(828)
Exchange differences	3,427	(549)
Others	728	832
Balance at the end of year	35,090	36,499
Plan assets:		
Balance at the beginning of year	20,351	26,341
Interest income	807	927
Remeasurements:		
Actual return on plan assets, excluding interest income	532	(87)
Employer contributions	1,548	1,753
Plan participants' contributions	728	832
Benefits paid	(148)	(531)
Exchange differences	2,523	(500)
Balance at the end of year	26,341	28,735
Net balance	8,749	7,764

(3) Plan Assets

The fair value of pension plan assets by asset category was as follows:

Japanese Plans

Millions of Yen

	As of March 31, 2024			As of March 31, 2025		
	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total
Cash and cash equivalents	929	—	929	887	—	887
Equity securities:						
Pooled funds	—	13,342	13,342	—	13,651	13,651
Debt securities:						
Pooled funds	—	6,210	6,210	—	6,254	6,254
Hedge funds	—	13,027	13,027	—	13,141	13,141
Life insurance company general accounts and separate accounts	—	8,028	8,028	—	7,912	7,912
Total	929	40,607	41,536	887	40,958	41,845

Non-Japanese Plans

Millions of Yen

	As of March 31, 2024			As of March 31, 2025		
	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total
Cash and cash equivalents	3,137	—	3,137	3,149	—	3,149
Equity securities:						
Pooled funds	8,164	664	8,828	8,842	762	9,604
Debt securities:						
Pooled funds	9,861	113	9,974	10,800	121	10,921
Others	908	3,494	4,402	1,577	3,484	5,061
Total	22,070	4,271	26,341	24,368	4,367	28,735

Investment policies of Advantest are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants by attaining necessary long-term total returns on plan assets. Taking into consideration the expected returns, associated risks and correlations of returns between asset categories in plan assets, Advantest determines an optimal combination of equity, debt securities and other investments as Policy Asset Allocation (“PAA”). Plan assets are invested in accordance with PAA with mid-term to long-term viewpoint, which is revised periodically to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

Advantest expects to contribute ¥2,832 million including risk reserve contribution to defined benefit plans during the following fiscal year.

(4) Effect of the Asset Ceiling

The asset ceiling on the consolidated statement of financial position represents the limit of defined benefit plan assets accrued. It is defined as the present value of future economic benefits, such as refunds from the defined benefit plan or reductions in future contributions, that become available when the plan's reserves exceed the balance required.

Changes in the effect of the asset ceiling generated in Japanese plans are as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
The effect of the asset ceiling at beginning of year	—	7,121
Interest income	—	—
Remeasurements		
Changes in the effect of the asset ceiling	7,121	2,682
The effect of the asset ceiling at end of year	7,121	9,803

(5) Actuarial Assumptions

The significant actuarial assumptions used to determine the present value of defined benefit obligations were as follows:

Japanese Plans

	As of March 31, 2024	As of March 31, 2025
Discount rate (%)	1.5	2.2
Rate of compensation increase (%)	2.3	2.3

Non-Japanese Plans

	As of March 31, 2024	As of March 31, 2025
Discount rate (%)	3.4	3.7
Rate of compensation increase (%)	3.1	3.1

The effects on defined benefit obligations of 0.5% increase or decrease in the discount rate were as follows.

The sensitivity analysis is based on an assumption that all other variables other than the one analyzed are held constant. In reality, changes in other assumptions may impact the analysis.

Japanese Plans

Millions of Yen

	Changes in actuarial assumptions	As of March 31, 2024	As of March 31, 2025
Discount rate	0.5% increase	(2,348)	(2,074)
	0.5% decrease	2,564	2,259

Non-Japanese Plans

Millions of Yen

	Changes in actuarial assumptions	As of March 31, 2024	As of March 31, 2025
Discount rate	0.5% increase	(1,553)	(1,379)
	0.5% decrease	1,705	1,521

The weighted average duration of defined benefit obligations was as follows:

Japanese Plans

	As of March 31, 2024	As of March 31, 2025
Weighted average duration (Years)	11	10

Non-Japanese Plans

	As of March 31, 2024	As of March 31, 2025
Weighted average duration (Years)	15	14

(6) Employee Benefit Expenses

The total amount of employee benefit expenses in the consolidated statement of profit or loss for the fiscal years ended March 31, 2024 and 2025 were ¥115,493 million and ¥131,623 million, respectively.

20. Equity and Other Equity Items

(1) Share Capital

1) Authorized Shares

The number of authorized shares as of March 31, 2024 and 2025 were 1,760,000,000 common shares.

2) Fully Paid Issued Shares

The movement of the number of issued shares was as follows:

	Number of issued common shares
As of April 1, 2023	191,542,265
Increase (decrease)	574,598,991
As of March 31, 2024	766,141,256
Increase (decrease)	—
As of March 31, 2025	766,141,256

(Notes) 1. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The Company's issued shares increased by 574,605,942 as a result of the share split for the fiscal year ended March 31, 2024.

2. The cancellation of treasury shares from the resolution of the Board of Directors' meeting held on August 30, 2023, resulted in a decrease of treasury shares by 6,951 for the fiscal year ended March 31, 2024.

The shares issued by the Company are non-par value common shares that have no restriction of rights.

(2) Treasury Shares

The movement of the number of treasury shares was as follows:

	Number of shares
As of April 1, 2023	7,328,226
Increase (decrease)	20,401,449
As of March 31, 2024	27,729,675
Increase (decrease)	4,692,556
As of March 31, 2025	32,422,231

(Notes) 1. The number of treasury shares as of April 1, 2023 includes 162,183 shares that were kept as performance-based stock remuneration in trust account. There were no shares held in the trust account as of March 31, 2024.

2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The number of treasury shares as of March 31, 2024 presents the shares after the share split.

3. The share repurchase from the resolution of the Board of Directors' meeting held on October 30, 2024, resulted in an increase of treasury shares by 5,711,000 for the fiscal year ended March 31, 2025.

(3) Surplus

1) Share Premium

Under the Companies Act of Japan, at least 50% of the proceeds of certain issues of common shares shall be credited to share capital. The remainder of the proceeds shall be credited to the additional paid-in capital component of the share premium.

2) Retained Earnings

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as additional paid-in capital or as a legal reserve until the aggregate amount of the additional paid-in capital and the legal reserve component of the retained earnings equals 25% of share capital.

(4) Other Components of Equity

Millions of Yen

	Remeasurements of defined benefit pension plan (Note 1)	Exchange differences on translation of foreign operations (Note 2)	Net change in fair value measurements of equity instruments at fair value through other comprehensive income (Note 3)	Total
As of April 1, 2023	—	24,353	7,284	31,637
Increase (decrease)	(640)	26,029	(3,238)	22,151
Transfer to retained earnings	640	—	—	640
As of March 31, 2024	—	50,382	4,046	54,428
Increase (decrease)	825	(5,834)	(6,740)	(11,749)
Transfer to retained earnings	(825)	—	—	(825)
As of March 31, 2025	—	44,548	(2,694)	41,854

(Notes) 1. Remeasurements of defined benefit pension plan include differences in return on plan assets and interest income on plan assets and differences between actuarial assumptions and actual results.

2. Exchange differences on translation of foreign operations are exchange differences resulting from the translation of financial statements of foreign operations.

3. Net change in fair value measurements of equity instruments at fair value through other comprehensive income is cumulative in nature.

21. Dividends

(1) Dividends Paid

Fiscal year ended March 31, 2024

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

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

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

Fiscal year ended March 31, 2025

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2024	Common shares	13,291	18	March 31, 2024	June 7, 2024
Board of Directors' meeting held on October 30, 2024	Common shares	14,047	19	September 30, 2024	December 2, 2024

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

(2) Dividends Whose Record Date is in the Fiscal Year under Review but Whose Effective Date is in the Following Fiscal Year

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 22, 2025	Common shares	14,674	20	March 31, 2025	June 6, 2025

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

22. Revenue

(1) Disaggregation of Revenue

As disclosed in note 6, Advantest has three reportable segments: “semiconductor and component test system business”, “mechatronics system business” and “services, support and others”. Net sales disaggregated by region and segment were as follows:

Fiscal year ended March 31, 2024

Millions of Yen

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

Fiscal year ended March 31, 2025

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	9,471	2,835	3,543	—	15,849
Americas	20,584	4,746	21,789	—	47,119
Europe	10,916	2,368	6,678	—	19,962
Asia	557,157	63,231	76,389	—	696,777
Total	598,128	73,180	108,399	—	779,707

The breakdown of semiconductor and component test system business was as follows:

Fiscal year ended March 31, 2024

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	245,688	85,854	331,542

Fiscal year ended March 31, 2025

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	440,452	157,676	598,128

Revenue is accounted for in accordance with the accounting policy described in note 3. The transaction price is measured based on the amount promised in the contracts with customers. Contracts include no significant financing components because payment terms are generally within 3 months. There are no contracts with long payment terms from the satisfaction of performance obligation to payment of transaction price. Additionally, there is no significant revenue including variable consideration.

In case there are multiple performance obligations in the contract, transaction price is allocated to each individual performance obligation based on the standalone selling price which is calculated from reasonably available information including prices of similar transactions.

(2) Contract Balances

Receivables and liabilities from contracts with customers were as follows:

Millions of Yen

	As of April 1, 2023	As of March 31, 2024	As of March 31, 2025
Receivables from contracts with customers			
- Notes and trade accounts receivable	96,477	80,815	105,884
- Allowance for doubtful accounts	—	—	(50)
Total	96,477	80,815	105,834
Contract liabilities			
- Advance receipts	19,782	18,233	28,798

Contract liabilities are mainly cash received from customers before satisfied performance obligations or consideration paid for the unfulfilled service when the service is continuously provided. Both are included in the advance receipts.

Advance receipts are included in “Other current liabilities” in the consolidated statement of financial position.

Advantest recognized ¥17,140 million and ¥15,591 million from the balance of contract liabilities as of April 1, 2023 and 2024 as revenue in the fiscal years ended March 31, 2024 and 2025, respectively. Both amounts carried forward to the following fiscal years onward are insignificant.

There was no revenue recognized in the fiscal years ended March 31, 2024 and 2025 from performance obligations satisfied or partially satisfied in past periods, respectively.

(3) Transaction Price Allocated to the Remaining Performance Obligations

Advantest uses the practical expedient of omitting the disclosure of information on the remaining performance obligations because it has no significant transactions with performance obligation terms exceeding one year. Additionally, the consideration from contracts with customers, which is not included in the transaction price, is insignificant.

23. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses was as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Employee benefit expenses	92,963	107,325
Depreciation and amortization	17,790	18,498
Others	48,210	69,569
Total	158,963	195,392

24. Share-Based Compensation

(1) Stock Options

Advantest has share-based compensation plans using stock options as incentive plans for directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers and executive employees. Stock options have been issued to directors, executive officers and certain employees of the Company and its subsidiaries under stock option plans approved at the Board of Directors' Meeting. Options were generally granted with exercise prices of per share that were equal to the higher of (1)1.05 times the average price of the Company's common shares of the preceding month on the date of grant and (2) the closing price of the Company's common shares traded on the Tokyo Stock Exchange on the date of grant.

The options have an exercise period of 3 years.

The exercisable stock option plans were as follows:

No.	Number of shares to be issued/delivered	Grant date	Exercise Period	Settlement Method	Vesting Conditions
32	1,659,840	July 12, 2019	From July 13, 2021 to July 12, 2024	Equity-settled	Persons who are entitled: director (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officer, employee, adviser, part-time worker or any other similar position of the Company or its subsidiaries after grant date (July 12, 2019) to vesting date (July 12, 2021)
33	766,080	July 13, 2020	From July 14, 2022 to July 13, 2025	Equity-settled	Persons who are entitled: director (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officer, employee, adviser, part-time worker or any other similar position of the Company or its subsidiaries after grant date (July 13, 2020) to vesting date (July 13, 2022)

The exercise price of the stock options is subject to adjustment, if there is a share split or consolidation of shares, or if new shares are issued or treasury shares are sold at a price that is less than the market price.

The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. Accordingly, "Number of shares to be issued/delivered" is adjusted to the number that reflects the share split.

Stock option activity was as follows:

	Fiscal year ended March 31, 2024		Fiscal year ended March 31, 2025	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	1,428,720	1,140	574,560	1,328
Granted	—	—	—	—
Exercised	(854,160)	1,013	(339,150)	1,037
Expired	—	—	—	—
Forfeited	—	—	—	—
Outstanding at end of year	574,560	1,328	235,410	1,748
Exercisable at end of year	574,560	1,328	235,410	1,748

The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. Accordingly, "Number of shares" and "Weighted average exercise price" are adjusted to the numbers that reflect the share split.

Weighted-average share prices as of exercise date were ¥4,643 and ¥7,342 for stock option plans exercised during the fiscal years ended March 31, 2024 and 2025, respectively.

The outstanding stock options of the two most recent fiscal years were as follows:

As of March 31, 2024

Exercise Price	Outstanding		Exercisable	
	Number of shares	Weighted average remaining contractual life (Years)	Number of shares	Weighted average remaining contractual life (Years)
773	247,380	0.3	247,380	0.3
1,748	327,180	1.3	327,180	1.3

As of March 31, 2025

Exercise Price	Outstanding		Exercisable	
	Number of shares	Weighted average remaining contractual life (Years)	Number of shares	Weighted average remaining contractual life (Years)
1,748	235,410	0.3	235,410	0.3

The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. Accordingly, "Exercise Price" and "Number of shares" are adjusted to the numbers that reflect the share split.

Share-based compensation expenses were not recognized for the fiscal years ended March 31, 2024 and 2025.

(2) Performance-Based Stock Remuneration Plan

1) Outline of the Performance-Based Stock Remuneration Plan

Advantest has performance-based stock remuneration plan with the trust ("Plan") for directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers and executive employees as an incentive.

In the Plan, Advantest contributes funding to the share delivery trust ("Trust") whose trust period is approximately 3 years set by itself. The Trust uses the fund to purchase the Company's shares, and it will give the shares to the members of the Plan depending on the achievement of the designated performance indicators for designated periods after the end of three-consecutive fiscal years started from April 1, 2018, 2019 and 2020, respectively.

Eligibility for the Plan is directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers or employees over the designated periods.

The number of granted points which are base of the number of shares is calculated by average of performance achievement of designated performance indicators, the consolidated financial results of net sales, net income, operating ratio and ROE for designated periods.

The Plan is booked as equity-settled type share-based compensation. The Plan does not have exercise price because the shares are delivered as remuneration.

The Plan terminated in August, 2023.

Advantest has Performance Share Unit Plan ("PSU") for directors (excluding directors who are Audit and Supervisory Committee members and outside directors) and executive officers as an incentive from fiscal year ended March 31, 2022.

The PSU is a performance-based stock compensation plan, under which numerical targets for the Company's performance during the performance evaluation period consisting of the fiscal years that correspond to the period of the Company's Mid-Term Management Plan ("Performance Evaluation Period") are preliminarily set by the Board of Directors, and cash compensation claims for the delivery of shares of common stock of the Company are delivered according to the rate of achievement of such numerical targets as compensation for the Performance Evaluation Period. Accordingly, the payment of cash compensation claims for the delivery of shares of common stock the Company to the eligible directors and executive officers shall, in principle, take place after the Performance Evaluation Period ends.

The Performance Evaluation Period will be three-consecutive fiscal years started from April 1, 2021 and 2024, which corresponds to the period of the Company's Mid-Term Management Plan. After the Performance Evaluation Period ends, the Board of Directors may approve to grant the PSU for the three fiscal years covered by the Management Plan as the Performance Evaluation Period to the extent approved at the general meeting of shareholders.

The PSU may fluctuate between 60% to 140% of the standard amount according to how close actual results come to mid-term management targets. The indicators for evaluating achievement of mid-term management targets are earnings per share (EPS) during the mid-term management plan, relative total shareholders return(r-TSR) and ESG evaluation for three-consecutive fiscal years started from April 1, 2021. Those for three-consecutive fiscal years started from April 1, 2024 are earnings per share (EPS) during the mid-term management plan, relative total shareholders return(r-TSR) and sustainability indicators. EPS is the main indicator, and the others are the sub-indicators. The degree of fluctuation is determined by the total value of these indicators.

In principle, the Company shall issue or dispose of the number of shares of common stock of the Company calculated by multiplying basic points by the degree of the fluctuation to the eligible directors and executive officers after the end of the Performance Evaluation Period if the eligible directors and executive officers fulfill the following requirements.

a. Eligible directors and executive officers have continuously remained in the position of either director or executive officer of the Company throughout the Performance Evaluation Period

b. Eligible directors and executive officers have not engaged in any misconduct as defined by the Board of Directors

c. Other requirements deemed necessary by the Board of Directors to achieve the purpose of the PSU

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

The PSU is booked as equity-settled type share-based compensation. The PSU does not have exercise price because the shares are delivered as remuneration.

2) Number of Estimated Granted Points and Fair Value

The fair value of the Plan was calculated based on the market price of the Company's share at the grant date and expected dividends.

As described in 1), the number of granted points is calculated based on the payment rate between 0% and 150% depending on the achievement of the designated performance indicators for three-consecutive fiscal years, and they will be distributed in a lump. 100% is defined as basic points.

The fair values of the PSU granted in the fiscal year ended March 31, 2024 and 2025 were ¥4,959 and ¥6,232, respectively. The fair value was calculated based on the market price of the Company's share at the grant date, expected dividends and the impact by r-TSR. The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023, and the fair values are adjusted to the values that reflect share split.

As described in 1), the number of granted points is calculated based on the degree of fluctuation rate between 60% and 140% depending on the achievement of the mid-term management targets.

3) Share-Based Compensation Expense

Share-based compensation expenses from the Plan and PSU were ¥553 million and ¥980 million for the fiscal years ended March 31, 2024 and 2025, respectively.

4) Basic Points Activity

Basic points activity was as follows:

	Fiscal year ended March 31, 2024		Fiscal year ended March 31, 2025	
	Number of basic points	Weighted average exercise price (Yen)	Number of basic points	Weighted average exercise price (Yen)
Outstanding at beginning of year	880,180	1,794	423,368	2,471
Granted	22,172	4,959	331,503	6,232
Exercised	(464,820)	1,316	(423,368)	2,471
Expired	—	—	—	—
Forfeited	(14,164)	2,201	—	—
Outstanding at end of year	423,368	2,471	331,503	6,232
Exercisable at end of year	—	—	—	—

The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023. Regarding the Plans and the PSU granted prior to the share split, "Number of basic points" and "Weighted average exercise price" are adjusted to the numbers that reflect share split.

(3) Restricted Stock Compensation Plan

1) Outline of the Restricted Stock Compensation Plan

Advantest has restricted stock compensation plan ("RS") for directors, executive officers and executive employees as an incentive.

Based on the resolution of the Board of Directors of the Company, eligible directors, executive officers and executive employees shall pay all of the cash compensation claims provided as in-kind contribution property and receive the issuance or disposal of the common shares of the Company. Regarding the issuance or disposal of the Company's common shares and the payment of cash compensation receivables as its in-kind contribution property, a restricted stock allotment agreement ("Agreement") is subject to be concluded between the Company and eligible directors, executive officers and executive employees.

For those who are directors and executive officers of the Company at the time of receiving the above-mentioned allotment of restricted stock shall not transfer, set of collateral rights or otherwise dispose of the Company's common shares allotted under the Agreement ("Allotted Shares") from the date of the allotment under the Agreement to the time immediately after he/she resigns from either position as a director or an executive officer of the Company for mid-to long-term incentive portion, not less than three years from the date of the allotment under the Agreement for the recruiting and retention program portion, and for those who are employees, during the period of three or five years from the day of receiving the Allotted Shares ("Transfer Restriction Period") (this restriction is the "Transfer Restriction").

In the event that a person who is a director or executive officer of the Company at the time of receiving the above-mentioned allotment of restricted stock resigns or retires as either director or executive officer of the Company before the expiration of the period determined in advance by the Board of Directors ("Term of Service"), and a person who is an executive employee resigns or retires from any of the positions of Director, Corporate Auditor, Executive Officer, employee, temporary employee, or any other position during the Term of Service, the Company shall automatically acquire the Allotted Shares without consideration, unless such resignation is due to expiration of term of office, death or for other justifiable reasons.

Notwithstanding the provisions of Transfer Restriction Period above, the Company shall lift the Transfer Restriction for all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the condition that the person who is a director and an executive officer of the Company at the time of receiving the above-mentioned allotment of restricted stock continuously remains in the position as either director or executive officer of the Company throughout the Term of Service, and that the person who is an executive member continuously remains in the position as either directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers, employees, advisers, part-time workers or any other similar position of the Company or its subsidiaries throughout the Transfer Restriction Period. However, if an eligible director, executive officer or executive employee resigns or retires from the position as either director or executive officer of the Company prior to the expiration of the Term of Service due to expiration of term, death or for other justifiable reasons, the Company shall make reasonable adjustments, as necessary, to the number of Allotted Shares for which the Transfer Restriction will be lifted and the timing at which the Transfer Restriction will be lifted by a resolution of the Board of Directors. The Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted in accordance with the above-stated provisions.

If eligible directors, executive officers and executive employees are non-resident at the time of receiving the allotment of the above-mentioned restricted stock, the restricted stock unit plan (a plan in which shares of the Company are delivered after a certain period of time) ("RSU") may be applied instead of the above-stated RS for the purpose of avoiding the need to comply with laws and regulations and disadvantages in terms of taxation in the country of residence of such eligible directors, executive officers and employees. Even in such case, the terms shall be the same as those of the above-stated RS, except for the timing of the issuance or disposal of shares of common share of the Company, and will be managed within the framework of the amount of compensation and the total number of common shares set forth in the RS.

The RS and RSU are booked as equity-settled type share-based compensation. The RS and RSU do not have exercise price because the shares are delivered as remuneration.

2) Number of Estimated Granted Points and Fair Value

The fair values and allotted shares or points for RS and RSU granted in the fiscal year ended March 31, 2024 and 2025 were as follows;

Fiscal year ended March 31, 2024

	RS		RSU	
	Directors, Executive Officers	Executive Employees	Directors, Executive Officers	Executive Employees
Date of the allotment	July 27, 2023	July 27, 2023	July 7, 2023	August 31, 2023
Allotted shares/points	33,460	48,680	75,124	282,892
Fair value	4,959	4,959	4,959	4,447

Fiscal year ended March 31, 2025

	RS		RSU		
	Directors, Executive Officers	Executive Employees	Directors, Executive Officers	Executive Employees	
Date of the allotment	July 26, 2024	July 26, 2024	July 17, 2024	April 2, 2024	August 30, 2024
Allotted shares/points	32,107	40,480	105,536	84,663	211,793
Fair value	5,505	5,505	6,322	6,303	6,512

The fair value of RS was calculated based on the market price of the Company's share at the grant date, and the fair value of RSU was calculated based on the market price of the Company's share at the grant date and expected dividends.

The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023. Regarding the RS and the RSU granted prior to the share split, "Allotted shares/points" and "Fair value" are adjusted to the numbers that reflect share split.

3) Share-Based Compensation Expense

Share-based compensation expense from RS and RSU were ¥1,086 million and ¥1,913 million for the fiscal year ended March 31, 2024 and 2025, respectively.

4) Basic Points Activity

Basic points activity was as follows:

	Fiscal year ended March 31, 2024		Fiscal year ended March 31, 2025	
	Number of basic points	Weighted average exercise price (Yen)	Number of basic points	Weighted average exercise price (Yen)
Outstanding at beginning of year	1,474,788	2,154	1,828,478	2,748
Granted	440,156	4,630	474,579	6,278
Exercised	(38,018)	2,061	(36,797)	2,535
Expired	—	—	—	—
Forfeited	(48,448)	2,324	(27,696)	3,409
Outstanding at end of year	1,828,478	2,748	2,238,564	3,491
Exercisable at end of year	—	—	—	—

The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023. Regarding the RS and the RSU granted prior to the share split, "Number of basic points" and "Weighted average exercise price" are adjusted to the numbers that reflect share split.

25. Financial Income and Expenses

(1) Financial Income

The breakdown of financial income was as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Interest income		
Financial assets measured at amortized cost	1,187	1,891
Dividend income		
Financial assets measured at fair value through other comprehensive income	31	4
Others	26	—
Total	1,244	1,895

(2) Financial Expenses

The breakdown of financial expenses was as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Interest expense		
Financial liabilities measured at amortized cost	1,325	1,493
Financial liabilities measured at fair value through profit or loss	968	1,028
Foreign exchange losses	2,378	2,546
Others	31	215
Total	4,702	5,282

26. Other Income

The breakdown of other income was as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Settlement of a dispute and others with the counterparty (Note)	3,179	—
Others	747	1,366
Total	3,926	1,366

(Note) The settlement of a dispute with the counterparty which is in relation to the service, support and others segment is recognized as other income in the fiscal year ended March 31, 2024.

27. Other Expenses

The breakdown of other expenses was as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Impairment loss (Note)	8,998	21,393
Others	367	1,505
Total	9,365	22,898

(Note) Advantest recognized an impairment loss on a portion of goodwill acquired through a business combination of Essai, Inc. in system level test business for the fiscal year ended March 31, 2024. Advantest recognized an impairment loss on goodwill and intangible assets acquired through a business combination of Essai, Inc. for the fiscal year ended March 31, 2025. Details about impairment loss is described in note 12.

28. Other Comprehensive Income

Each component of other comprehensive income, reclassification adjustments to net income and tax effects were as follows:

Millions of Yen

	Fiscal year ended March 31, 2024			Fiscal year ended March 31, 2025		
	Pretax amount	Tax (expense) or benefit	Net of tax amount	Pretax amount	Tax (expense) or benefit	Net of tax amount
Remeasurements of defined benefit pension plan						
Gains (losses) during the year	(2,438)	1,798	(640)	1,043	(218)	825
Net change during the year	(2,438)	1,798	(640)	1,043	(218)	825
Net change in fair value measurements of equity instruments at fair value through other comprehensive income						
Gains (losses) during the year	(4,156)	918	(3,238)	(8,547)	1,807	(6,740)
Net change during the year	(4,156)	918	(3,238)	(8,547)	1,807	(6,740)
Exchange differences on translation of foreign operations						
Gains (losses) during the year	26,029	—	26,029	(5,834)	—	(5,834)
Reclassification adjustments to Net income	—	—	—	—	—	—
Net change during the year	26,029	—	26,029	(5,834)	—	(5,834)
Total other comprehensive income	19,435	2,716	22,151	(13,338)	1,589	(11,749)

29. Earnings per Share

(1) Earnings per Share

Basic earnings per share is calculated by dividing net income or loss attributable to owners of the parent by the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the maximum possible dilution from conversion, exercise, or contingent issuance of securities. All potentially dilutive securities are excluded from the calculation in a situation where there is a net loss attributable to owners of the parent.

(2) The Basis of Calculation of Basic Earnings per Share and Diluted Earnings per Share

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net income attributable to owners of the parent (Millions of Yen)	62,290	161,177
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	62,290	161,177
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	62,290	161,177
Weighted average number of common shares-basic	737,560,501	737,064,308
Dilutive effect of stock options	679,616	309,713
Dilutive effect of performance-based stock remuneration	716,468	298,012
Dilutive effect of restricted stock compensation	1,164,412	1,638,715
Weighted average number of common shares-diluted	740,120,997	739,310,748
Basic earnings per share (Yen)	84.45	218.67
Diluted earnings per share (Yen)	84.16	218.01
Financial instruments not included in the calculation of diluted earnings per share because they have anti-dilutive effect	—	—

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

30. Financial Instruments

(1) Capital Management

Advantest seeks out the most appropriate methods to enhance capital efficiency considering safety and liquidity for the sake of securing the fund.

Advantest raises fund through bonds and borrowings when required. Derivative transactions for speculation purposes are prohibited by Advantest's policy, and limited to transactions to avoid the risks discussed later.

Advantest manages net interest-bearing debt, where cash and cash equivalents are deducted from interest-bearing debt, and capital. The amounts as of each fiscal year end were as follows:

Millions of Yen

	As of March 31, 2024	As of March 31, 2025
Interest-bearing debt (Note 1)	75,143	74,955
Cash and cash equivalents	(106,702)	(262,544)
Net interest-bearing debt (Note 2)	(31,559)	(187,589)
Capital (equity attributable to owners of the parent company)	431,178	506,539

(Notes) 1. Interest-bearing debt is borrowings.

2. The figure represents the net amount of cash and cash equivalents after deducting interest-bearing debt.

Advantest monitors financial indicators in order to maintain a well-balanced capital structure that ensures an appropriate return on equity and a stable and flexible financial condition for future investment.

Advantest monitors credit ratings for a financial stability and flexibility, and ROE (return on equity) for profitability, while focusing on changes in the domestic and overseas environment.

(2) Basic Policy on Financial Risk Management

Advantest is exposed to financial risks (credit risks, liquidity risks, foreign exchange risks, and market price fluctuation risks) in the process of its management activities and it manages risks based on a specific policy in order to avoid or reduce said risks. The results of risk management are quarterly reported by the Accounting Department to management.

Advantest's policy limits derivatives to transactions for the purpose of mitigating risks from transactions based on actual demand. Therefore, Advantest does not transact derivatives for speculation purposes or trading purposes.

(3) Credit Risk

Receivables such as notes and trade receivables, resulting from operating activities of Advantest are exposed to customers' credit risks.

Equity securities held for strategic purposes are exposed to the issuer's credit risks.

Additionally, derivative transactions in order to hedge foreign exchange fluctuation risks are exposed to credit risks of counter party financial institutions.

Advantest strives to mitigate collection risk in accordance with credit management standards and procedures in selling goods and services.

Advantest assesses the credit standing of customers and manages collection date and outstanding balance for each customer to ensure smooth collection of trade receivables.

Advantest minimizes risk exposure by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines.

Any maximum exposure to credit risk in financial assets is stated in the carrying amounts presented in the consolidated statement of financial position.

Aging of Trade and other receivables that are past due but not impaired as of March 31, 2024 was as follows:

Millions of Yen

	As of March 31, 2024				
	Financial assets that are measured at an amount equal to 12-month expected credit losses	Financial assets that are measured at an amount equal to lifetime expected credit losses			Total
		Trade and other receivables	Financial assets whose credit risk has increased significantly	Financial assets whose credit is impaired	
Before due date	8,019	67,719	—	—	75,738
Within 90 days	21	11,876	—	—	11,897
Over 90 days, within 180 days	—	1,154	—	—	1,154
Over 180 days	—	66	—	—	66
Total	8,040	80,815	—	—	88,855

Aging of Trade and other receivables that are past due but not impaired as of March 31, 2025 was as follows:

Millions of Yen

	As of March 31, 2025				
	Financial assets that are measured at an amount equal to 12-month expected credit losses	Financial assets that are measured at an amount equal to lifetime expected credit losses			Total
		Trade and other receivables	Financial assets whose credit risk has increased significantly	Financial assets whose credit is impaired	
Before due date	7,056	97,756	—	—	104,812
Within 90 days	22	7,307	—	—	7,329
Over 90 days, within 180 days	119	673	—	—	792
Over 180 days	—	148	—	—	148
Total	7,197	105,884	—	—	113,081

Impairment is accounted for using the allowance for doubtful accounts, not directly reducing the carrying amount of financial assets.

The allowance for doubtful accounts against the financial assets is included in “Trade and other receivables” and “Other financial assets” in the consolidated statement of financial position.

The change in the allowance for doubtful accounts was as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance at the beginning of year	—	—
Increase during the year	—	50
Decrease due to intended use	—	—
Reversal during the year	—	—
Exchange differences	—	—
Balance at the end of year	—	50
Current	—	50
Non-current	—	—
Total	—	50

The amount of allowance for doubtful accounts of the financial assets for which credit losses were occurred as of March 31, 2024 and 2025 were zero. The amount of other allowance for doubtful accounts mainly consists of the lifetime expected credit losses related to Trade and other receivables.

(4) Liquidity Risk

Advantest establishes a financing plan based on the annual business plan and the Accounting Department monitors and collects information on the balance of liquidity-on-hand and interest-bearing debt and reports it to management.

In addition, Advantest manages liquidity risks with the balance of liquidity-on-hand maintained at a proper level by working out the financing plan on a timely basis, and by taking into consideration the financial environment.

The financial liability balance by maturity was as follows:

As of March 31, 2024

Millions of Yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	76,863	76,863	76,863	—	—	—	—	—
Borrowings	75,143	77,028	952	76,074	—	—	2	—
Lease liabilities	19,300	20,613	5,419	4,995	4,191	3,011	2,981	16
Other financial liabilities	1,868	1,868	1,868	—	—	—	—	—
Total	173,174	176,372	85,102	81,069	4,191	3,011	2,983	16
Derivative financial liabilities								
Cross-currency rate swap	3,030	3,030	—	3,030	—	—	—	—
Total	3,030	3,030	—	3,030	—	—	—	—

As of March 31, 2025

Millions of Yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	107,093	107,093	107,093	—	—	—	—	—
Borrowings	74,955	75,879	75,876	—	—	3	—	—
Lease liabilities	18,548	19,749	5,304	4,391	4,086	3,008	2,903	57
Other financial liabilities	4,329	4,405	2,866	215	868	226	230	—
Total	204,925	207,126	191,139	4,606	4,954	3,237	3,133	57
Derivative financial liabilities								
Cross-currency rate swap	2,924	2,924	2,924	—	—	—	—	—
Total	2,924	2,924	2,924	—	—	—	—	—

(5) Market Risk

1) Foreign Exchange Risk Management

As part of developing its global business, Advantest has foreign currency receivables and payables, which are subject to foreign exchange fluctuation risk.

To manage this risk, Advantest determines its foreign exchange fluctuation risk in each currency every month and, in principle, hedges this risk by using forward exchange transactions, and by using currency options and cross-currency rate swap as necessary.

Depending on foreign exchange market conditions, Advantest may also enter into forward exchange contracts on foreign currency receivables and payables for expected transactions it deems certain to occur.

Details of forward exchange contracts, currency options and cross-currency rate swap are presented below.

Millions of Yen

	Fiscal year ended March 31, 2024				Fiscal year ended March 31, 2025			
	Contract amount	Over one year	Carrying amount		Contract amount	Over one year	Carrying amount	
			Assets	Liabilities			Assets	Liabilities
Foreign exchange forward contracts								
Selling								
USD	—	—	—	—	30,785	—	145	—
Currency options								
Selling and Buying								
USD	—	—	—	—	2,536	—	20	—
Cross-currency rate swap	19,613	19,613	—	3,030	19,613	—	—	2,924

2) Foreign Exchange Sensitivity Analysis

The table below shows the impact on income before income taxes of a 1% increase in value of the functional currency included U.S. Dollar and the Euro, due to its holdings of financial instruments at the end of each fiscal year, assumed no changes in currencies other than those used.

The impact from the translation of functional currency-denominated financial instruments, assets and liabilities of foreign operations into presentation currency is not included.

Millions of Yen

	Currency	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Impact on income before income taxes	U.S. Dollar	(115)	(740)
	Euro	(31)	(39)

3) Interest Rate Risk

Advantest raises funds through borrowings. Borrowings with floating interest rates are exposed to interest rate fluctuation risks. In addition, disclosure of sensitivity analysis for interest rate is omitted as there were no borrowings with floating interest rates during the fiscal years ended March 31, 2024 and 2025.

(6) Carrying Amount and Fair Value of Financial Instruments

(Borrowings)

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

(Other accounts payable)

The fair value of other accounts payable measured at amortized cost is calculated based on the present value discounted by interest rate reflecting the effect of credit risk.

The fair value of other accounts payable measured at fair value through profit or loss is calculated based on the present value of the expected payment amount. The expected payment amount is calculated based on factors such as share price and discounted by interest rate reflecting the effect of credit risk to find the present value.

(Others)

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

(7) Fair Value Hierarchy of Financial Instruments

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

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

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

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

There were no transfers of financial instruments between levels during the fiscal years ended March 31, 2024 and 2025.

1) The financial assets and financial liabilities measured at amortized cost were classified by hierarchy as follows. The table does not include financial instruments whose fair values approximate their carrying amounts or are immaterial:

As of March 31, 2024

Millions of Yen

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

As of March 31, 2025

Millions of Yen

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Current portion of long-term borrowings	74,952	—	74,558	—	74,558
Other non-current accounts payable	638	—	619	—	619
Total financial liabilities	75,590	—	75,177	—	75,177

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

As of March 31, 2024

Millions of Yen

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

As of March 31, 2025

Millions of Yen

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through profit or loss				
Derivatives	—	165	—	165
Financial assets that are measured at fair value through other comprehensive income				
Equity instruments (Note)	26,698	—	982	27,680
Total financial assets	26,698	165	982	27,845
Financial liabilities that are measured at fair value through profit or loss				
Other current accounts payable	—	231	—	231
Other non-current accounts payable	—	825	—	825
Derivatives	—	2,924	—	2,924
Total financial liabilities	—	3,980	—	3,980

(Notes) Advantest holds equity instruments to accomplish expansion of revenue base by maintaining and enforcing relationships with investees. These equity instruments are designated as financial assets measured at fair value through other comprehensive income ("FVTOCI").

The breakdown of equity instruments designated as financial assets measured at FVTOCI was as follows.

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Technoprobe S.p.A.	—	15,247
PDF Solutions, Inc.	16,859	9,449
Others	1,149	2,984
Total	18,008	27,680

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

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance at beginning of year	866	929
Gains or losses		
Other comprehensive income (Note)	38	54
Others	25	(1)
Balance at end of year	929	982

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

(8) Derivatives and Hedge Accounting

1) Derivatives Subject to Hedge Accounting

There were no derivatives designated as hedging instruments as of March 31, 2024 and 2025.

2) Derivatives Not Subject to Hedge Accounting

Details of derivatives are presented below.

Millions of Yen

	Fiscal year ended March 31, 2024			Fiscal year ended March 31, 2025		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contracts	—	—	—	30,785	—	145
Currency options	—	—	—	2,536	—	20
Cross-currency rate swap	19,613	19,613	(3,030)	19,613	—	(2,924)

31. Related Party Disclosures

Management personnel compensation was as follows:

Millions of Yen

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Base compensation	349	350
Performance-based bonus	99	254
Share-based compensation expense	314	728
Total	762	1,332

32. Business Combinations

Fiscal year ended March 31, 2024

(Business combination through acquisition)

(1) Overview of Acquired Business

Name of Company: Shin Puu Technology Co., Ltd.

Business Description of acquired company:

Manufacture of printed circuit boards (PCBs) and printed circuit board assemblies (PCBAs)

Voting rights ratio after acquisition of shares: 100%

(2) Overview of Business Combination

R&D Altanova, the Company's subsidiary, acquired all outstanding shares of Taiwan-based company, Shin Puu Technology Co., Ltd. ("Shin Puu") on April 28, 2023, and Shin Puu became a wholly owned subsidiary of R&D Altanova.

Shin Puu is a supplier of PCBs that manufactures PCBs and PCBAs, key components used in electronics, in Taiwan, a global hub of the electronics industry. By combining R&D Altanova's high-performance and high-density PCB design technology with Shin Puu's manufacturing capabilities, Advantest will expand its manufacturing footprint for high-end test boards in the Asia region, enhancing Advantest's ability to provide turnkey solutions to its customers.

(3) Acquisition Date

April 28, 2023

(4) Legal Form of Business Combination

Acquisition of shares

(5) Acquisition-Related Expense

Acquisition-related expense of ¥595 million is included in Selling, general and administrative expenses in the consolidated statement of profit or loss for the fiscal year ended March 31, 2024.

(6) Fair Value of Assets Acquired, Liabilities Assumed and Consideration Paid as of the Acquisition Date

With the purchase price allocation completed during the second half of the fiscal year ended March 31, 2024, the fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were as follows:

Millions of Yen

	Provisional fair value	Revision	Revised fair value
Current assets	1,899	19	1,918
Non-current assets	5,866	458	6,324
Total assets	7,765	477	8,242
Current Liabilities	1,135	—	1,135
Non-current liabilities	2,031	101	2,132
Total liabilities	3,166	101	3,267
Goodwill	2,948	(426)	2,522
Total	7,547	(50)	7,497
Fair value of consideration paid			
Cash and cash equivalents	7,547	(50)	7,497

Goodwill generated from this business combination was attributable to the Services, Support and Others segment and was not deductible for tax purposes. Goodwill primarily represented a synergy effect with existing businesses and the excess earning power expected from the acquisition.

(7) Acquisition of Subsidiary

Millions of Yen

	Amount
Consideration paid	7,497
Cash and cash equivalents of the acquired subsidiary	(539)
Repayments of the long-term borrowings and others	1,302
Acquisition of subsidiary	8,260

(8) Impact on the Business Performance

Disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the fiscal year ended March 31, 2024 (unaudited information), was omitted because of its immateriality for the consolidated statement of profit or loss.

Fiscal year ended March 31, 2025

(Business combination through acquisition)

(1) Overview of Acquired Business

Name of Company: Salland Engineering International B.V.

Business Description of acquired company:

Development and manufacture of embedded measurement systems and small measurement instruments for ATE, and provision of semiconductor testing services

Voting rights ratio after acquisition of shares: 100%

(2) Overview of Business Combination

Advantest Netherlands B.V., a newly established entity of Advantest Europe GmbH, the Company's European subsidiary, acquired all outstanding shares of the Netherlands-based company, Salland Engineering International B.V. ("Salland") on April 2, 2024, and Salland became a wholly owned subsidiary of Advantest Netherlands B.V.

Salland is a developer and manufacturer of embedded measurement systems and small measurement instruments for ATE and a semiconductor test service provider that has an outstanding history of enabling semiconductor manufacturers to improve the efficiency and quality of their testing. By integrating Advantest's test systems with Salland's expertise, Advantest aims to strengthen test engineering services in Europe, enabling Advantest to offer test and measurement solutions to a broader range of customers. Additionally, by providing custom test services to emerging European startups and fabless companies, Advantest can expand its customer base and deliver services to global customers.

(3) Acquisition Date

April 2, 2024

(4) Legal Form of Business Combination

Acquisition of shares

(5) Acquisition-Related Expense

Acquisition-related expense of ¥566 million is included in Selling, general and administrative expenses in the consolidated statement of profit or loss for the fiscal year ended March 31, 2025.

(6) Fair Value of Assets Acquired, Liabilities Assumed and Consideration Paid as of the Acquisition Date

With the purchase price allocation completed during the first half of the fiscal year ended March 31, 2025, the fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were as follows:

Millions of Yen

	Fair Value
Current assets	853
Non-current assets	1,918
Total assets	2,771
Current Liabilities	571
Non-current liabilities	386
Total liabilities	957
Goodwill	3,004
Total	4,818
Fair value of consideration paid	
Cash and cash equivalents	3,815
Accounts payable	1,003
Total	4,818

Goodwill generated from this business combination was attributable to the Semiconductor and Component Test System Business segment and was not deductible for tax purposes. Goodwill primarily represented a synergy effect with existing businesses and the excess earning power expected from the acquisition.

(7) Acquisition of Subsidiary

The amount, after deducting the cash and cash equivalents held by Salland from the consideration paid of ¥3,815 million is included in Acquisition of subsidiaries in the consolidated statement of cash flows for the fiscal year ended March 31, 2025.

(8) Impact on the Business Performance

Disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the fiscal year ended March 31, 2025 (unaudited information), was omitted because of its immateriality for the consolidated statement of profit or loss.

33. Subsequent Event

(Information about Changing Reportable Segments)

Advantest has decided to change its reportable segments from the fiscal year ending March 31, 2026.

Advantest's conventional organizational structure consisted of three reportable segments, which were the semiconductor and component test system business, mechatronics system business and services, support and others. In efforts to provide comprehensive test solutions that include not only test equipment but also peripherals, Advantest has decided to reclassify the sources of revenue in management approach perspectives and to change reportable segments.

From the fiscal year ending March 31, 2026, Advantest has changed its reportable segments into two reportable segments, which are the test system business and services and others.

The amounts of each item for the fiscal year ended March 31, 2025 reclassified by new reportable segments are as follows:

Millions of Yen

	Test System Business	Services and Others	Elimination and Corporate	Consolidated
Net sales				
Net sales to unaffiliated customers	682,819	96,888	—	779,707
Inter-segment sales	—	—	—	—
Total	682,819	96,888	—	779,707
Segment income (loss) (operating income (loss) before share-based compensation expense)	262,120	(16,125)	(14,941)	231,054
Adjustment:				
Share-based compensation expense	—	—	—	(2,893)
Operating income	—	—	—	228,161
Financial income	—	—	—	1,895
Financial expenses	—	—	—	(5,282)
Income before income taxes	—	—	—	224,774

(Notes) 1. Adjustments to segment income (loss) in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments.

2. For services and others, the segment loss for the fiscal year ended March 31, 2025, includes impairment losses of ¥21,393 million on the goodwill and intangible assets acquired through a business combination with Essai, Inc.

(Share Repurchase)

The Company conducted share repurchases under Article 459, paragraph 1 of the Companies Act pursuant to resolutions of its Board of Directors, as part of its capital management policy aimed at improving capital efficiency and shareholder returns.

The details of acquisition are as follows.

Board resolution date	Type of shares to be acquired	Total number of shares acquired or to be acquired	Total cost of acquisition	Period of acquisition	Acquisition method
April 25, 2025	Common shares	6,643,900 shares	69,999,937,500 yen	May 7, 2025 to September 22, 2025	Purchase on the Tokyo Stock Exchange
October 28, 2025	Common shares	Up to 18 million shares	Up to 150 billion yen	November 4, 2025 to October 28, 2026	Purchase on the Tokyo Stock Exchange

(Cancellation of Treasury Shares)

The Company resolved to cancel a portion of its own treasury shares in accordance with the provisions of Article 178 of the Companies Act, at the Board of Directors meeting held on January 28, 2026, as follows.

1. Type of shares cancelled
   Shares of common shares
2. Total number of shares cancelled
   34,141,256 shares (Equivalent to 4.46% of outstanding shares as of January 28, 2026)
3. Cancellation date
   February 6, 2026

(IT System Incident)

On February 15, 2026, Advantest detected unusual activity within its IT environment and confirmed there was a cybersecurity incident involving ransomware.

Since becoming aware of the incident, we have been working closely with leading external cybersecurity experts to investigate, contain, and remediate the issue and to support the safety and integrity of our systems. We also notified appropriate authorities, including law enforcement. We believe that our containment actions and activation of business continuity plans minimized operational disruption and enabled us to continue serving customers. At this time, our external cybersecurity experts see no evidence of unauthorized third parties in our environment.

As part of our response, we isolated potentially affected systems and, out of an abundance of caution, we proactively took additional systems offline to assess and contain the issue. We understand that this may cause some operational challenges for our customers, partners, and suppliers, and we have implemented workarounds that are designed to help address these issues while we work to fully restore our systems.

As part of our ongoing investigation, we are working closely with leading external cybersecurity experts to determine data that may have been subject to access or exfiltration. Based on ongoing monitoring being conducted by our leading external cybersecurity experts, we have seen no indication that any data related to this incident has been released publicly.

Independent Auditor's Report

The Board of Directors
Advantest Corporation

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Advantest Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at March 31, 2024 and 2023, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill and intangible assets related to the system level test business
Description of Key Audit Matter
The Group has been strategically acquiring businesses to expand its test and measurement solutions in the semiconductor value chain. Major businesses acquired in recent years and the balance of goodwill and major intangible assets at the end of the fiscal year ended March 31, 2024, were as follows. The cash-generating unit (CGU) related to Advantest Test Solutions, Inc. is not included as a key audit matter in our audit of the consolidated financial statements for the fiscal year ended March 31, 2024 since the overall business was generally progressing

according to the business plan.

Company Name (CGU)	Date of Acquisition	Main Business Activities	Balances of Goodwill and Intangible Assets
Essai, Inc.	January 2020	Design, manufacture and sale of test sockets and thermal control units	Goodwill: ¥6,356 million Intangible assets: ¥16,795 million
R&D Altanova, Inc.	November 2021	Design, manufacture and sale of test interface boards	Goodwill: ¥27,826 million Intangible assets: ¥8,901 million

The total of the above goodwill and intangible assets was ¥59,878 million, which accounted for approximately 9% of total assets. The related amounts, the key assumptions used in the impairment test and the method used in the calculation are disclosed in Note 4 “Significant Accounting Judgments, Estimates and Assumptions” and Note 12 “Goodwill and Intangible Assets” of the notes to the consolidated financial statements. As described in Note 12 “Goodwill and Intangible Assets,” R&D Altanova, Inc. acquired Shin Puu Technology Co., Ltd., a Taiwan-based company, as a wholly-owned subsidiary in order to expand production capacity of high-end test boards. The goodwill of ¥2,522 million arising from the acquisition was allocated to the R&D Altanova, Inc. CGU.

During the fiscal year ended March 31, 2024, there was a slowdown in demand for major consumer electronics and data center investments due to a further deceleration of the global economy, leading to a decrease in demand for related semiconductors. As a result of the impairment test, it was determined that the value in use and the carrying amount for the R&D Altanova, Inc. CGU had remained stable since the previous fiscal year. However, the value in use of the Essai, Inc. CGU was less than its carrying amount due to a decrease in demand from a large-volume customer, resulting in an impairment loss of ¥8,998 million being recorded.

The impairment test is performed by comparing the values in use of each CGU with the carrying amounts of each business. The values in use of each CGU are determined by discounting estimated future cash flows to present value using pre-tax discount rates that reflect the time value of money and business specific risks based on the capital asset pricing model. The estimated future cash flows are determined based on the three-year business plan approved by management and specific growth rates after three years. The key assumptions in estimating the values in use are the sales forecasts for existing large-volume customers and prospects for gaining new customers on which to base a three-year business plan, the growth rates after three years, and the discount rates.

The above-mentioned businesses are in the semiconductor industry and are expected to grow in the long term. On the other hand, in the medium term, demand is expected to fluctuate due to the influence of investment budgets of semiconductor manufacturers, which are the Group’s customers, and geopolitical risks. As of March 31, 2024, sales of these businesses were highly dependent on large volume customers, and it was important to acquire new customers by

utilizing the customer base of the Group in order to achieve the business plan. Accordingly, there were uncertainties in the sales forecasts to existing large-volume customers and the prospects of gaining new customers, which served as the basis of the business plan and the forecasts of growth rates after three years, and a high degree of management judgment was required to determine these key assumptions. Furthermore, the calculation of the discount rates requires a high level of expertise in the determination of calculation methods and inputs.

Therefore, we determined the valuation of goodwill and intangible assets related to these businesses to be a key audit matter.

Auditor's Response

We performed the following audit procedures, among others to consider the valuation of goodwill and intangible assets:

(1) Assessment of the Group's internal controls

- We assessed the effectiveness of the design and operation of the Group's internal controls relating to the calculation of the values in use in the impairment test of goodwill.

(2) Evaluation of reasonableness of calculation of the values in use

(Evaluation of calculation method)

- We involved the valuation specialists of our network firm to assess the method used to calculate the values in use.

(Evaluation of the reasonableness of the business plan)

- We compared the estimated future cash flows for three years with the business plan approved by management to evaluate their consistency.
- We compared the Group's business plan for prior years with actual results to evaluate the effectiveness of management's estimation process.
- Regarding the sales forecasts to existing large-volume customers, which serve as the basis of the business plan, we inquired of management and the responsible officials of each business unit, compared with the sales backlog and publicly available data such as market reports and announcements published by customers and performed a trend analysis based on the past results.
- Regarding the prospects for gaining new customers, we inquired of management and the responsible officials of each business unit, examined the progress of new business negotiations, compared with the past customer acquisition results.
- Regarding the capital investments expected in the estimated future cash flows, we inquired of management and the responsible officials of each business unit and compared with the sales forecasts to evaluate consistency between these figures. Additionally, we inquired of the responsible official of business unit about the status of the technology transfer to Shin Puu Technology Co., Ltd., which was acquired for the expansion of production capacity for R&D Altanova, Inc. products and the production line startup.
- We performed a sensitivity analysis of the business plan reflecting uncertainty in the sales forecasts.

(Evaluation of the reasonableness of the growth rates and discount rates)

- Regarding the growth rates for the period after three years, we inquired of management, compared with market reports, and performed a trend analysis based on the past results.
- We compared the discount rates used with the estimates made by the valuation specialists of our network firm.

Valuation of inventories

Description of Key Audit Matter

The Group recorded inventories of ¥204,389 million on the consolidated statements of financial position as of March 31, 2024, which accounted for approximately 30% of total assets. The related amounts, the estimation method, and the assumptions used are disclosed in Note 4 “Significant Accounting Judgments, Estimates and Assumptions” of the notes to the consolidated financial statements. Additionally, as described in Note 9 “Inventories” of the notes to the consolidated financial statements, inventory valuation losses of ¥7,347 million were recorded for the fiscal year ended March 31, 2024.

The Group measures inventories at the lower of cost or net realizable value after initial recognition. If net realizable value is less than cost, an impairment loss in the amount of the difference is recognized. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and the estimated costs necessary to make the sale.

The Group is in the semiconductor industry, which is expected to grow in the long term; however, in the medium term, significant fluctuations in demand are anticipated due to factors such as investment budgets of semiconductor manufacturers, which are the Group’s customers, and geopolitical risks. As a result of a challenging procurement environment due to parts shortages and supply chain disruptions, the Group strategically placed advance orders, which contributed to an increase in inventory balances in recent years, particularly raw materials. The Group estimates future sales quantities by product model based on demand forecasts from its semiconductor manufacturer customers. In the valuation of inventories, the Group analyzes whether there is an excess inventory balance based on the estimated future sales quantities by product model and evaluates whether recording inventory valuation losses is necessary. Since the determination of estimated future sales quantities by product model is based on customer demand forecasts and involves uncertainty, a high level of management judgment is required in the valuation of inventories.

Therefore, we determined the valuation of inventories to be a key audit matter.

Auditor’s Response

We performed the following audit procedures, among others to consider the valuation of inventories:

(1) Assessment of the Group’s internal controls

- We assessed the effectiveness of the design and operation of the Group’s internal controls

relating to the valuation of inventories.

(2) Evaluation of the reasonableness of the valuation of inventories

- We inquired of management regarding their judgments on the valuation of inventories.
- We performed the following procedures for the future sales quantities by product model:
  - We examined the consistency between the estimated future sales quantities by product model used for valuation of inventories and the Group's business plan. We also inquired of management about the demand forecasts for each business that underlie the business plan and compared them with available external data.
  - We compared the estimated sales quantities by product model for prior years with actual results to evaluate the effectiveness of management's estimation process.
  - Regarding future sales quantities by product model, we inquired of the responsible officials of business units and compared with sales performance in the past to evaluate the reasonableness of the estimates.
  - We inquired of the responsible officials of business units whether inventories that require a long period to be sold, are considered excess inventory, and examined the reasonableness of their judgments.
- We performed analytical procedures on the inventory balance and the inventory valuation losses by product model.
- We selected a sample of the allowance for inventory valuation losses by product model and verified that it agreed with the supporting evidence.

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRS Accounting Standards, matters related to going concern.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRS Accounting Standards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

The fees for the audits of the financial statements of Advantest Corporation and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are 382 million yen and 213 million yen, respectively.

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

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

/s/ Ernst & Young ShinNihon LLC
Tokyo, Japan

March 25, 2026

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Statements of Financial Position

Millions of Yen

	Note	As of March 31, 2023	As of March 31, 2024
Assets			
Current assets			
Cash and cash equivalents	7, 30	85,537	106,702
Trade and other receivables	8, 30	102,152	88,855
Inventories	9	169,082	204,389
Other current assets		17,924	20,315
Total current assets		374,695	420,261
Non-current assets			
Property, plant and equipment, net	11	64,046	78,884
Right-of-use-assets	13	17,312	19,106
Goodwill and intangible assets, net	12	95,767	98,514
Other financial assets	10, 30	21,488	20,139
Deferred tax assets	15	26,522	33,423
Other non-current assets		394	902
Total non-current assets	6	225,529	250,968
Total assets		600,224	671,229
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	16, 30	89,262	76,863
Short-term borrowings	17	13,357	—
Income taxes payable		30,635	10,262
Provisions	18	9,093	8,668
Lease liabilities	30	4,587	5,147
Other financial liabilities	30	4,903	1,868
Other current liabilities	22	22,852	23,469
Total current liabilities		174,689	126,277
Non-current liabilities			
Long-term borrowings	17, 30	20,000	75,143
Lease liabilities	30	12,900	14,153
Retirement benefit liabilities	19	16,812	19,134
Deferred tax liabilities	15	5,773	3,934
Other non-current liabilities	30	1,356	1,410
Total non-current liabilities		56,841	113,774
Total liabilities		231,530	240,051
Equity			
Share capital	20	32,363	32,363
Share premium	20	44,622	45,441
Treasury shares	20	(59,099)	(56,353)
Retained earnings	20	319,171	355,299
Other components of equity	20	31,637	54,428
Total equity attributable to owners of the parent		368,694	431,178
Total equity		368,694	431,178
Total liabilities and equity		600,224	671,229

2) Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income

Consolidated Statements of Profit or Loss

Millions of Yen

	Note	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	6, 22	560,191	486,507
Cost of sales	11, 12, 19	(241,130)	(240,477)
Gross profit		319,061	246,030
Selling, general and administrative expenses	11, 12, 18, 19, 23, 24	(152,042)	(158,963)
Other income	26	1,003	3,926
Other expenses	27	(335)	(9,365)
Operating income	6	167,687	81,628
Financial income	25	4,458	1,244
Financial expenses	25	(875)	(4,702)
Income before income taxes		171,270	78,170
Income taxes	15	(40,870)	(15,880)
Net income		130,400	62,290
Net income attributable to:			
Owners of the parent		130,400	62,290
Earnings per share:	29	Yen	Yen
Basic		174.35	84.45
Diluted		173.68	84.16

Consolidated Statements of Comprehensive Income

Millions of Yen

	Note	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net income		130,400	62,290
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plan	19, 20, 28	3,327	(640)
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	20, 28	5,062	(3,238)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	20, 28	8,093	26,029
Total other comprehensive income (loss)		16,482	22,151
Total comprehensive income for the year		146,882	84,441
Comprehensive income attributable to:			
Owners of the parent		146,882	84,441

3) Consolidated Statements of Changes in Equity

Millions of Yen

	Note	Equity attributable to owners of the parent						Total Equity
		Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	
Balance as of April 1, 2022		32,363	44,995	(81,547)	279,828	18,982	294,621	294,621
Net income					130,400		130,400	130,400
Other comprehensive income (loss), net of tax						16,482	16,482	16,482
Total comprehensive income for the year		—	—	—	130,400	16,482	146,882	146,882
Purchase of treasury shares	20		(23)	(50,006)			(50,029)	(50,029)
Disposal of treasury shares	20		(1,835)	4,175	(1,171)		1,169	1,169
Cancellation of treasury shares	20			68,279	(68,279)		—	—
Dividends	21				(25,434)		(25,434)	(25,434)
Share-based payments	24		1,426				1,426	1,426
Other			59				59	59
Transfer from other components of equity to retained earnings	20				3,827	(3,827)	—	—
Total transactions with the owners		—	(373)	22,448	(91,057)	(3,827)	(72,809)	(72,809)
Balance as of March 31, 2023		32,363	44,622	(59,099)	319,171	31,637	368,694	368,694
Net income					62,290		62,290	62,290
Other comprehensive income (loss), net of tax						22,151	22,151	22,151
Total comprehensive income for the year		—	—	—	62,290	22,151	84,441	84,441
Purchase of treasury shares	20			(17)			(17)	(17)
Disposal of treasury shares	20		(1,218)	2,727	(596)		913	913
Cancellation of treasury shares	20			36	(36)		—	—
Dividends	21				(24,890)		(24,890)	(24,890)
Share-based payments	24		1,639				1,639	1,639
Other			398				398	398
Transfer from other components of equity to retained earnings	20				(640)	640	—	—
Total transactions with the owners		—	819	2,746	(26,162)	640	(21,957)	(21,957)
Balance as of March 31, 2024		32,363	45,441	(56,353)	355,299	54,428	431,178	431,178

4) Consolidated Statements of Cash Flows

Millions of Yen

	Note	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities:			
Income before income taxes		171,270	78,170
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization		21,396	26,104
Impairment losses	12	—	8,998
Share-based compensation expense		1,520	1,769
Changes in assets and liabilities:			
Trade and other receivables		(15,582)	17,400
Inventories		(71,638)	(30,923)
Trade and other payables		16,484	(16,857)
Warranty provisions		2,536	(478)
Advance receipts		(2,328)	(3,168)
Retirement benefit liabilities		(2,832)	(1,011)
Other		(10,302)	(249)
Subtotal		110,524	79,755
Interest and dividends received		459	1,202
Interest paid		(593)	(2,305)
Income taxes paid		(40,166)	(45,984)
Net cash provided by (used in) operating activities		70,224	32,668
Cash flows from investing activities:			
Proceeds from sale of equity instruments		—	1,150
Proceeds from sale of property, plant and equipment		356	49
Purchases of property, plant and equipment		(22,535)	(19,592)
Purchases of intangible assets		(1,053)	(951)
Acquisition of subsidiaries	32	(3,505)	(8,260)
Other		31	(336)
Net cash provided by (used in) investing activities		(26,706)	(27,940)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	17	(19,968)	—
Proceeds from long-term borrowings	17	20,000	54,665
Repayments of long-term borrowings		—	(14,667)
Proceeds from disposal of treasury shares		1,134	867
Purchases of treasury shares	20	(50,042)	(17)
Dividends paid	21	(25,418)	(24,881)
Payments for lease liabilities	13	(3,140)	(5,207)
Other		—	—
Net cash provided by (used in) financing activities		(77,434)	10,760
Net effect of exchange rate changes on cash and cash equivalents		2,871	5,677
Net change in cash and cash equivalents		(31,045)	21,165
Cash and cash equivalents at the beginning of year		116,582	85,537
Cash and cash equivalents at the end of year	7	85,537	106,702

Notes to the Consolidated Financial Statements

1. Reporting Entity

Advantest Corporation is a public company located in Japan.

The Company's consolidated financial statements consist of the Company and its subsidiaries (collectively, "Advantest").

Advantest manufactures and sells semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. Advantest also engages in research and development activities and provides maintenance and support services associated with these products.

2. Basis of Preparation

(1) Compliance with IFRS Accounting Standards

Advantest prepares its consolidated financial statements in accordance with IFRS Accounting Standards (IFRS) issued by the International Accounting Standard Board. As Advantest meets the requirements of a "Specified Companies applying Designated IFRS" pursuant to Article 1-2 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements", Advantest adopts Article 93 of the same ordinance.

The consolidated financial statements were approved on March 25, 2026 by Koichi Tsukui, Representative Director, Senior Executive Officer and President, Group COO and Hisako Takada, Senior Executive Officer, CFO of the Company.

(2) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at their fair values, as included in Material Accounting Policies (see note 3 for additional details).

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese Yen, which is the Company's functional currency.

3. Material Accounting Policies

(1) Basis of Consolidation

Advantest's consolidated financial statements include financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control is obtained when the Company has risks or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the variable returns.

The Company consolidates all subsidiaries from the date on which the Company acquires control until the date on which the Company loses control.

Inter-company balances and transactions are eliminated in consolidation.

Subsidiaries' financial statements are adjusted, if necessary, when their accounting policies differ from those of the Company. For subsidiaries with different reporting dates from that of the Company, the financial statements based on provisional settlement of accounts made as of the reporting date are used in the preparation of the consolidated financial statements. The reporting date of the subsidiaries is not more than 3 months earlier than that of the Company.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Goodwill is measured as the excess of the total amount of the consideration transferred, the amount of any non-controlling interests in the acquiree and, if a business combination is achieved in stages, the amount of the fair value at the date of acquisition of acquirer's previously held equity interest in the acquiree over the net amounts recognized of the identifiable acquired assets and assumed liabilities (which is usually measured at fair value). If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. During the measurement period, which does not exceed one year from the acquisition date, the Company retrospectively adjusts the provisional amounts recognized at the acquisition date. Acquisition-related costs are recognized as expenses in the period in which they are incurred.

(3) Foreign Currency Translation

1) Translation of Foreign Currency Transactions

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency of each entity using the exchange rate at the end of the reporting period. Foreign currency transactions are converted into the functional currency using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized as financial income (expenses).

2) Translation of Foreign Operations

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

(4) Financial Instruments

1) Non-derivative Financial Assets

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

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

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

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

Financial assets measured at amortized cost

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

- The financial asset is held within a business model with the objective of collecting contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets measured at fair value through other comprehensive income

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

Financial assets measured at fair value through profit or loss

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

2) Non-derivative Financial Liabilities

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

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

Advantest derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

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

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

3) Equity

Share capital

Share capital is included in equity. The direct issuance costs of share capital are deducted, net of tax, from share premium.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized at purchase, sale and retirement of treasury shares.

4) Derivative Financial Instruments

Advantest uses derivative instruments primarily to manage exposures to foreign currency. The primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency. The instruments are not designated for trading or speculative purposes. Derivative financial instruments contain an element of risk in the event the counterparties are unable to meet the terms of the agreements. However, Advantest minimizes risk exposure by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines. Management of the Company does not expect any counterparty to default on its obligations and, therefore, does not expect to incur any losses due to counterparty default on its obligations. Advantest generally does not require or provide collateral for these derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and remeasured after initial recognition to their fair value. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

The accounting for changes in the fair value (that are, gains or losses) of a derivative instrument depends on the objective for holding such instrument and whether it meets the criteria for designation as a cash flow hedge or a fair value hedge.

If certain conditions are met, Advantest may elect to designate a derivative instrument as a hedge of exposures to changes in fair values, cash flows, or a net investment in a foreign operation.

(5) Impairment

1) Non-derivative Financial Assets

Allowance for doubtful accounts against expected credit losses is recognized for financial assets measured at amortized cost.

Advantest assesses at the end of each reporting period whether the credit risk that relates to financial assets has increased significantly or not since initial recognition. If the credit risk has not increased significantly, Advantest recognizes an amount equal to 12-month expected credit losses as allowance for doubtful accounts. If the credit risk has increased significantly, Advantest recognizes an amount equal to lifetime expected credit losses as allowance for doubtful accounts. Advantest determines whether the credit risk has increased significantly or not based on the change of default risk.

Advantest always recognizes an amount equal to lifetime expected credit losses for trade receivables as allowance for doubtful accounts. If there has been a significant decrease of impairment loss on financial assets after initial recognition, Advantest recognizes in profit or loss, as an impairment gain, the amount of reversal that is required to adjust the allowance for doubtful accounts.

2) Non-financial Assets

If there is any indication of impairment for non-financial assets other than inventories and deferred tax assets, the asset's recoverable amount is estimated, and the asset is tested for impairment. Goodwill is tested for impairment both annually and when there is any indication of impairment. An impairment loss is recognized if the recoverable amount of an asset, cash-generating unit (CGU) or CGU group is less than its carrying amount.

The recoverable amount of an asset, CGU or CGU group is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows associated with the asset, CGU or CGU group are discounted to present value using a pre-tax discount rate which reflects current market assessments of the time value of money and any risks specific to the asset, CGU or CGU group. For impairment testing purposes, assets are grouped together into the smallest assets, CGU or CGU group that generates cash inflows independently of cash inflows of other assets, CGU or CGU group. Goodwill is grouped together so that the impairment is tested for the smallest group of units used for internal reporting purposes. Goodwill acquired in a business combination is allocated to CGU or CGU group that is expected to benefit from the synergies of the business combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to that CGU or CGU group and then to reduce the carrying amounts of other assets in CGU or CGU group on a pro-rata basis.

Impairment losses on goodwill are not reversed. For all other assets, impairment losses are only reversed to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(6) Cash and Cash Equivalents

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

(7) Inventories

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

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

(8) Property, Plant and Equipment (except Right-of-Use Assets)

Property, plant and equipment are measured by using the cost model and are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs.

Except for assets that are not subject to depreciation such as land, assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of major asset items are as follows:

・Buildings:10 to 50 years
・Machinery and equipment:4 to 10 years
・Tool, furniture and fixture:2 to 10 years

The estimated useful lives, depreciation method and residual value are reviewed at each fiscal year end and if there are any changes made to the estimated useful lives, depreciation method and residual value, such changes are accounted for on a prospective basis as changes in estimate.

(9) Goodwill and Intangible Assets

1) Goodwill

Details on the measurement of goodwill at initial recognition are included in Business Combinations (see note (2) for additional details).

Goodwill is not amortized. It is allocated to CGU or group of CGUs that are identified according to types of business and regions and tested for impairment each fiscal year or when there is any indication of impairment. Impairment losses on goodwill are recognized in profit or loss, and no subsequent reversal is made.

After initial recognition, goodwill is presented at cost less accumulated impairment losses.

2) Intangible Assets (except Right-of-Use Assets)

Intangible assets acquired separately are measured at cost at the initial recognition, and the cost of intangible assets acquired through business combinations are recognized at fair value at the acquisition date.

Expenses on internally generated intangible assets are recognized as expense in the period when incurred, except for those that satisfy the criteria for recognition as assets. Internally generated intangible assets that satisfy the criteria for recognition as assets are stated at cost in the total amount of spending that is incurred after the assets first met recognition standards.

Intangible assets are subsequently measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets for which useful lives can be determined are amortized on a straight-line method over their estimated useful lives from the date the assets are available for use. These assets are also tested for impairment whenever there is any indication of impairment.

Estimated useful lives, residual values and amortization methods are reviewed at each fiscal year end and the effect of any changes in estimate are accounted for during the period in which the change occurred and on a prospective basis. The effect of any changes in estimate is recognized in the period in which the change occurs.

The estimated useful lives of major assets are as follows:

・Software:3 to 5 years
・Customer-related assets and technology-related assets:5 to 18 years

(10) Leases

1) Leases-Lessor

Advantest recognizes the lease transactions that do not transfer substantially all risks and rewards of ownership as property, plant and equipment in the consolidated statements of financial position and recognizes revenue on the straight line basis over the leasing period in the consolidated statements of profit or loss.

2) Leases-Lessee

Advantest recognizes right-of-use asset and lease liability at the inception of a lease contract. At the commencement date, a right-of-use asset is measured based on the amount of the initial measurement of the lease liability and depreciated on a straight-line basis over the lease term. The lease term is determined as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if it is reasonably certain to be exercised and periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

A lease liability is recognized and measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate. After the commencement date, the lease liability is measured by increasing or reducing the carrying amount to reflect interest on the lease liability and the lease payments made and re-measuring the carrying amount as necessary to reflect lease modifications.

Advantest has elected not to recognize short term leases and leases of low-value assets as right-of-use assets and lease liabilities, but expense over the lease term on a straight-line basis.

(11) Post-Employment Benefits

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

The Company and certain of its subsidiaries have retirement and severance defined contribution plans. Defined contribution plans are post-employment benefit plans in which the employer makes a certain amount of contributions to fund post-employment benefits and does not bear more legal and constructive obligations than the amount contributed. The contribution in defined contribution plans is recognized in profit or loss in the period during which services were provided by employees.

(12) Provisions

Provisions are recognized when Advantest has present legal or constructive obligations as a result of past events, when it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

Warranty Provisions

Advantest's products are generally subject to warranty, and Advantest provides contractual product warranty services, when the performance of products sold does not meet expected product specifications. Estimated repair expenses over the warranty period are accrued based on the historical ratio of actual repair expenses to corresponding sales, when product revenue is recognized.

(13) Share-Based Compensation

Advantest applies the fair-valued-based method of accounting for share-based compensation and recognizes share-based compensation expenses in the consolidated statements of profit or loss.

The cost of service received in share options is measured based on the grant-date fair value. The cost is recognized on the straight line basis over the period during which an employee is required to provide service in exchange for the award. The Black Scholes pricing model is used to estimate the value of share options. Expected dividend yield is determined by the Company's dividend ratio of the past and other associated factors. Risk free interest rate is determined by Japanese government bond yield for the period corresponding to expected life. Expected volatility is determined by historical volatility and trend of the Company's share prices, and other associated factors. Expected life is determined by the Company's option exercise history, post vesting employment termination behavior for similar grants, and other pertinent factors.

Advantest has performance-based stock remuneration plan and restricted stock compensation plan for directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers and executive employees as an incentive. The cost of service received in performance-based stock remuneration plan is measured based on the grant-date fair value of the Company's shares or any liabilities generated. The cost is recognized over the applicable period. The cost of service received in restricted stock compensation plan is measured based on the grant-date fair value of the Company's shares. The cost is recognized with a corresponding increase in equity over the applicable period.

(14) Revenue

Advantest recognizes revenue based on the five-step model.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations (accounting treatment for goods or services separately)

Step 3: Determine the transaction price (amount of consideration)

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognize revenue when the entity satisfies a performance obligation

Advantest sells test system products of semiconductor and mechatronics-related products such as test handlers that handling semiconductor devices, the revenue for these is recognized when control of such products is transferred to customers as the performance obligation is satisfied based on contractual terms. The timing at which control of such products transferred to customers is determined upon delivery or acceptance.

Additionally, Advantest has performance obligation towards customers on the service contracts. Revenue from such service contracts is recognized over the contract term on the straight-line basis.

(15) Financial Income and Expenses

Financial income mainly consists of dividend income, interest income, foreign exchange gains and changes in the fair value of financial instruments measured at fair value through profit or loss. Dividend income is recognized on the date when the right of Advantest to receive the dividend is established. Interest income is recognized using the effective interest method as incurred.

Financial expenses mainly consist of interest expenses, foreign exchange losses and changes in the fair value of financial instruments measured at fair value through profit or loss. Interest expenses are recognized using the effective interest method as incurred.

(16) Income Taxes

Current and deferred taxes are stated as income taxes in the consolidated statements of profit or loss except when they relate to business combinations or on items recognized in other comprehensive income or directly in equity.

Current and deferred taxes related to items recognized in other comprehensive income are recognized as other comprehensive income.

1) Current Taxes

Current income taxes are measured at the amount that is expected to be paid to or refunded from the tax authorities. For the calculation of the tax amount, Advantest uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

2) Deferred Taxes

Deferred income taxes are calculated based on the temporary differences between the amounts used for tax purpose and the carrying amount for assets and liabilities at the fiscal year end. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are recognized for taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, based on the tax laws that have been enacted or substantively enacted by the fiscal year end.

Deferred tax assets and deferred tax liabilities are not recognized for the following temporary differences:

- taxable temporary differences on initially recognized goodwill
- temporary differences arising from the initial recognition of assets or liabilities in transactions that are not business combinations and that, at the time of the transaction, affect neither accounting profit or loss nor taxable profit or loss, and at the time of the transaction, do not give rise to equal taxable and deductible temporary differences
- taxable temporary differences on investments in subsidiaries to the extent that the timing of the reversal of the temporary difference is controlled and that it is probable the temporary difference will not reverse in the foreseeable future
- deductible temporary differences on investments in subsidiaries to the extent that it is not probable the temporary differences will reverse in the foreseeable future

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority on the same taxable entity.

Advantest has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two Model rules published by the Organization for Economic Co-operation and Development (OECD) under the amendments to IAS 12. The impact of applying the exception on Advantest's consolidated financial statements is immaterial.

The assessment of the potential exposure to Pillar Two income taxes is based on the Country-by-Country Reporting and financial statements for the constituent entities in Advantest. The Pillar Two Model rule's exposure to income taxes is immaterial since the effective tax rates exceed 15% in most jurisdictions where Advantest operates.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires Advantest to make judgments, accounting estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable according to the situation. Given their nature, however, actual results may differ from those estimates and assumptions.

The estimates and underlying assumptions are continuously reviewed. The effects of a change in these estimates and assumptions are recognized in the period of the change and subsequent periods.

The estimates and assumptions that could have a material effect on the amounts recognized in its consolidated financial statements are as follows:

(1) Valuation of Inventories

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2024

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Inventories	169,082	204,389

2) Other Information that Deepens the Understanding of Users of the Consolidated Financial Statements Regarding the Content of Accounting Estimates

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

(2) Impairment of Property, Plant and Equipment, Right-of-use Assets, Goodwill and Intangible Assets

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2024

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Property, plant and equipment, net	64,046	78,884
Right-of-use assets	17,312	19,106
Goodwill and intangible assets, net	95,767	98,514

2) Other Information that Deepens the Understanding of Users of the Consolidated Financial Statements Regarding the Content of Accounting Estimates

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

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

CGU that has significant goodwill as of March 31, 2023 are Advantest Test Solutions, Inc., Essai, Inc. and R&D Altanova group, and the amount of goodwill allocated to these CGUs are ¥8,127 million, ¥13,642 million and ¥22,029 million, respectively. Essai, Inc. and R&D Altanova group also have significant intangible assets of ¥16,979 million and ¥8,473 million as of March 31, 2023, respectively.

CGU that has significant goodwill as of March 31, 2024 are Essai, Inc. and R&D Altanova group, and the amount of goodwill allocated to these CGUs are ¥6,356 million and ¥27,826 million, respectively. Essai, Inc. and R&D Altanova group also have significant intangible assets of ¥16,795 million and ¥8,901 as of March 31, 2024, respectively.

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

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

The method of calculating the recoverable amount of goodwill is included in Goodwill and Intangible Assets (see note 12 for additional details).

(3) Post-Employment Benefits

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2024

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Retirement benefit liabilities	16,812	19,134

2) Other Information that Deepens the Understanding of Users of the Consolidated Financial Statements Regarding the Content of Accounting Estimates

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

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

These actuarial assumptions and related sensitivity analysis are included in Post-Employment Benefits (see note 19 for additional details).

(4) Valuation of Deferred Tax Assets

1) Amount Recognized in the Consolidated Financial Statements as of March 31, 2024

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets	26,522	33,423

2) Other Information that Deepens the Understanding of Users of the Consolidated Financial Statements Regarding the Content of Accounting Estimates

Advantest judges the recoverability of deferred tax assets depending on taxable income based on the business plan and tax planning.

Key assumption for estimates of taxable income is sales forecast of each business unit as the basis for business plan. Generally, a reduction rate of capital expenditures of semiconductor manufacturers during downturns in the semiconductor industry, including investments in semiconductor test systems, is much greater than a reduction rate of worldwide semiconductor sales due to significant demand volatility in the semiconductor industry. In addition, the semiconductor industry has been highly cyclical with recurring periods of excess inventory, which possibly have a severe effect on the semiconductor industry's demand for semiconductor test systems. Therefore, Advantest estimates the timing, period, and amount of taxable income taking into account deviation of past forecast and actual results as well as uncertainty due to future changes in economic conditions.

Differences in result and forecast of taxable income may have a material impact on the amount of deferred tax assets recognized in the consolidated financial statements in future periods.

The contents and amounts related to income taxes are included in the Income Taxes (see note 15 for additional details).

5. New Accounting Standards and Interpretations Issued but not yet Applied

New or revised accounting standards and interpretations that were issued by the date of approval of the consolidated financial statements but have not yet been applied by Advantest as of March 31, 2024, are principally as follows:

Standards and Interpretations	Title	Date of mandatory application (fiscal year beginning on or after)	Reporting periods of application (end date of the reporting period)	Overview of new/revised Standards and Interpretations
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	March 31, 2028	New standard of the presentation and disclosure of information in financial statements that replaces IAS 1

Advantest is currently assessing the impacts of adopting IFRS 18 “Presentation and Disclosure in Financial Statements”.

6. Segment Information

(1) Overview of Reporting Segments

Advantest manufactures and sells semiconductor and component test system products and mechatronics-related products such as test handlers and device interfaces. Advantest also engages in research and development activities and provides maintenance and support services associated with these products. Advantest’s organizational structure consists of three reportable operating segments, which are the design, manufacturing, and sale of semiconductor and component test systems, mechatronics systems and services, support and others. These reportable operating segments are determined based on the nature of the products and the markets. Segment information is prepared on the same basis that management reviews financial information for operational decision making purposes.

The semiconductor and component test system segment provides customers with test system products for the semiconductor industry and the electronic parts industry. Product lines provided in the semiconductor and component test system segment include test systems for SoC semiconductor devices and test systems for memory semiconductor devices.

The mechatronics system segment provides product lines such as test handlers, mechatronic-applied products, for handling semiconductor devices, device interfaces that serve as interfaces with the devices that are measured and operations related to nano-technology products.

The services, support and others segment consists of comprehensive customer solutions provided in connection with the above segments, test solutions of system level testing for such as semiconductor and modules, support services, sales of consumables, sales of used products, equipment lease business and others.

(2) Information of Reporting Segments

Accounting treatment applied to operating segments is the same as in the note “3. Material Accounting Policies”.

Advantest uses the operating income (loss) before share-based compensation expense for management’s analysis of operating segment results.

Share-based compensation expense represents expenses for stock options, performance-based stock remuneration expense and restricted stock compensation expense.

Segment income (loss) is presented on the basis of operating income (loss) before share-based compensation expense.

Inter-segment sales are based on market prices.

Fiscal year ended March 31, 2023

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	404,213	59,874	96,104	—	560,191
Inter-segment sales	39	—	—	(39)	—
Total	404,252	59,874	96,104	(39)	560,191
Segment income (loss) (operating income (loss) before share-based compensation expense)	163,186	14,964	7,629	(16,572)	169,207
Adjustment: Share-based compensation expense	—	—	—	—	(1,520)
Operating income	—	—	—	—	167,687
Financial income	—	—	—	—	4,458
Financial expenses	—	—	—	—	(875)
Income before income taxes	—	—	—	—	171,270
(Other profit and loss items)					
Depreciation and amortization	11,284	1,181	7,987	944	21,396

Fiscal year ended March 31, 2024

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Net sales					
Net sales to unaffiliated customers	331,542	52,695	102,270	—	486,507
Inter-segment sales	—	—	—	—	—
Total	331,542	52,695	102,270	—	486,507
Segment income (loss) (operating income (loss) before share-based compensation expense)	91,916	9,171	(2,828)	(14,862)	83,397
Adjustment: Share-based compensation expense	—	—	—	—	(1,769)
Operating income	—	—	—	—	81,628
Financial income	—	—	—	—	1,244
Financial expenses	—	—	—	—	(4,702)
Income before income taxes	—	—	—	—	78,170
(Other profit and loss items)					
Depreciation and amortization	14,926	1,300	8,836	1,042	26,104

(Notes) 1. Adjustments to segment income (loss) in Corporate principally represent corporate general and administrative expenses and

research and development expenses related to fundamental research activities that are not allocated to operating segments.

2. Segment income (loss) in the services, support and others segment for the fiscal year ended March 31, 2024 include an impairment loss of ¥8,998 million recognized for a portion of goodwill acquired through the business combination with Essai Inc. in the system level test business, as well as an income of ¥3,179 million from settlement proceeds related to a dispute with the counterparty.

(3) Net Sales to Unaffiliated Customers by Segments of Products and Services

The segments of similar products and services are the same as the segments in the report.

(4) Net Sales to Unaffiliated Customers by Region

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Japan	20,522	19,723
Americas	42,882	37,621
Europe	17,328	17,643
Asia	479,459	411,520
Total	560,191	486,507

Net sales to unaffiliated customers are based on customer's location. Net sales indicated as Asia were mainly generated in China, Taiwan and South Korea in the amount of ¥149,202 million, ¥153,175 million and ¥109,827 million for the fiscal year ended March 31, 2023 and ¥157,064 million, ¥108,357 million and ¥92,891 million for the fiscal year ended March 31, 2024, respectively. Substantially all net sales indicated as Americas were generated in the United States of America.

(5) Non-Current Assets (Property, Plant and Equipment, Right-of-Use Assets, Goodwill and Intangible assets, Other Non-Current Assets) by Region

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Japan	48,142	50,164
Americas	98,522	106,932
Europe	14,902	16,718
Asia	15,953	23,592
Total	177,519	197,406

Non-current assets are those assets located in each geographic area.

Substantially all non-current assets indicated as Americas were located in the United States of America. Substantially all non-current assets indicated as Europe were located in Germany and Italy. Non-current assets in Asia were primarily located in Taiwan, South Korea, China and Singapore.

(6) Information of Main Customers

There was no customer group that accounted for 10% or more of the net sales for the fiscal years ended March 31, 2023.

The customer group that accounted for 10% or more of the net sales was the Samsung Group, mainly in the semiconductor and component system and the mechatronics system segments of Advantest for the fiscal years ended March 31, 2024. Net sales to the Samsung Group amounted to ¥57,725 million for the fiscal year ended March 31, 2024.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents was as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Cash and short-term deposits with maturities of three months or less	85,537	106,702

Cash and cash equivalents are classified as financial assets measured at amortized cost.

The balances of cash and cash equivalents on the consolidated statements of financial position agreed with the respective balances in consolidated statements of cash flows.

8. Trade and Other Receivables

The breakdown of trade and other receivables was as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Note Receivables	6,682	6,662
Trade Receivables	89,795	74,153
Other Receivables	5,675	8,040
Total	102,152	88,855

Trade and other receivables are presented net of the allowance for doubtful accounts in the consolidated statements of financial position. Advantest did not recognize allowance for doubtful accounts for the fiscal years ended March 31, 2023 and 2024.

Trade and other receivables are classified as financial assets measured at amortized cost.

9. Inventories

The breakdown of inventories was as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Finished goods	27,060	23,979
Work in process	30,883	38,872
Raw materials and supplies	111,139	141,538
Total	169,082	204,389

Inventory valuation losses recognized as an expense due to the decline in profitability for the fiscal years ended March 31, 2023 and 2024 were ¥6,344 million and ¥7,347 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets was as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Financial assets that are measured at fair value through other comprehensive income		
Equity instruments	19,762	18,008
Financial assets measured at amortized cost	1,726	2,131
Total	21,488	20,139
Non-current assets	21,488	20,139
Total	21,488	20,139

11. Property, Plant and Equipment, Net

(1) Increase or Decrease Table

Changes in carrying amount of property, plant and equipment were as follows:

Fiscal year ended March 31, 2023

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
Balance at beginning of year	11,250	9,467	25,917	2,095	2,663	51,392
Acquisition	432	4,823	14,900	1,501	2,340	23,996
Acquisition through business combinations	—	13	15	24	—	52
Sales and disposals	(70)	(15)	(196)	(6)	—	(287)
Depreciation	—	(1,015)	(11,140)	(941)	—	(13,096)
Exchange differences	174	256	1,406	70	83	1,989
Balance at end of year	11,786	13,529	30,902	2,743	5,086	64,046

Fiscal year ended March 31, 2024

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
Balance at beginning of year	11,786	13,529	30,902	2,743	5,086	64,046
Acquisition	—	2,598	12,726	1,455	3,104	19,883
Acquisition through business combinations	3,852	1,358	342	7	158	5,717
Sales and disposals	—	(4)	(260)	(22)	—	(286)
Depreciation	—	(1,485)	(13,646)	(1,212)	—	(16,343)
Exchange differences	918	1,129	2,825	189	806	5,867
Balance at end of year	16,556	17,125	32,889	3,160	9,154	78,884

Gross carrying amount, accumulated depreciation and impairment losses and carrying amount of property, plant and equipment were as follows:

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
As of March 31, 2023						
Gross carrying amount	12,805	40,844	84,183	10,392	5,086	153,310
Accumulated depreciation and impairment losses	1,019	27,315	53,281	7,649	—	89,264
Carrying amount	11,786	13,529	30,902	2,743	5,086	64,046

Millions of Yen

	Land	Buildings	Machinery	Equipment and Furniture	Construction in progress	Total
As of March 31, 2024						
Gross carrying amount	17,595	46,675	102,699	11,729	9,154	187,852
Accumulated depreciation and impairment losses	1,039	29,550	69,810	8,569	—	108,968
Carrying amount	16,556	17,125	32,889	3,160	9,154	78,884

Depreciation expense is included in cost of sales and selling, general and administrative expenses in the consolidated statements of profit or loss.

(2) Impairment Losses

No significant impairment losses were recorded on property, plant and equipment for the year ended March 31, 2023 and 2024, respectively.

(3) Commitments Related to Acquisition of Fixed Assets

Commitments related to acquisition of fixed assets were as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Acquisition of Fixed Assets	740	460

12. Goodwill and Intangible Assets

(1) Increase or Decrease Table

Changes in carrying amount of goodwill and intangible assets were as follows:

Fiscal year ended March 31, 2023

Millions of Yen

	Goodwill	Software	Intangible assets recognized by business combination (Note 1)	Others	Total
Balance at beginning of year	63,187	2,124	19,731	265	85,307
Acquisition	—	1,052	—	—	1,052
Acquisition through business combinations (Note 2)	(4,887)	3	10,912	—	6,028
Sales and disposals	—	(13)	—	(4)	(17)
Amortization	—	(811)	(3,989)	(17)	(4,817)
Exchange differences	4,792	68	3,339	15	8,214
Balance at end of year	63,092	2,423	29,993	259	95,767

Fiscal year ended March 31, 2024

Millions of Yen

	Goodwill	Software	Intangible assets recognized by business combination (Note 1)	Others	Total
Balance at beginning of year	63,092	2,423	29,993	259	95,767
Acquisition	—	940	—	8	948
Acquisition through business combinations (Note 2)	2,522	—	457	—	2,979
Sales and disposals	—	(5)	—	—	(5)
Amortization	—	(943)	(3,867)	(18)	(4,828)
Impairment losses	(8,998)	—	—	—	(8,998)
Exchange differences	8,638	158	3,823	32	12,651
Balance at end of year	65,254	2,573	30,406	281	98,514

(Notes) 1. “Intangible assets recognized by business combination” were mainly customer-related assets and technology-related assets.

2. “Acquisition through business combinations” in the fiscal year ended March 31, 2023 includes reclassification from goodwill to intangible assets due to the completion of the purchase price allocation of R&D Altanova, Inc. See note 32 for the business combination of R&D Altanova, Inc.

Gross carrying amount, accumulated amortization and impairment losses and carrying amount of goodwill and intangible assets were as follows:

Millions of Yen

	Goodwill	Software	Intangible assets recognized by business combination	Others	Total
As of March 31, 2023					
Gross carrying amount	63,092	8,638	42,652	791	115,173
Accumulated amortization and impairment losses	—	6,215	12,659	532	19,406
Carrying amount	63,092	2,423	29,993	259	95,767
As of March 31, 2024					
Gross carrying amount	74,367	10,142	48,840	884	134,233
Accumulated amortization and impairment losses	9,113	7,569	18,434	603	35,719
Carrying amount	65,254	2,573	30,406	281	98,514

Amortization expense is included in cost of sales and selling, general and administrative expenses in the consolidated statements of profit or loss.

The intangible assets at the end of the fiscal year ended March 31, 2023 were mainly intangible assets of ¥16,979 million and ¥8,473 million, recognized by the business combination of Essai, Inc. and R&D Altanova Inc., respectively.

The remaining amortization period at the end of the fiscal year ended March 31, 2023 were 8 years and 7 to 17 years, respectively.

The intangible assets at the end of the fiscal year ended March 31, 2024 were mainly intangible assets of ¥16,795 million and ¥8,901 million, recognized by the business combination of Essai, Inc. and R&D Altanova Inc., respectively.

The remaining amortization period at the end of the fiscal year ended March 31, 2024 were 7 years and 6 to 16 years, respectively.

(2) Impairment Test for Goodwill

Carrying amounts of goodwill allocated to CGU or CGU group were as follows:

Millions of Yen

CGU or CGU group	As of March 31, 2023	As of March 31, 2024
Semiconductor and component test system business		
-Japan	10,538	11,949
-Collaudi Elettronici Automatizzati S.r.l.*	1,529	1,713
Services, support and others		
-Japan	7,227	8,194
-Advantest Test Solutions, Inc.	8,127	9,216
-Essai, Inc.	13,642	6,356
-R&D Altanova, Inc.*	22,029	27,826

The recoverable amounts of CGU or CGU group are calculated by the values in use based on the business plan for 3 years approved by management and the growth rate. The business plan reflects the past experience using external and internal data, for the cash flows exceeding the period, its value in use is calculated by the growth rate that does not exceed the expected long-term growth rate of the market CGU or CGU group belongs to. The growth rates used for fiscal year ended March 31, 2024 were 0.4% - 6.0%.

Pre-tax discount rates used for measuring the value in use for fiscal years ended March 31, 2023 and 2024 were 14.2% - 18.9% and 12.9% - 17.9%, respectively. Since the recoverable amount of CGU or CGU group except for Essai, Inc. and R&D Altanova, Inc. is well above the carrying amount, the probability that the recoverable amount is less than the carrying amount is expected low even when the primary assumption of the goodwill changes to reasonable extent.

At the end of the fiscal year ended March 31, 2024, Essai, Inc. recognized ¥8,998 million of impairment loss, which is included in other expenses in the consolidated statements of profit or loss, for a portion of goodwill as sales forecast for a large-volume customer is weaker than originally expected, causing future cash flow projections to deteriorate. The recoverable amount of R&D Altanova group approximates the carrying amount as of March 31, 2024 primarily due to high discount rate that derives from continued trend of high USD interest rate.

* See note 32 for R&D Altanova, Inc. and Collaudi Elettronici Automatizzati S.r.l.

(3) Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for fiscal years ended March 31, 2023 and 2024 were ¥60,094 million and ¥65,492 million, respectively.

13. Leases

(1) Leases- Lessor

Advantest provides leases that enable its customers to use its semiconductor test systems. All leases are classified as operating leases. Lease terms range from 1 year to 3 years, and certain of the lease agreements are cancelable. Maturity analysis for operating lease fee were as follows:

Fiscal year ended March 31, 2023

Millions of Yen

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Leasing fee	442	50	6	—	—	—	498

Fiscal year ended March 31, 2024

Millions of Yen

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Leasing fee	548	6	—	—	—	—	554

(2) Leases- Lessee

Advantest leases certain office space and office equipment under the lease contracts. Profit and loss related to right-of-use assets was as follows:

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Depreciation expense of right-of-use assets		
Buildings	2,663	3,605
Others	821	1,327
Total	3,484	4,932
Interest expense related to lease liabilities	200	421
Expenses related to short-term leases	—	25
Expenses related to leases of low-value assets	21	25

Carrying amount related to right-of-use assets was as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Right-of-use assets		
Buildings	14,737	16,831
Others	2,575	2,275
Total	17,312	19,106

The increase in right-of-use assets were ¥7,542 million and ¥5,352 million for the fiscal years ended March 31, 2023 and 2024, respectively.

In cases where the lessee is able to exercise an extension option without the lessor's consent, it is considered that the lessee has an extension option. In case where the lessee is able to terminate its lease contract in the middle of the contract, it is considered that the lessee has a termination option. Each of the affiliates exercises these options, as necessary.

Total cash outflows for leases were ¥3,161 million and ¥5,257 million for the fiscal years ended March 31, 2023 and 2024, respectively.

Of the changes in liabilities arising from financing activities, lease liabilities were as follows:

Fiscal year ended March 31, 2023

Millions of Yen

	As of April 1, 2022	Changes arising from cash flows	Non-cash changes		As of March 31, 2023
			Increase of right-of-use assets	Others	
Lease liabilities	12,865	(3,140)	7,542	220	17,487

Fiscal year ended March 31, 2024

Millions of Yen

	As of April 1, 2023	Changes arising from cash flows	Non-cash changes		As of March 31, 2024
			Increase of right-of-use assets	Others	
Lease liabilities	17,487	(5,207)	5,352	1,668	19,300

Maturity analyzes for lease liabilities as of March 31, 2024 is disclosed in note 30.

14. Subsidiaries

Details of the subsidiaries of the Group as of March 31, 2024 were as follows.

Name	Location	Principal business	Issued capital	Voting rights (Indirectly) held by the Company
Advantest America, Inc.	California, U.S.A.	Development and sales of test systems	US$4,059 thousand	100.0%
Advantest Test Solutions, Inc.	California, U.S.A.	Design and sales of system level test products	US$2,500 thousand	(100.0)% 100.0%
Essai, Inc.	Arizona, U.S.A.	Design, production and sales of test sockets	US$500 thousand	(100.0)% 100.0%
Advantest Europe GmbH	Munich, Germany	Development and sales of test systems	EUR10,793 thousand	100.0%
Advantest Taiwan Inc.	Hsinchu County, Taiwan	Sales of test systems	NTD500,000 thousand	100.0%
Advantest (Singapore) Pte. Ltd.	Singapore	Sales of test systems	SGD15,300 thousand	100.0%
Advantest Korea Co., Ltd.	Cheonan, South Korea	Sales support of test systems	KRW9,516 million	(62.5)% 100.0%
Advantest (China) Co., Ltd.	Shanghai, China	Sales support of test systems	US$8,000 thousand	(100.0)% 100.0%
Other 32 companies				

15. Income Taxes

(1) Deferred Tax Assets and Liabilities

The breakdown of deferred tax assets and liabilities was as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets		
Inventories	4,654	4,757
Warranty provisions	2,360	2,544
Retirement benefit liabilities	4,445	7,409
Accrued expenses	4,821	3,307
Research and development expenses capitalized for tax purposes	2,718	5,575
Operating loss carryforwards	319	273
Property, plant and equipment and Intangible assets	11,072	16,094
Tax credits	223	212
Lease liabilities	4,781	5,276
Others	2,355	3,116
Total deferred tax assets	37,748	48,563
Deferred tax liabilities		
Net change in fair values of financial assets	(2,218)	(1,566)
Undistributed earnings of foreign subsidiaries	(3,083)	(4,200)
Right-of-use assets	(4,735)	(5,226)
Property, plant and equipment and Intangible assets	(6,657)	(7,579)
Others	(306)	(503)
Total deferred tax liabilities	(16,999)	(19,074)
Net deferred tax assets	20,749	29,489

Net deferred tax assets were included in the following line items in the consolidated statements of financial position.

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets	26,522	33,423
Deferred tax liabilities	5,773	3,934

Changes in net deferred tax assets were as follows:

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net deferred tax assets		
Balance at beginning of year	22,049	20,749
Recognized in profit or loss	4,623	6,534
Recognized in other comprehensive income	(3,103)	2,716
Acquisition through business combinations	(2,613)	(772)
Others	(207)	262
Balance at end of year	20,749	29,489

Advantest recognizes deferred tax assets after taking into consideration taxable temporary differences, the forecasted future taxable profits and tax planning.

Deductible temporary differences, operating loss carryforwards and tax credits that are not recognized as deferred tax assets in the consolidated statements of financial position were as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Deductible temporary differences	53,190	29,450
Operating loss carryforwards	232	169
Tax credits	668	967

The expiration dates of operating loss carryforwards and tax credits that were not recognized as deferred tax assets in the consolidated statements of financial position were as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Operating loss carryforwards		
Not later than 1 year	—	—
Later than 1 year and not later than 5 years	—	—
Later than 5 years	232	169
Total	232	169
Tax credits		
Not later than 1 year	—	—
Later than 1 year and not later than 5 years	23	25
Later than 5 years	645	942
Total	668	967

The taxable temporary difference related to investments in subsidiaries for which deferred tax liabilities were not recognized for the fiscal year ended March 31, 2023 and 2024 were not material, respectively.

Deferred tax liabilities are not recognized for this difference for which Advantest can control timing of the reversal and that will unlikely reverse in the foreseeable future.

(2) Income Tax Expense

The breakdown of income tax expense was as follows:

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Income tax expense		
Current income tax expense	45,493	22,414
Deferred income tax expense		
Origination and reversal of temporary differences	(4,718)	(3,142)
Changes in unrecognized deferred tax assets	95	(3,383)
Adjustments to deferred tax assets and liabilities due to changes in tax rate	—	(9)
Total	40,870	15,880

Current and deferred income tax expense include tax benefit from operating loss carryforwards, tax credits, or temporary differences in past periods, which were not recognized as deferred tax assets. The tax benefits for the fiscal year ended March 31, 2023 and 2024 were not material, respectively.

(3) Reconciliation between Applicable Tax Rate and Effective Tax Rate

Reconciliation between the applicable tax rate and the effective tax rate was as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Applicable tax rate	30.5%	30.5%
Differences in statutory tax rate of foreign subsidiaries	(1.3)	(0.7)
Tax credits	(5.8)	(8.1)
Non-deductible expenses	0.3	2.1
Undistributed earnings of foreign subsidiaries	0.8	1.8
Changes in unrecognized deferred tax assets	0.1	(4.3)
Effect of tax rate changes	—	(0.0)
Others	(0.7)	(1.0)
Effective tax rate	23.9%	20.3%

The Company and its domestic subsidiaries are primarily affected by the corporation tax, resident tax and business tax. The statutory income tax rate calculated based on these rates for the fiscal years ended March 31, 2023 and 2024 were 30.5% and 30.5%, respectively.

Its foreign subsidiaries are affected by the corporation tax and other taxes at the domicile of each subsidiary.

16. Trade and Other Payables

The breakdown of trade and other payables was as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Accounts payable	59,179	44,211
Accrued expenses	23,077	25,303
Other payables	7,006	7,349
Total	89,262	76,863

17. Borrowings

(1) Breakdown of Borrowings

The breakdown of borrowings was as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024	Average interest rate (%)	Repayment Due (Year)
Short-term borrowings	—	—	—	—
Current portion of long-term borrowings	13,357	—	—	—
Long-term borrowings (excluding current portion)	20,000	75,143	1.25%	2026 - 2029
Total	33,357	75,143		
Current liabilities	13,357	—		
Non-current liabilities	20,000	75,143		
Total	33,357	75,143		

(Notes) 1. Borrowings are classified as financial liabilities measured at amortized cost.

2. The average interest rates and the repayment due are as of the end of the current fiscal year.

3. With regard to the borrowings above, there are no assets pledged as collateral.

(2) Reconciliation of Changes in Liabilities Relating to Cash Flows Arising from Financing Activities

Fiscal year ended March 31, 2023

Millions of Yen

	Short-term borrowings	Long-term borrowings (Note)	Total
Balance at beginning of year	18,359	12,239	30,598
Changes from financing cash flows	(19,968)	20,000	32
Changes from non-cash activities			
Exchanges differences	1,609	1,118	2,727
Balance at end of year	—	33,357	33,357

(Note) These include amount of current portion of long-term borrowings.

Fiscal year ended March 31, 2024

Millions of Yen

	Short-term borrowings	Long-term borrowings (Note)	Total
Balance at beginning of year	—	33,357	33,357
Changes from financing cash flows	—	39,998	39,998
Changes from non-cash activities			
Exchanges differences	—	1,788	1,788
Balance at end of year	—	75,143	75,143

(Note) These include amount of current portion of long-term borrowings.

(3) Committed Line of Credit

The agreement for committed line of credit and the unused balance were as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Total amount of committed line of credit	30,000	60,000
Balance of borrowings	—	—
Unused committed line of credit	30,000	60,000

18. Provisions

The change in warranty provisions for the year ended March 31, 2024 was summarized as follows:

Millions of Yen

	Warranty Provisions
Balance at beginning of year	9,093
Increase during the year	13,780
Decrease due to intended use	(14,271)
Reversal during the year	—
Exchange differences	66
Balance at end of year	8,668
Current liabilities	8,668

Advantest's products are generally subject to warranty, and Advantest provides contractual product warranty services, when the performance of products sold does not meet expected product specifications. Estimated repair expenses over the warranty period are accrued based on the historical ratio of actual repair expenses to corresponding sales, when product revenue is recognized. Most of these expenses are expected to be incurred in the next fiscal year.

19. Post-Employment Benefits

Advantest has post-employment plans as follows:

(Defined benefit corporate pension plan and retirement and severance plans for Japan)

The Company and its domestic subsidiaries have a defined benefit corporate pension plan and unfunded retirement and severance plans (point-based benefits system) covering substantially all employees. The Company and its domestic subsidiaries shifted a part of defined benefit corporate pension plan to defined contribution plan on October 1, 2018.

The benefits for both defined benefit corporate pension plan and retirement and severance plans (point- based benefits system) are calculated based on accumulated points allocated to employees each year according to their job classification and their performance.

In defined benefit corporate pension plan, in accordance with the Defined-Benefit Corporate Pension Act of Japan, the Company and its domestic subsidiaries have an obligation to make contributions to Advantest Pension Fund (the Fund) which manages the corporate pension plans. The directors of the Fund are responsible for faithfully executing operations in compliance with laws and regulations, and any orders issued by the Minister of Health, Labor and Welfare, and the Director-General of Regional Bureaus of Health and Welfare based on laws and regulations, as well as the rules of the Fund and the resolution of the Board of Representatives. And the directors are jointly and severally liable for damages if they fail to manage and operate the Fund. The actual management of the contributions is conducted by trustees in accordance with rules approved by the Board of Representatives.

The Company and its domestic subsidiaries are required to make contributions to the Fund and obligated to make contributions in the amount stipulated by the Fund. Contributions are also regularly reviewed and adjusted as necessary to the extent permitted by laws and regulations. The Company and its domestic subsidiaries introduced a risk reserve contribution at ¥6,018 million, which has been contributed for five years within future expected risks from fiscal year ended March 31, 2022.

Plan assets are managed on the basis of soundness. However, financial instruments have inherent investment risks. Discount rates and other aspects of defined benefit plan obligations are based on pension actuarial assumptions. There is a risk when these pension actuarial assumptions are changed.

The retirement and severance plans (point-based system) are principally unfunded.

(Defined benefit pension plans for foreign subsidiaries)

Certain foreign subsidiaries also have defined benefit pension plans covering substantially all of their employees. Benefits payable under the plans are based on employee compensation levels and years of service.

(Defined contribution plan)

In defined contribution plan, the Company and its domestic subsidiaries pay fixed contributions over entitlement period, and employees manage the contributed funds by themselves. Benefit is paid by a trustee organization, and the Company and its domestic subsidiaries' obligation is limited to the contribution.

(1) Defined Benefit Liabilities Recognized in the Consolidated Statements of Financial Position

Net defined benefit liabilities and assets recognized in the consolidated statements of financial position, defined benefit obligations and plan assets were as follows.

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Present value of defined benefit obligations	74,294	79,890
Fair value of plan assets	(57,482)	(67,877)
Subtotal	16,812	12,013
Effect of the asset ceiling	—	7,121
Net defined benefit liabilities	16,812	19,134

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Retirement benefit liabilities	16,812	19,134
Retirement benefit assets	—	—
Net defined benefit liabilities	16,812	19,134

(2) Defined Benefit Obligations and Plan Assets

The changes in present value of defined benefit obligations and fair value of plan assets of the Company and certain of its consolidated subsidiaries were as follows:

Japanese Plans

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Defined benefit obligations:		
Balance at the beginning of year	48,528	46,328
Service cost	1,164	1,038
Interest cost	373	551
Remeasurements:		
Actuarial (gain) or loss - Changes in demographic assumptions	137	134
Actuarial (gain) or loss - Changes in financial assumptions	(2,389)	(1,836)
Benefits paid	(1,485)	(1,415)
Balance at the end of year	46,328	44,800
Plan assets:		
Balance at the beginning of year	36,650	37,131
Interest income	282	442
Remeasurements:		
Actual return on plan assets, excluding interest income	(1,116)	3,517
Employer contributions	2,398	1,519
Benefits paid	(1,083)	(1,073)
Balance at the end of year	37,131	41,536
Net balance	9,197	3,264

Non-Japanese Plans

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Defined benefit obligations:		
Balance at the beginning of year	28,995	27,966
Service cost	1,447	1,660
Interest cost	607	1,066
Remeasurements:		
Actuarial (gain) or loss - Changes in demographic assumptions	(336)	439
Actuarial (gain) or loss - Changes in financial assumptions	(4,205)	601
Benefits paid	(854)	(797)
Exchange differences	1,647	3,427
Others	665	728
Balance at the end of year	27,966	35,090
Plan assets:		
Balance at the beginning of year	18,532	20,351
Interest income	73	807
Remeasurements:		
Actual return on plan assets, excluding interest income	(1,196)	532
Employer contributions	1,382	1,548
Plan participants' contributions	628	728
Benefits paid	(181)	(148)
Exchange differences	1,113	2,523
Balance at the end of year	20,351	26,341
Net balance	7,615	8,749

(3) Plan Assets

The fair value of pension plan assets by asset category was as follows:

Japanese Plans

Millions of Yen

	As of March 31, 2023			As of March 31, 2024		
	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total
Cash and cash equivalents	5,349	—	5,349	929	—	929
Equity securities:						
Pooled funds	—	8,486	8,486	—	13,342	13,342
Debt securities:						
Pooled funds	—	4,553	4,553	—	6,210	6,210
Hedge funds	—	9,864	9,864	—	13,027	13,027
Life insurance company general accounts and separate accounts	—	8,879	8,879	—	8,028	8,028
Total	5,349	31,782	37,131	929	40,607	41,536

Non-Japanese Plans

Millions of Yen

	As of March 31, 2023			As of March 31, 2024		
	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total
Cash and cash equivalents	2,191	—	2,191	3,137	—	3,137
Equity securities:						
Pooled funds	4,218	554	4,772	8,164	664	8,828
Debt securities:						
Pooled funds	9,753	69	9,822	9,861	113	9,974
Others	277	3,289	3,566	908	3,494	4,402
Total	16,439	3,912	20,351	22,070	4,271	26,341

Investment policies of Advantest are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants by attaining necessary long-term total returns on plan assets. Taking into consideration the expected returns, associated risks and correlations of returns between asset categories in plan assets, Advantest determines an optimal combination of equity, debt securities and other investments as Policy Asset Allocation (“PAA”). Plan assets are invested in accordance with PAA with mid-term to long-term viewpoint, which is revised periodically to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

Advantest expects to contribute ¥2,712 million including risk reserve contribution to defined benefit plans during the following fiscal year.

(4) Effect of the Asset Ceiling

The asset ceiling on the consolidated statements of financial position represents the limit of defined benefit plan assets accrued. It is defined as the present value of future economic benefits, such as refunds from the defined benefit plan or reductions in future contributions, that become available when the plan's reserves exceed the balance required.

Changes in the effect of the asset ceiling generated in Japanese plans are as follows:

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
The effect of the asset ceiling at beginning of year	—	—
Interest income	—	—
Remeasurements		
Changes in the effect of the asset ceiling	—	7,121
The effect of the asset ceiling at end of year	—	7,121

(5) Actuarial Assumptions

The significant actuarial assumptions used to determine the present value of defined benefit obligations were as follows:

Japanese Plans

	As of March 31, 2023	As of March 31, 2024
Discount rate (%)	1.2	1.5
Rate of compensation increase (%)	2.3	2.3

Non-Japanese Plans

	As of March 31, 2023	As of March 31, 2024
Discount rate (%)	3.5	3.4
Rate of compensation increase (%)	3.1	3.1

The effects on defined benefit obligations of 0.5% increase or decrease in the discount rate were as follows.

The sensitivity analysis is based on an assumption that all other variables other than the one analyzed are held constant. In reality, changes in other assumptions may impact the analysis.

Japanese Plans

Millions of Yen

	Changes in actuarial assumptions	As of March 31, 2023	As of March 31, 2024
Discount rate	0.5% increase	(2,532)	(2,348)
	0.5% decrease	2,770	2,564

Non-Japanese Plans

Millions of Yen

	Changes in actuarial assumptions	As of March 31, 2023	As of March 31, 2024
Discount rate	0.5% increase	(1,312)	(1,553)
	0.5% decrease	1,480	1,705

The weighted average duration of defined benefit obligations was as follows:

Japanese Plans

	As of March 31, 2023	As of March 31, 2024
Weighted average duration (Years)	11	11

Non-Japanese Plans

	As of March 31, 2023	As of March 31, 2024
Weighted average duration (Years)	15	15

(6) Employee Benefit Expenses

The total amount of employee benefit expenses in the consolidated statements of profit or loss for the fiscal years ended March 31, 2023 and 2024 were ¥105,991 million and ¥115,493 million, respectively.

20. Equity and Other Equity Items

(1) Share Capital

1) Authorized Shares

The number of authorized shares as of March 31, 2023 and 2024 were 440,000,000 and 1,760,000,000 common shares, respectively. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023.

2) Fully Paid Issued Shares

The movement of the number of issued shares was as follows:

	Number of issued common shares
As of April 1, 2022	199,542,265
Increase (decrease)	(8,000,000)
As of March 31, 2023	191,542,265
Increase (decrease)	574,598,991
As of March 31, 2024	766,141,256

(Notes) 1. The cancellation of treasury shares from the resolution of the Board of Directors' meeting held on July 28, 2022, resulted in a decrease of treasury shares by 8,000,000 for the fiscal year ended March 31, 2023.

2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The Company's issued shares increased by 574,605,942 as a result of the share split for the fiscal year ended March 31, 2024.

3. The cancellation of treasury shares from the resolution of the Board of Directors' meeting held on August 30, 2023, resulted in a decrease of treasury shares by 6,951 for the fiscal year ended March 31, 2024.

The shares issued by the Company are non-par value common shares that have no restriction of rights.

(2) Treasury Shares

The movement of treasury shares was as follows:

	Number of shares
As of March 31, 2023	7,328,226
As of March 31, 2024	27,729,675

(Notes) 1. The number of treasury shares as of March 31, 2023 includes 162,183 shares that were kept as performance-based stock remuneration in trust account. There were no shares held in the trust account as of March 31, 2024.

2. The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. The number of treasury shares as of March 31, 2024 presents the shares after the share split.

(3) Surplus

1) Share Premium

Under the Companies Act of Japan, at least 50% of the proceeds of certain issues of common shares shall be credited to share capital. The remainder of the proceeds shall be credited to additional paid-in capital within share premium.

2) Retained Earnings

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as additional paid-in capital or as a legal reserve until the aggregate amount of the additional paid-in capital and the legal reserve within retained earnings equals 25% of share capital.

(4) Other Components of Equity

Millions of Yen

	Remeasurements of defined benefit pension plan (Note 1)	Exchange differences on translation of foreign operations (Note 2)	Net change in fair value measurements of equity instruments at fair value through other comprehensive income (Note 3)	Total
As of April 1, 2022	—	16,260	2,722	18,982
Increase (decrease)	3,327	8,093	5,062	16,482
Transfer to retained earnings	(3,327)	—	(500)	(3,827)
As of March 31, 2023	—	24,353	7,284	31,637
Increase (decrease)	(640)	26,029	(3,238)	22,151
Transfer to retained earnings	640	—	—	640
As of March 31, 2024	—	50,382	4,046	54,428

(Notes) 1. Remeasurements of defined benefit pension plan include differences in return on plan assets and interest income on plan assets and differences between actuarial assumptions and actual results.

2. Exchange differences on translation of foreign operations are exchange differences resulting from the translation of financial statements of foreign operations.

3. Net change in fair value measurements of equity instruments at fair value through other comprehensive income is cumulative in nature.

21. Dividends

(1) Dividends Paid

Fiscal year ended March 31, 2023

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 20, 2022	Common shares	13,323	70	March 31, 2022	June 3, 2022
Board of Directors' meeting held on October 27, 2022	Common shares	12,151	65	September 30, 2022	December 1, 2022

(Notes) 1. Dividend of ¥29 million to the Company Shares for the BIP Trust and the ESOP Trust is included in the amount of dividend which was resolved at the Board of Directors' meeting held on May 20, 2022.

2. Dividend of ¥10 million to the Company Shares for the BIP Trust and the ESOP Trust is included in the amount of dividend which was resolved at the Board of Directors' meeting held on October 27, 2022.

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

Fiscal year ended March 31, 2024

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

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

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

(2) Dividends Whose Record Date is in the Fiscal Year under Review but Whose Effective Date is in the Following Fiscal Year

Resolution	Class of shares	Amount of dividend (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2024	Common shares	13,291	18	March 31, 2024	June 7, 2024

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

22. Revenue

(1) Disaggregation of Revenue

As disclosed in note 6, Advantest has three reportable operating segments: “semiconductor and component test system business”, “mechatronics system business” and “services, support and others”. Net sales disaggregated by region and segment were as follows:

Fiscal year ended March 31, 2023

Millions of Yen

	Semiconductor and Component Test System Business	Mechatronics System Business	Services, Support and Others	Elimination and Corporate	Consolidated
Main regions					
Japan	12,662	2,931	4,968	(39)	20,522
Americas	17,167	7,423	18,292	—	42,882
Europe	11,098	2,309	3,921	—	17,328
Asia	363,325	47,211	68,923	—	479,459
Total	404,252	59,874	96,104	(39)	560,191

Fiscal year ended March 31, 2024

Millions of Yen

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

The breakdown of semiconductor and component test system business was as follows:

Fiscal year ended March 31, 2023

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	325,424	78,828	404,252

Fiscal year ended March 31, 2024

Millions of Yen

	SoC	Memory	Total
Semiconductor and Component Test System Business	245,688	85,854	331,542

Revenue is accounted for in accordance with the accounting policy described in note 3. The transaction price is measured based on the amount promised in the contracts with customers. Contracts include no significant financing components because payment terms are generally within 3 months. There are no contracts with long payment terms from the satisfaction of performance obligation to payment of transaction price. Additionally, there is no significant revenue including variable consideration.

In case there are multiple performance obligations in the contract, transaction price is allocated to each individual performance obligation based on the standalone selling price which is calculated from reasonably available information including prices of similar transactions.

(2) Contract Balances

Receivables and liabilities from contracts with customers were as follows:

Millions of Yen

	As of April 1, 2022	As of March 31, 2023	As of March 31, 2024
Receivables from contracts with customers			
- Notes and trade accounts receivables	77,763	96,477	80,815
Contract liabilities			
- Advance receipts	21,387	19,782	18,233

Contract liabilities are mainly cash received from customers before satisfied performance obligations or consideration paid for the unfulfilled service when the service is continuously provided. Both are included in the advance receipts.

Advance receipts are included in “Other current liabilities” in the consolidated statements of financial position.

Advantest recognized ¥18,276 million and ¥17,140 million from the balance of contract liabilities as of April 1, 2022 and 2023 as revenue in the fiscal years ended March 31, 2023 and 2024, respectively. Both amounts carried forward to the following fiscal years onward are insignificant.

There was no revenue recognized in the fiscal years ended March 31, 2023 and 2024 from performance obligations satisfied or partially satisfied in past periods, respectively.

(3) Transaction Price Allocated to the Remaining Performance Obligations

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

23. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses was as follows:

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Employee benefit expenses	85,916	92,963
Depreciation and amortization	14,035	17,790
Others	52,091	48,210
Total	152,042	158,963

24. Share-Based Compensation

(1) Stock Options

Advantest has share-based compensation plans using stock options as incentive plans for directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers and executive employees. Stock options have been issued to directors, executive officers and certain employees of the Company and its subsidiaries under stock option plans approved at the Board of Directors' Meeting. Options were generally granted with exercise prices of per share that were equal to the higher of (1)1.05 times the average price of the Company's common shares of the preceding month on the date of grant and (2) the closing price of the Company's common shares traded on the Tokyo Stock Exchange on the date of grant.

The options have an exercise period of 3 years.

The exercisable stock option plans were as follows:

No.	Number of shares to be issued/delivered	Grant date	Exercise Period	Settlement Method	Vesting Conditions
31	1,672,000	August 10, 2018	From August 11, 2020 to August 10, 2023	Equity-settled	The persons who are director (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officer, employee, adviser, part-time worker or any other similar position of the Company or its subsidiaries after grant date (August 10, 2018) to vesting date (August 10, 2020) are entitled.
32	1,659,840	July 12, 2019	From July 13, 2021 to July 12, 2024	Equity-settled	The persons who are director (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officer, employee, adviser, part-time worker or any other similar position of the Company or its subsidiaries after grant date (July 12, 2019) to vesting date (July 12, 2021) are entitled.
33	766,080	July 13, 2020	From July 14, 2022 to July 13, 2025	Equity-settled	The persons who are director (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officer, employee, adviser, part-time worker or any other similar position of the Company or its subsidiaries after grant date (July 13, 2020) to vesting date (July 13, 2022) are entitled.

The exercise price of the stock options is subject to adjustment, if there is a share split or consolidation of shares, or if new shares are issued or treasury shares are sold at a price that is less than the market price.

The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. Accordingly, "Number of shares to be issued/delivered" is adjusted to the number that reflects the share split.

Stock option activity was as follows:

	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	2,718,770	1,016	1,428,720	1,140
Granted	—	—	—	—
Exercised	(1,290,050)	878	(854,160)	1,013
Expired	—	—	—	—
Forfeited	—	—	—	—
Outstanding at end of year	1,428,720	1,140	574,560	1,328
Exercisable at end of year	1,428,720	1,140	574,560	1,328

The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. Accordingly, "Number of shares" and "Weighted average exercise price" are adjusted to the numbers that reflect the share split.

Weighted-average share prices as of exercise date were ¥2,573 and ¥4,643 for stock option plans exercised during fiscal years ended March 31, 2023 and 2024, respectively.

The outstanding stock options of the two most recent fiscal years were as follows:

As of March 31, 2023

Exercise Price	Outstanding		Exercisable	
	Number of shares	Weighted average remaining contractual life (Years)	Number of shares	Weighted average remaining contractual life (Years)
635	120,000	0.4	120,000	0.4
773	754,110	1.3	754,110	1.3
1,748	554,610	2.3	554,610	2.3

As of March 31, 2024

Exercise Price	Outstanding		Exercisable	
	Number of shares	Weighted average remaining contractual life (Years)	Number of shares	Weighted average remaining contractual life (Years)
773	247,380	0.3	247,380	0.3
1,748	327,180	1.3	327,180	1.3

The Company enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. Accordingly, "Exercise Price" and "Number of shares" are adjusted to the numbers that reflect the share split.

Share-based compensation expense was ¥63 million for fiscal year ended March 31, 2023. Share-based compensation expense was not recognized for fiscal year ended March 31, 2024.

(2) Performance-Based Stock Remuneration Plan

1) Outline of the Performance-Based Stock Remuneration Plan

Advantest has performance-based stock remuneration plan with the trust ("Plan") for directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers and executive employees as an incentive.

In the Plan, Advantest contributes funding to the share delivery trust ("Trust") whose trust period is approximately 3 years set by itself. The Trust uses the fund to purchase the Company's shares, and it will give the shares to the members of the Plan depending on the achievement of the designated performance indicators for designated periods after the end of three-consecutive fiscal years started from April 1, 2018, 2019 and 2020, respectively.

Eligibility for the Plan is directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers or employees over the designated periods.

The number of granted points which are base of the number of shares is calculated by average of performance achievement of designated performance indicators, the consolidated financial results of net sales, net income, operating ratio and ROE for designated periods.

The Plan is booked as equity-settled type share-based compensation. The Plan does not have exercise price because the shares are delivered as remuneration.

The Plan terminated in August, 2023.

Advantest has Performance Share Unit Plan ("PSU") for directors (excluding directors who are Audit and Supervisory Committee members and outside directors) and executive officers as an incentive from fiscal year ended March 31, 2022.

The PSU is a performance-based stock compensation plan, under which numerical targets for the Company's performance during the performance evaluation period consisting of the fiscal years that correspond to the period of the Company's Mid-Term Management Plan ("Performance Evaluation Period") are preliminarily set by the Board of Directors, and cash compensation claims for the delivery of shares of common stock of the Company are delivered according to the rate of achievement of such numerical targets as compensation for the Performance Evaluation Period. Accordingly, the payment of cash compensation claims for the delivery of shares of common stock the Company to the eligible directors and executive officers shall, in principle, take place after the Performance Evaluation Period ends.

The initial Performance Evaluation Period will be three-consecutive fiscal years started from April 1, 2021, which corresponds to the period of the Company's Mid-Term Management Plan. After the initial Performance Evaluation Period ends, the Board of Directors may approve the continuation of the PSU to the extent approved at the general meeting of shareholders.

The PSU may fluctuate between 60% to 140% of the standard amount according to how close actual results come to mid-term management targets. The indicators for evaluating achievement of mid-term management targets are earnings per share (EPS) during the mid-term management plan, relative total shareholders return (r-TSR) and ESG evaluation. EPS is the main indicator, and r-TSR and ESG evaluation are the sub-indicators. The degree of fluctuation is determined by the total value of both indicators.

In principle, the Company shall issue or dispose of the number of shares of common stock of the Company calculated by multiplying basic points by the degree of the fluctuation to the eligible directors and executive officers after the end of the Performance Evaluation Period if the eligible directors and executive officers fulfill the following requirements.

a. Eligible directors and executive officers have continuously remained in the position of either director or executive officer of the Company throughout the Performance Evaluation Period

b. Eligible directors and executive officers have not engaged in any misconduct as defined by the Board of Directors

c. Other requirements deemed necessary by the Board of Directors to achieve the purpose of the PSU

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

The PSU is booked as equity-settled type share-based compensation. The PSU does not have exercise price because the shares are delivered as remuneration.

2) Number of Estimated Granted Points and Fair Value

The fair value of the Plan was calculated based on the market price of the Company's share at the grant date and expected dividends.

As described in 1), the number of granted points is calculated based on the payment rate between 0% and 150% depending on the achievement of the designated performance indicators for three-consecutive fiscal years, and they will be distributed in a lump. 100% is defined as basic points.

The fair values of the PSU granted in the fiscal year ended March 31, 2023 and 2024 were ¥1,734 and ¥4,959, respectively. The fair value was calculated based on the market price of the Company's share at the grant date, expected dividends and the impact by r-TSR. The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023, and the fair values are adjusted to the values that reflect share split.

As described in 1), the number of granted points is calculated based on the degree of fluctuation rate between 60% and 140% depending on the achievement of the mid-term management targets.

3) Share-Based Compensation Expense

Share-based compensation expenses from the Plan and PSU were ¥747 million and ¥553 million for the fiscal years ended March 31, 2023 and 2024, respectively.

4) Basic Points Activity

Basic points activity was as follows:

	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Number of basic points	Weighted average exercise price (Yen)	Number of basic points	Weighted average exercise price (Yen)
Outstanding at beginning of year	1,679,524	1,444	880,180	1,794
Granted	20,328	1,734	22,172	4,959
Exercised	(791,292)	1,040	(464,820)	1,316
Expired	—	—	—	—
Forfeited	(28,380)	2,072	(14,164)	2,201
Outstanding at end of year	880,180	1,794	423,368	2,471
Exercisable at end of year	—	—	—	—

The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023. Regarding the Plans and the PSU granted prior to the share split, "Number of basic points" and "Weighted average exercise price" are adjusted to the numbers that reflect share split.

(3) Restricted Stock Compensation Plan

1) Outline of the Restricted Stock Compensation Plan

Advantest has restricted stock compensation plan ("RS") for directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers and executive employees as an incentive.

Based on the resolution of the Board of Directors of the Company, eligible directors, executive officers and executive employees shall pay all of the cash compensation claims provided as in-kind contribution property and receive the issuance or disposal of the common shares of the Company. Regarding the issuance or disposal of the Company's common shares and the payment of cash compensation receivables as its in-kind contribution property, a restricted stock allotment agreement ("Agreement") is subject to be concluded between the Company and eligible directors, executive officers and executive employees.

For those who are directors and executive officers of the Company at the time of receiving the above-mentioned allotment of restricted stock shall not transfer, set of collateral rights or otherwise dispose of the Company's common shares allotted under the Agreement ("Allotted Shares") from the date of the allotment under the Agreement to the time immediately after he/she resigns from either position as a director or an executive officer of the Company, and for those who are employees, during the period of five years from the day of receiving the Allotted Shares ("Transfer Restriction Period") (this restriction is the "Transfer Restriction").

In the event that a person who is a director or executive officer of the Company at the time of receiving the above-mentioned allotment of restricted stock resigns or retires as either director or executive officer of the Company before the expiration of the period determined in advance by the Board of Directors ("Term of Service"), and a person who is an executive employee resigns or retires from any of the positions of Director, Corporate Auditor, Executive Officer, employee, temporary employee, or any other position during the Term of Service, the Company shall automatically acquire the Allotted Shares without consideration, unless such resignation is due to expiration of term of office, death or for other justifiable reasons.

Notwithstanding the provisions of Transfer Restriction Period above, the Company shall lift the Transfer Restriction for all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the condition that the person who is a director and an executive officer of the Company at the time of receiving the above-mentioned allotment of restricted stock continuously remains in the position as either director or executive officer of the Company throughout the Term of Service, and that the person who is an executive member continuously remains in the position as either directors (excluding directors who are Audit and Supervisory Committee members and outside directors), executive officers, employees, advisers, part-time workers or any other similar position of the Company or its subsidiaries throughout the Transfer Restriction Period. However, if an eligible director, executive officer or executive employee resigns or retires from the position as either director or executive officer of the Company prior to the expiration of the Term of Service due to expiration of term, death or for other justifiable reasons, the Company shall make reasonable adjustments, as necessary, to the number of Allotted Shares for which the Transfer Restriction will be lifted and the timing at which the Transfer Restriction will be lifted by a resolution of the Board of Directors. The Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted in accordance with the above-stated provisions.

If eligible directors, executive officers and executive employees are non-resident at the time of receiving the allotment of the above-mentioned restricted stock, the restricted stock unit plan (a plan in which shares of the Company are delivered after a certain period of time) ("RSU") may be applied instead of the above-stated RS for the purpose of avoiding the need to comply with laws and regulations and disadvantages in terms of taxation in the country of residence of such eligible directors, executive officers and employees. Even in such case, the terms shall be the same as those of the above-stated RS, except for the timing of the issuance or disposal of shares of common share of the Company, and will be managed within the framework of the amount of compensation and the total number of common shares set forth in the RS.

The RS and RSU are booked as equity-settled type share-based compensation. The RS and RSU do not have exercise price because the shares are delivered as remuneration.

2) Number of Estimated Granted Points and Fair Value

The fair values and allotted shares or points for RS and RSU granted in the fiscal year ended March 31, 2023 and 2024 were as follows;

Fiscal year ended March 31, 2023

	RS		RSU	
	Directors, Executive Officers	Executive Employees	Directors, Executive Officers	Executive Employees
Date of the allotment	July 22, 2022	July 22, 2022	July 7, 2022	January 20, 2023
Allotted shares/points	93,620	122,920	160,576	748,148
Fair value	1,885	1,885	1,759	2,230

Fiscal year ended March 31, 2024

	RS		RSU	
	Directors, Executive Officers	Executive Employees	Directors, Executive Officers	Executive Employees
Date of the allotment	July 27, 2023	July 27, 2023	July 7, 2023	August 31, 2023
Allotted shares/points	33,460	48,680	75,124	282,892
Fair value	4,959	4,959	4,959	4,447

The fair value of RS was calculated based on the market price of the Company's share at the grant date, and the fair value of RSU was calculated based on the market price of the Company's share at the grant date and expected dividends.

The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023. Regarding the RS and the RSU granted prior to the share split, "Allotted shares/points" and "Fair value" are adjusted to the numbers that reflect share split.

3) Share-Based Compensation Expense

Share-based compensation expense from RS and RSU were ¥605 million and ¥1,086 million for the fiscal year ended March 31, 2023 and 2024, respectively.

4) Basic Points Activity

Basic points activity was as follows:

	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Number of basic points	Weighted average exercise price (Yen)	Number of basic points	Weighted average exercise price (Yen)
Outstanding at beginning of year	371,564	2,335	1,474,788	2,154
Granted	1,125,264	2,096	440,156	4,630
Exercised	(11,792)	2,292	(38,018)	2,061
Expired	—	—	—	—
Forfeited	(10,248)	2,191	(48,448)	2,324
Outstanding at end of year	1,474,788	2,154	1,828,478	2,748
Exercisable at end of year	—	—	—	—

The Company enacted a 4 for 1 share split of its common share with an effective date of October 1, 2023. Regarding the RS and the RSU granted prior to the share split, "Number of basic points" and "Weighted average exercise price" are adjusted to the numbers that reflect share split.

25. Financial Income and Expenses

(1) Financial Income

The breakdown of financial income was as follows:

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Interest income		
Financial assets measured at amortized cost	434	1,187
Dividend income		
Financial assets measured at fair value through other comprehensive income	31	31
Foreign exchange gains	3,980	—
Others	13	26
Total	4,458	1,244

(2) Financial Expenses

The breakdown of financial expenses was as follows:

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Interest expense		
Financial liabilities measured at amortized cost	696	1,325
Financial liabilities measured at fair value through profit or loss	5	968
Foreign exchange losses	—	2,378
Changes in fair value of the contingent consideration	158	—
Others	16	31
Total	875	4,702

26. Other Income

The breakdown of other income was as follows:

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Settlement of a dispute and others with the counterparty (Note)	—	3,179
Others	1,003	747
Total	1,003	3,926

(Note) The settlement of a dispute with the counterparty which is in relation to the service, support and others segment is recognized as other income in the fiscal year ended March 31, 2024.

27. Other Expenses

The breakdown of other expenses was as follows:

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Impairment loss (Note)	—	8,998
Others	335	367
Total	335	9,365

(Note) Advantest recognizes an impairment loss on a portion of goodwill acquired through a business combination of Essai, Inc. in system level test business for the fiscal year ended March 31, 2024. Details about impairment loss is described in note 12.

28. Other Comprehensive Income

Each component of other comprehensive income, reclassification adjustments to net income and tax effects were as follows:

Millions of Yen

	Fiscal year ended March 31, 2023			Fiscal year ended March 31, 2024		
	Pretax amount	Tax (expense) or benefit	Net of tax amount	Pretax amount	Tax (expense) or benefit	Net of tax amount
Remeasurements of defined benefit pension plan						
Gains (losses) during the year	4,197	(870)	3,327	(2,438)	1,798	(640)
Net change during the year	4,197	(870)	3,327	(2,438)	1,798	(640)
Net change in fair value measurements of equity instruments at fair value through other comprehensive income						
Gains (losses) during the year	7,447	(2,385)	5,062	(4,156)	918	(3,238)
Net change during the year	7,447	(2,385)	5,062	(4,156)	918	(3,238)
Exchange differences on translation of foreign operations						
Gains (losses) during the year	8,093	—	8,093	26,029	—	26,029
Reclassification adjustments to Net income	—	—	—	—	—	—
Net change during the year	8,093	—	8,093	26,029	—	26,029
Total other comprehensive income	19,737	(3,255)	16,482	19,435	2,716	22,151

29. Earnings per Share

(1) Earnings per Share

Basic earnings per share is calculated by dividing net income or loss attributable to owners of the parent by the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the maximum possible dilution from conversion, exercise, or contingent issuance of securities. All potentially dilutive securities are excluded from the calculation in a situation where there is a net loss attributable to owners of the parent.

(2) The basis of calculation of basic earnings per share and diluted earnings per share

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net income attributable to owners of the parent (Millions of Yen)	130,400	62,290
Net income not attributable to owners of the parent (Millions of Yen)	—	—
Net income to calculate basic earnings per share (Millions of Yen)	130,400	62,290
Net income adjustment (Millions of Yen)	—	—
Net income to calculate diluted earnings per share (Millions of Yen)	130,400	62,290
Weighted average number of common shares-basic	747,912,124	737,560,501
Dilutive effect of stock options	1,355,428	679,616
Dilutive effect of performance-based stock remuneration	1,150,456	716,468
Dilutive effect of restricted stock compensation	411,520	1,164,412
Weighted average number of common shares-diluted	750,829,528	740,120,997
Basic earnings per share (Yen)	174.35	84.45
Diluted earnings per share (Yen)	173.68	84.16
Financial instruments not included in the calculation of diluted earnings per share because they have anti-dilutive effect	—	—

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

30. Financial Instruments

(1) Capital Management

Advantest seeks out the most appropriate methods to enhance capital efficiency considering safety and liquidity for the sake of securing the fund.

Advantest raises fund through bonds and borrowings when required. Derivative transactions for speculation purposes are prohibited by Advantest's policy, and limited to transactions to avoid the risks discussed later.

Advantest manages net interest-bearing debt, where cash and cash equivalents are deducted from interest-bearing debt, and capital. The amounts as of each fiscal year end were as follows:

Millions of Yen

	As of March 31, 2023	As of March 31, 2024
Interest-bearing debt (Note 1)	33,357	75,143
Cash and cash equivalents	(85,537)	(106,702)
Net interest-bearing debt (Note 2)	(52,180)	(31,559)
Capital (equity attributable to owners of the parent company)	368,694	431,178

(Notes) 1. Interest-bearing debt is borrowings.

2. The figure represents the net amount of cash and cash equivalents after deducting interest-bearing debt.

Advantest monitors financial indicators in order to maintain a well-balanced capital structure that ensures an appropriate return on equity and a stable and flexible financial condition for future investment.

Advantest monitors credit ratings for a financial stability and flexibility, and ROE (return on equity) for profitability, while focusing on changes in the domestic and overseas environment.

(2) Basic Policy on Financial Risk Management

Advantest is exposed to financial risks (credit risks, liquidity risks, foreign exchange risks, and market price fluctuation risks) in the process of its management activities and it manages risks based on a specific policy in order to avoid or reduce said risks. The results of risk management are quarterly reported by the Accounting Department to management.

Advantest's policy limits derivatives to transactions for the purpose of mitigating risks from transactions based on actual demand. Therefore, Advantest does not transact derivatives for speculation purposes or trading purposes.

(3) Credit Risk

Receivables such as notes and trade receivables, resulting from operating activities of Advantest are exposed to customers' credit risks.

Equity securities held for strategic purposes are exposed to the issuer's credit risks.

Additionally, derivative transactions in order to hedge foreign exchange fluctuation risks are exposed to credit risks of counter party financial institutions.

Advantest strives to mitigate collection risk in accordance with credit management standards and procedures in selling goods and services.

Advantest assesses the credit standing of customers and manages collection date and outstanding balance for each customer to ensure smooth collection of trade receivables.

Advantest minimizes risk exposure by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines.

Any maximum exposure to credit risk in financial assets is stated in the carrying amounts presented in the consolidated statements of financial position.

Aging of Trade and other receivables that are past due but not impaired as of March 31, 2023 was as follows:

Millions of Yen

	As of March 31, 2023				
	Financial assets that are measured at an amount equal to 12-month expected credit losses	Financial assets that are measured at an amount equal to lifetime expected credit losses			Total
		Trade and other receivables	Financial assets whose credit risk has increased significantly	Financial assets whose credit is impaired	
Before due date	5,643	89,494	—	—	95,137
Within 90 days	17	6,673	—	—	6,690
Over 90 days, within 180 days	15	237	—	—	252
Over 180 days	—	73	—	—	73
Total	5,675	96,477	—	—	102,152

Aging of Trade and other receivables that are past due but not impaired as of March 31, 2024 was as follows:

Millions of Yen

	As of March 31, 2024				
	Financial assets that are measured at an amount equal to 12-month expected credit losses	Financial assets that are measured at an amount equal to lifetime expected credit losses			Total
		Trade and other receivables	Financial assets whose credit risk has increased significantly	Financial assets whose credit is impaired	
Before due date	8,019	67,719	—	—	75,738
Within 90 days	21	11,876	—	—	11,897
Over 90 days, within 180 days	—	1,154	—	—	1,154
Over 180 days	—	66	—	—	66
Total	8,040	80,815	—	—	88,855

Impairment is accounted for using the allowance for doubtful accounts, not directly reducing the carrying amount of financial assets.

The allowance for doubtful accounts against the financial assets is included in “Trade and other receivables” and “Other financial assets” in the consolidated statements of financial position.

Advantest did not recognize allowance for doubtful accounts for the fiscal years ended March 31, 2023 and 2024.

(4) Liquidity Risk

Advantest establishes a financing plan based on the annual business plan and the Accounting Department monitors and collects information on the balance of liquidity-on-hand and interest-bearing debt and reports it to management.

In addition, Advantest manages liquidity risks with the balance of liquidity-on-hand maintained at a proper level by working out the financing plan on a timely basis, and by taking into consideration the financial environment.

The financial liability balance by maturity was as follows:

As of March 31, 2023

Millions of Yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	89,262	89,262	89,262	—	—	—	—	—
Borrowings	33,357	34,225	14,138	44	20,043	—	—	—
Lease liabilities	17,487	18,536	4,803	4,511	3,922	2,641	2,633	26
Other financial liabilities	4,903	4,903	4,903	—	—	—	—	—
Total	145,009	146,926	113,106	4,555	23,965	2,641	2,633	26
Derivative financial liabilities								
Cross-currency rate swap	432	432	—	—	432	—	—	—
Total	432	432	—	—	432	—	—	—

As of March 31, 2024

Millions of Yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	76,863	76,863	76,863	—	—	—	—	—
Borrowings	75,143	77,028	952	76,074	—	—	2	—
Lease liabilities	19,300	20,613	5,419	4,995	4,191	3,011	2,981	16
Other financial liabilities	1,868	1,868	1,868	—	—	—	—	—
Total	173,174	176,372	85,102	81,069	4,191	3,011	2,983	16
Derivative financial liabilities								
Cross-currency rate swap	3,030	3,030	—	3,030	—	—	—	—
Total	3,030	3,030	—	3,030	—	—	—	—

(5) Market Risk

1) Foreign Exchange Risk Management

As part of developing its global business, Advantest has foreign currency receivables and payables, which are subject to foreign exchange fluctuation risk.

To manage this risk, Advantest determines its foreign exchange fluctuation risk in each currency every month and, in principle, hedges this risk by using forward exchange transactions and cross-currency rate swap.

Depending on foreign exchange market conditions, Advantest may also enter into forward exchange contracts on foreign currency receivables and payables for expected transactions it deems certain to occur.

Details of forward exchange contracts and cross-currency rate swap are presented below.

Millions of Yen

	Fiscal year ended March 31, 2023				Fiscal year ended March 31, 2024			
	Contract amount	Over one year	Carrying amount		Contract amount	Over one year	Carrying amount	
			Assets	Liabilities			Assets	Liabilities
Foreign exchange forward contracts								
Selling								
USD	668	—	0	—	—	—	—	—
Cross-currency rate swap	19,613	19,613	—	432	19,613	19,613	—	3,030

2) Foreign Exchange Sensitivity Analysis

The table below shows the impact on income before income taxes of a 1% increase in value of the functional currency included U.S. Dollar and the Euro, due to its holdings of financial instruments at the end of each fiscal year, assumed no changes in currencies other than those used.

The impact from the translation of functional currency-denominated financial instruments, assets and liabilities of foreign operations into presentation currency is not included.

Millions of Yen

	Currency	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Impact on income before income taxes	U.S. Dollar	(191)	(115)
	Euro	(20)	(31)

3) Interest Rate Risk

Advantest raises funds through borrowings. Borrowings with floating interest rates are exposed to interest rate fluctuation risks.

4) Interest Rate Sensitivity Analysis

The table below shows the impact of a 0.1% increase in interest rates at the end of each fiscal year on income before income taxes. The analysis is performed for financial instruments such as borrowings, that are affected by interest rate fluctuations, and assumes that all other variable factors, including exchange rate, are constant.

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Impact on income before income taxes	(14)	—

(6) Carrying Amount and Fair Value of Financial Instruments

(Borrowings)

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

(Other non-current liabilities)

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

(Others)

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

(7) Fair Value Hierarchy of Financial Instruments

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

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

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

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

There were no transfers of financial instruments between levels during the fiscal years ended March 31, 2023 and 2024.

1) The financial assets and financial liabilities measured at amortized cost were classified by hierarchy as follows. The table does not include financial instruments whose fair values approximate their carrying amounts or are immaterial:

As of March 31, 2023

Millions of Yen

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Long-term borrowings	20,000	—	20,000	—	20,000
Other non-current liabilities	564	—	524	—	524
Total financial liabilities	20,564	—	20,524	—	20,524

As of March 31, 2024

Millions of Yen

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

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

As of March 31, 2023

Millions of Yen

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets that are measured at fair value through other comprehensive income				
Derivatives	—	0	—	0
Equity instruments (Note)	18,896	—	866	19,762
Total financial assets	18,896	0	866	19,762
Financial liabilities that are measured at fair value through profit or loss				
Derivatives	—	432	—	432
Total financial liabilities	—	432	—	432

As of March 31, 2024

Millions of Yen

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

(Notes) Advantest holds equity instruments to accomplish expansion of revenue base by maintaining and enforcing relationships with investees. These equity instruments are designated as financial assets measured at fair value through other comprehensive income ("FVTOCI").

The breakdown of equity instruments designated as financial assets measured at FVTOCI was as follows.

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
PDF Solutions, Inc.	18,723	16,859
Others	1,039	1,149
Total	19,762	18,008

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

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Balance at beginning of year	1,082	866
Gains or losses		
Other comprehensive income (Note)	910	38
Sales	(1,138)	—
Others	12	25
Balance at end of year	866	929

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

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

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Balance at beginning of year	259	—
Changes in fair value (Note)	158	—
Settlements	(452)	—
Others	35	—
Balance at end of year	—	—

(Note) If applicable, changes in fair value are included in financial expenses of the consolidated statements of profit or loss.

(8) Derivatives and Hedge Accounting

1) Derivatives Subject to Hedge Accounting

There were no derivatives designated as hedging instruments as of March 31, 2023 and 2024.

2) Derivatives Not Subject to Hedge Accounting

Details of derivatives are presented below.

Millions of Yen

	Fiscal year ended March 31, 2023			Fiscal year ended March 31, 2024		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contracts	668	—	0	—	—	—
Cross-currency rate swap	19,613	—	(432)	19,613	19,613	(3,030)

31. Related Party Disclosures

Management personnel compensation was as follows:

Millions of Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Fixed-compensation	369	349
Performance-based bonus	237	99
Share-based compensation expense	349	314
Total	955	762

32. Business Combinations

Fiscal year ended March 31, 2023

(Business combination through acquisition)

(1) Overview of Acquired Business

Name of Company: Collaudi Elettronici Automatizzati S.r.l.

Business Description of acquired company:

development and production of test equipment for power semiconductors

Voting rights ratio after acquisition of shares: 100%

(2) Overview of Business Combination

Advantest Europe GmbH, the Company's European subsidiary, acquired all outstanding shares of Italy-based company, Collaudi Elettronici Automatizzati S.r.l. ("CREA") on August 10, 2022, and CREA became a wholly owned subsidiary of Advantest Europe GmbH.

CREA is a major supplier of power semiconductor test equipment. Its products are used to test all kinds of power devices, and are utilized by global semiconductor companies around the world. CREA has many years of extensive experience in the development and production of test equipment for power semiconductors, including the latest SiC /GaN semiconductors. This acquisition will enable Advantest to provide broader test and measurement solutions to a wider range of customers in high-growth sectors.

(3) Acquisition Date

August 10, 2022

(4) Legal Form of Business Combination

Acquisition of shares

(5) Acquisition-related Expense

Acquisition-related expense of ¥232 million is included in Selling, general and administrative expenses in the consolidated statements of profit or loss for the fiscal year ended March 31, 2023.

(6) Fair Value of Assets Acquired, Liabilities Assumed and Consideration Paid as of the Acquisition Date

With the purchase price allocation completed during the fourth quarter of the fiscal year ended March 31, 2023, the fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were as follows:

Millions of Yen

	Provisional fair value	Revision	Revised fair value
Current assets	1,476	—	1,476
Non-current assets	424	2,398	2,822
Total assets	1,900	2,398	4,298
Current Liabilities	737	—	737
Non-current liabilities	142	701	843
Total liabilities	879	701	1,580
Goodwill	3,165	(1,716)	1,449
Total	4,186	(19)	4,167
Fair value of consideration paid			
Cash and cash equivalents	3,634	—	3,634
Accounts payable	552	(19)	533
Total	4,186	(19)	4,167

Goodwill generated from this business combination was attributable to the Semiconductor and Component Test System Business segment and was not deductible for tax purposes. Goodwill primarily represented a synergy effect with existing businesses and the excess earning power expected from the acquisition.

(7) Acquisition of subsidiary

Millions of Yen

	Amount
Consideration paid	3,634
Cash and cash equivalents of the acquired subsidiary	(129)
Acquisition of subsidiary	3,505

(8) Impact on the Business Performance

Disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the fiscal year ended March 31, 2023 (unaudited information), was omitted because of its immateriality for the consolidated statements of profit or loss.

(Business combination through acquisition)

Advantest America, Inc., the Company's U.S. subsidiary, acquired all outstanding shares of U.S. company, R&D Altanova, Inc. ("R&D Altanova") on November 17, 2021, and R&D Altanova became a wholly owned subsidiary of Advantest America, Inc.

The fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were provisional as of March 31, 2022, but they were revised because the purchase price allocation was completed during the first quarter of the fiscal year ended March 31, 2023.

Millions of Yen

	Provisional fair value	Revision	Revised fair value
Assets acquired			
Cash and cash equivalents	1,407	—	1,407
Trade and other receivables	1,847	—	1,847
Inventories	930	—	930
Other current assets	262	—	262
Property, plant and equipment, net	1,325	—	1,325
Right-of-use-assets	643	—	643
Intangible assets, net	366	8,145	8,511
Other non-current assets	127	—	127
Total assets	6,907	8,145	15,052
Liabilities assumed			
Trade and other payables	635	—	635
Other current liabilities	644	—	644
Long-term borrowings	4,472	—	4,472
Lease liabilities	526	—	526
Deferred tax liabilities	223	1,809	2,032
Other non-current liabilities	168	—	168
Total liabilities	6,668	1,809	8,477
Goodwill	25,282	(6,336)	18,946
Total	25,521	—	25,521
Fair value of consideration paid			
Cash and cash equivalents	25,521	—	25,521

(Notes) 1. Other non-current assets include deferred tax assets and others. Other current liabilities include income taxes payable and others. Other non-current liabilities include retirement benefit liabilities and others.

2. The total contract amount of trade and other receivables is the same as the fair value, and there are no items that are expected to be uncollectible.

Fiscal year ended March 31, 2024

(Business combination through acquisition)

(1) Overview of Acquired Business

Name of Company: Shin Puu Technology Co., Ltd.

Business Description of acquired company:

Manufacture of printed circuit boards (PCBs) and printed circuit board assemblies (PCBAs)

Voting rights ratio after acquisition of shares: 100%

(2) Overview of Business Combination

R&D Altanova, the Company's subsidiary, acquired all outstanding shares of Taiwan-based company, Shin Puu Technology Co., Ltd. ("Shin Puu") on April 28, 2023, and Shin Puu became a wholly owned subsidiary of R&D Altanova.

Shin Puu is a supplier of PCBs that manufactures PCBs and PCBAs, key components used in electronics, in Taiwan, a global hub of the electronics industry. By combining R&D Altanova's high-performance and high-density PCB design technology with Shin Puu's manufacturing capabilities, Advantest will expand its manufacturing footprint for high-end test boards in the Asia region, enhancing Advantest's ability to provide turnkey solutions to its customers.

(3) Acquisition Date

April 28, 2023

(4) Legal Form of Business Combination

Acquisition of shares

(5) Acquisition-related Expense

Acquisition-related expense of ¥595 million is included in Selling, general and administrative expenses in the consolidated statements of profit or loss for the fiscal year ended March 31, 2024.

(6) Fair Value of Assets Acquired, Liabilities Assumed and Consideration Paid as of the Acquisition Date

With the purchase price allocation completed during the third quarter of the fiscal year ended March 31, 2024, the fair value of the assets acquired, liabilities assumed and consideration paid as of the acquisition date were as follows:

Millions of Yen

	Provisional fair value	Revision	Revised fair value
Current assets	1,899	19	1,918
Non-current assets	5,866	458	6,324
Total assets	7,765	477	8,242
Current Liabilities	1,135	—	1,135
Non-current liabilities	2,031	101	2,132
Total liabilities	3,166	101	3,267
Goodwill	2,948	(426)	2,522
Total	7,547	(50)	7,497
Fair value of consideration paid			
Cash and cash equivalents	7,547	(50)	7,497

Goodwill generated from this business combination was attributable to the Services, Support and Others segment and was not deductible for tax purposes. Goodwill primarily represented a synergy effect with existing businesses and the excess earning power expected from the acquisition.

(7) Acquisition of subsidiary

Millions of Yen

	Amount
Consideration paid	7,497
Cash and cash equivalents of the acquired subsidiary	(539)
Repayments of the long-term borrowings and others	1,302
Acquisition of subsidiary	8,260

(8) Impact on the Business Performance

Disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the fiscal year ended March 31, 2024 (unaudited information), was omitted because of its immateriality for the consolidated statements of profit or loss.

33. Subsequent Event

(Information about Changing Reportable Segments)

Advantest has decided to change its reportable segments from the fiscal year ending March 31, 2026.

Advantest's conventional organizational structure consisted of three reportable segments, which were the semiconductor and component test system business, mechatronics system business and services, support and others. In efforts to provide comprehensive test solutions that include not only test equipment but also peripherals, Advantest has decided to reclassify the sources of revenue in management approach perspectives and to change reportable segments.

From the fiscal year ending March 31, 2026, Advantest has changed its reportable segments into two reportable segments, which are the test system business and services and others.

The amounts of each item reclassified by new reportable segments are as follows:

Fiscal year ended March 31, 2023

Millions of Yen

	Test System Business	Services and Others	Elimination and Corporate	Consolidated
Net sales				
Net sales to unaffiliated customers	473,532	86,659	—	560,191
Inter-segment sales	39	—	(39)	—
Total	473,571	86,659	(39)	560,191
Segment income (loss) (operating income (loss) before share-based compensation expense)	173,534	12,757	(17,084)	169,207
Adjustment:				
Share-based compensation expense	—	—	—	(1,520)
Operating income	—	—	—	167,687
Financial income	—	—	—	4,458
Financial expenses	—	—	—	(875)
Income before income taxes	—	—	—	171,270

Fiscal year ended March 31, 2024

Millions of Yen

	Test System Business	Services and Others	Elimination and Corporate	Consolidated
Net sales				
Net sales to unaffiliated customers	397,622	88,885	—	486,507
Inter-segment sales	—	—	—	—
Total	397,622	88,885	—	486,507
Segment income (loss) (operating income (loss) before share-based compensation expense)	106,298	(7,842)	(15,059)	83,397
Adjustment:				
Share-based compensation expense	—	—	—	(1,769)
Operating income	—	—	—	81,628
Financial income	—	—	—	1,244
Financial expenses	—	—	—	(4,702)
Income before income taxes	—	—	—	78,170

(Notes) 1. Adjustments to segment income (loss) in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments.

2. For test system business, the segment income for the fiscal year ended March 31, 2024, includes a ¥3,179 million settlement income from a dispute with the counterparty.

3. For services and others, the segment loss for the fiscal year ended March 31, 2024, includes an impairment loss of ¥8,998 million on a portion of the goodwill acquired through a business combination with Essai, Inc.,.

(Share Repurchase)

The Company conducted share repurchases under Article 459, paragraph 1 of the Companies Act pursuant to resolutions of its Board of Directors, as part of its capital management policy aimed at improving capital efficiency and shareholder returns.

The details of acquisition are as follows.

Board resolution date	Type of shares to be acquired	Total number of shares acquired or to be acquired	Total cost of acquisition	Period of acquisition	Acquisition method
October 30, 2024	Common shares	5,711,000 shares	49,999,998,563 yen	November 1, 2024 to January 28, 2025	Purchase on the Tokyo Stock Exchange
April 25, 2025	Common shares	6,643,900 shares	69,999,937,500 yen	May 7, 2025 to September 22, 2025	Purchase on the Tokyo Stock Exchange
October 28, 2025	Common shares	Up to 18 million shares	Up to 150 billion yen	November 4, 2025 to October 28, 2026	Purchase on the Tokyo Stock Exchange

(Cancellation of Treasury Shares)

The Company resolved to cancel a portion of its own treasury shares in accordance with the provisions of Article 178 of the Companies Act, at the Board of Directors meeting held on January 28, 2026, as follows.

1. Type of shares cancelled

Shares of common shares

2. Total number of shares cancelled

34,141,256 shares (Equivalent to 4.46% of outstanding shares as of January 28, 2026)

3. Cancellation date

February 6, 2026

(IT System Incident)

On February 15, 2026, Advantest detected unusual activity within its IT environment and confirmed there was a cybersecurity incident involving ransomware.

Since becoming aware of the incident, we have been working closely with leading external cybersecurity experts to investigate, contain, and remediate the issue and to support the safety and integrity of our systems. We also notified appropriate authorities, including law enforcement. We believe that our containment actions and activation of business continuity plans minimized operational disruption and enabled us to continue serving customers. At this time, our external cybersecurity experts see no evidence of unauthorized third parties in our environment.

As part of our response, we isolated potentially affected systems and, out of an abundance of caution, we proactively took additional systems offline to assess and contain the issue. We understand that this may cause some operational challenges for our customers, partners, and suppliers, and we have implemented workarounds that are designed to help address these issues while we work to fully restore our systems.

As part of our ongoing investigation, we are working closely with leading external cybersecurity experts to determine data that may have been subject to access or exfiltration. Based on ongoing monitoring being conducted by our leading external cybersecurity experts, we have seen no indication that any data related to this incident has been released publicly.

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Independent Auditor's Interim Review Report

The Board of Directors
Advantest Corporation

Auditor's Conclusion

We have reviewed the accompanying condensed quarterly consolidated financial statements of Advantest Corporation and its subsidiaries (the Group), which comprise the condensed quarterly consolidated statement of financial position as at December 31, 2025, and the condensed quarterly consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month periods ended December 31, 2025 and 2024, and notes to the condensed quarterly consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed quarterly consolidated financial statements are not prepared, in all material respects, in accordance with Article 5, Paragraph 2 of the Tokyo Stock Exchange, Inc.'s Standards for the Preparation of Quarterly Financial Statements (the Standards), applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards, as described in "Basis of Preparation" of the notes to the condensed quarterly consolidated financial statements.

We have previously audited, in accordance with auditing standards generally accepted in Japan, the consolidated statement of financial position of the Group as at March 31, 2025, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended (not presented herein); and in our report dated March 25, 2026, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed quarterly consolidated statement of financial position as at March 31, 2025, is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

Basis for Auditor's Conclusion

We conducted our review in accordance with review standards for interim financial statements generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Review of the Condensed Quarterly Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, including those applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained provides a basis for our conclusion.

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

Management is responsible for the preparation of these condensed quarterly consolidated financial statements in accordance with Article 5, Paragraph 2 of the Standards, applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards and for the internal controls as management determines are necessary to enable the preparation of condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed quarterly consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, including the disclosures related to matters of going concern, as required by Article 5, Paragraph 2 of the Standards, applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards.

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

Auditor's Responsibilities for the Review of the Condensed Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion on these condensed quarterly consolidated financial statements based on our review.

As part of a review in accordance with review standards for interim financial statements generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the review. We also:

- Make inquiries, primarily of management and persons responsible for financial and accounting matters and apply analytical and other interim review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude based on the evidence obtained whether anything has come to our attention that causes us to believe that the condensed quarterly consolidated financial statements are not prepared in accordance with Article 5, Paragraph 2 of the Standards, applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards, should we determine that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Additionally, if we conclude that a material uncertainty exists, we are required to draw attention in our auditor's interim review report to the related disclosures in the condensed quarterly consolidated financial statements or, if such disclosures are inadequate, to modify our conclusion. Our conclusions are based on the evidence obtained up to the date of our auditor's interim review report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether anything has come to our attention that causes us to believe that the overall presentation and disclosure of the condensed quarterly consolidated financial statements are not prepared in accordance with Article 5, Paragraph 2 of the Standards, applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards.

- Obtain evidence regarding the financial information of the entities or business activities within the Group as a basis for expressing a conclusion on the condensed quarterly consolidated financial statements. We are responsible for the direction, supervision and review of the documentation of the interim review. We remain solely responsible for our conclusion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the review and significant review findings.

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

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

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

/s/ Ernst & Young ShinNihon LLC
Tokyo, Japan

March 25, 2026

1. Condensed Quarterly Consolidated Financial Statements and Main Notes

(1) Condensed Quarterly Consolidated Statements of Financial Position

Millions of Yen

	As of March 31, 2025	As of December 31, 2025
Assets		
Current assets		
Cash and cash equivalents	262,544	329,322
Trade and other receivables	113,031	143,318
Inventories	209,707	222,464
Other current assets	14,471	22,997
Total current assets	599,753	718,101
Non-current assets		
Property, plant and equipment, net	78,602	95,719
Right-of-use assets	18,338	15,304
Goodwill and intangible assets, net	78,365	82,538
Other financial assets	30,167	61,194
Deferred tax assets	47,894	46,815
Other non-current assets	1,091	844
Total non-current assets	254,457	302,414
Total assets	854,210	1,020,515

Millions of Yen

	As of March 31, 2025	As of December 31, 2025
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	107,093	106,381
Short-term borrowings	74,952	75,651
Income taxes payable	73,023	59,791
Provisions	12,454	14,627
Lease liabilities	5,046	4,403
Other financial liabilities	5,790	11,735
Other current liabilities	31,066	34,788
Total current liabilities	309,424	307,376
Non-current liabilities		
Long-term borrowings	3	—
Lease liabilities	13,502	11,149
Retirement benefit liabilities	17,614	18,354
Deferred tax liabilities	4,709	5,702
Other non-current liabilities	2,419	3,635
Total non-current liabilities	38,247	38,840
Total liabilities	347,671	346,216
Equity		
Share capital	32,363	32,363
Share premium	46,665	49,492
Treasury shares	(104,193)	(196,550)
Retained earnings	489,850	701,965
Other components of equity	41,854	87,029
Total equity attributable to owners of the parent	506,539	674,299
Total equity	506,539	674,299
Total liabilities and equity	854,210	1,020,515

(2) Condensed Quarterly Consolidated Statements of Profit or Loss and Condensed Quarterly Consolidated Statements of Comprehensive Income

Condensed Quarterly Consolidated Statements of Profit or Loss

Millions of Yen

	Nine months ended December 31, 2024	Nine months ended December 31, 2025
Net sales	547,358	800,537
Cost of sales	(241,507)	(295,550)
Gross profit	305,851	504,987
Selling, general and administrative expenses	(141,690)	(162,064)
Other income	1,050	3,469
Other expenses	(1,085)	(386)
Operating income	164,126	346,006
Financial income	1,369	2,021
Financial expenses	(2,303)	(3,678)
Income before income taxes	163,192	344,349
Income taxes	(41,982)	(95,823)
Net income	121,210	248,526
Net income attributable to:		
Owners of the parent	121,210	248,526
Earnings per share:	Yen	Yen
Basic	164.21	340.60
Diluted	163.72	339.45

Condensed Quarterly Consolidated Statements of Comprehensive Income

Millions of Yen

	Nine months ended December 31, 2024	Nine months ended December 31, 2025
Net income	121,210	248,526
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plan	(308)	(370)
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	(2,488)	24,706
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	6,509	20,469
Total other comprehensive income (loss)	3,713	44,805
Total comprehensive income for the period	124,923	293,331
Comprehensive income attributable to:		
Owners of the parent	124,923	293,331

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Nine months ended December 31, 2024

Millions of Yen

	Equity attributable to owners of the parent						
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	Total Equity
Balance as of April 1, 2024	32,363	45,441	(56,353)	355,299	54,428	431,178	431,178
Net income				121,210		121,210	121,210
Other comprehensive income (loss), net of tax					3,713	3,713	3,713
Total comprehensive income for the period	—	—	—	121,210	3,713	124,923	124,923
Purchase of treasury shares		(13)	(34,023)			(34,036)	(34,036)
Disposal of treasury shares		(1,663)	1,925	(44)		218	218
Dividends				(27,339)		(27,339)	(27,339)
Share-based payments		2,002				2,002	2,002
Transfer from other components of equity to retained earnings				(308)	308	—	—
Total transactions with the owners	—	326	(32,098)	(27,691)	308	(59,155)	(59,155)
Balance as of December 31, 2024	32,363	45,767	(88,451)	448,818	58,449	496,946	496,946

Nine months ended December 31, 2025

Millions of Yen

	Equity attributable to owners of the parent						
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	Total Equity
Balance as of April 1, 2025	32,363	46,665	(104,193)	489,850	41,854	506,539	506,539
Net income				248,526		248,526	248,526
Other comprehensive income (loss), net of tax					44,805	44,805	44,805
Total comprehensive income for the period	—	—	—	248,526	44,805	293,331	293,331
Purchase of treasury shares		(38)	(93,457)			(93,495)	(93,495)
Disposal of treasury shares		(416)	1,100	(272)		412	412
Dividends				(35,769)		(35,769)	(35,769)
Share-based payments		3,281				3,281	3,281
Transfer from other components of equity to retained earnings				(370)	370	—	—
Total transactions with the owners	—	2,827	(92,357)	(36,411)	370	(125,571)	(125,571)
Balance as of December 31, 2025	32,363	49,492	(196,550)	701,965	87,029	674,299	674,299

(4) Condensed Quarterly Consolidated Statements of Cash Flows

Millions of Yen

	Nine months ended December 31, 2024	Nine months ended December 31, 2025
Cash flows from operating activities:		
Income before income taxes	163,192	344,349
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,979	18,797
Changes in assets and liabilities:		
Trade and other receivables	(22,288)	(23,040)
Inventories	(5,176)	(9,239)
Trade and other payables	10,527	(3,410)
Warranty provisions	3,168	2,143
Deposits received	2,657	3,041
Advance receipts	4,566	2,169
Retirement benefit liabilities	(86)	(304)
Other	4,602	(6,756)
Subtotal	182,141	327,750
Interest and dividends received	1,338	1,948
Interest paid	(1,308)	(1,253)
Income taxes paid	(11,806)	(109,891)
Net cash provided by (used in) operating activities	170,365	218,554
Cash flows from investing activities:		
Purchases of property, plant and equipment	(11,991)	(24,734)
Purchases of intangible assets	(1,407)	(2,002)
Proceeds from transfer of business	—	2,902
Acquisition of subsidiaries	(3,815)	—
Other	770	(508)
Net cash provided by (used in) investing activities	(16,443)	(24,342)
Cash flows from financing activities:		
Proceeds from disposal of treasury shares	219	411
Purchases of treasury shares	(34,044)	(93,517)
Dividends paid	(27,080)	(35,471)
Payments for lease liabilities	(4,004)	(3,847)
Other	(387)	(445)
Net cash provided by (used in) financing activities	(65,296)	(132,869)
Net effect of exchange rate changes on cash and cash equivalents	717	5,435
Net change in cash and cash equivalents	89,343	66,778
Cash and cash equivalents at the beginning of period	106,702	262,544
Cash and cash equivalents at the end of period	196,045	329,322

(5) Notes to the Condensed Quarterly Consolidated Financial Statements

(Basis of Preparation)

The Group's condensed quarterly consolidated financial statements, which comprise the condensed quarterly statements of financial position, condensed quarterly statements of profit or loss, comprehensive income, changes in equity and cash flows and notes to the condensed quarterly consolidated financial statements, have been prepared in accordance with Article 5, Paragraph 2 of the Tokyo Stock Exchange, Inc.'s Standards for the Preparation of Quarterly Financial Statements (the Standards), applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards. These condensed quarterly consolidated financial statements have been prepared based on IAS 34 "Interim Financial Reporting" (IAS 34) except that certain of the required disclosures and notes have not been given. Therefore, they are not a set of condensed financial statements in accordance with IAS 34.

(Notes on Going Concern) : None

(Segment Information)

1. Overview of Reportable Segments

Advantest manufactures and sells test system products and mechatronics-related products such as test handlers and device interfaces. Advantest also engages in research and development activities and provides maintenance and support services associated with these products.

Advantest's previous organizational structure consisted of three reportable segments, which were the semiconductor and component test system business, mechatronics system business and services, support and others. In efforts to provide comprehensive test solutions that include not only test equipment but also peripherals, from the first quarter of the fiscal year ending March 31, 2026, Advantest has changed its reportable segments into two, which are the test system business and services and others. Segment information for the comparative period is after the changes of the reportable segments. These reportable segments are determined based on the nature of the products and the markets. Segment information is prepared on the same basis that management reviews financial information for operational decision-making purposes.

The test system business segment provides product lines such as test systems for SoC semiconductor devices, test systems for memory semiconductor devices, test handlers and mechatronic-applied products for handling semiconductor devices, and device interfaces that serve as interfaces with the devices that are measured, and test solutions of system level testing for such as semiconductor and modules.

The services and others segment consists of comprehensive customer solutions provided in connection with the above segments, operations related to nano-technology products, support services, sales of consumables and others.

2. Information of Reportable Segments

Advantest uses the operating income (loss) before share-based compensation expense for management's analysis of operating segment results.

Share-based compensation expense represents an expense for restricted stock compensation expense.

Segment income (loss) is presented on the basis of operating income (loss) before share-based compensation expense.

Inter-segment sales are based on market prices.

Nine months ended December 31, 2024

Millions of Yen

	Test System Business	Services and Others	Elimination and Corporate	Consolidated
Net sales				
Net sales to unaffiliated customers	478,659	68,699	—	547,358
Inter-segment sales	—	—	—	—
Total	478,659	68,699	—	547,358
Segment income (loss) (operating income (loss) before share-based compensation expense)	176,012	465	(10,349)	166,128
Adjustment: Share-based compensation expense	—	—	—	(2,002)
Operating income	—	—	—	164,126
Financial income	—	—	—	1,369
Financial expenses	—	—	—	(2,303)
Income before income taxes	—	—	—	163,192

Nine months ended December 31, 2025

Millions of Yen

	Test System Business	Services and Others	Elimination and Corporate	Consolidated
Net sales				
Net sales to unaffiliated customers	723,055	77,482	—	800,537
Inter-segment sales	10	—	(10)	—
Total	723,065	77,482	(10)	800,537
Segment income (loss) (operating income (loss) before share-based compensation expense)	357,700	4,751	(13,164)	349,287
Adjustment: Share-based compensation expense	—	—	—	(3,281)
Operating income	—	—	—	346,006
Financial income	—	—	—	2,021
Financial expenses	—	—	—	(3,678)
Income before income taxes	—	—	—	344,349

(Notes) 1. Adjustments to segment income (loss) in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments.

2. For services and others, the segment income for the nine months ended December 31, 2025 includes ¥2,504 million income from the partial divestiture of a business.

(Subsequent Events)

(Cancellation of Treasury Shares)

The Company resolved to cancel a portion of its own treasury shares in accordance with the provisions of Article 178 of the Companies Act, at the Board of Directors meeting held on January 28, 2026, as follows.

1. Type of shares cancelled
   Shares of common shares
2. Total number of shares cancelled
   34,141,256 shares (Equivalent to 4.46% of outstanding shares as of January 28, 2026)
3. Cancellation date
   February 6, 2026

(IT System Incident)

On February 15, 2026, Advantest detected unusual activity within its IT environment and confirmed there was a cybersecurity incident involving ransomware.

Since becoming aware of the incident, we have been working closely with leading external cybersecurity experts to investigate, contain, and remediate the issue and to support the safety and integrity of our systems. We also notified appropriate authorities, including law enforcement. We believe that our containment actions and activation of business continuity plans minimized operational disruption and enabled us to continue serving customers. At this time, our external cybersecurity experts see no evidence of unauthorized third parties in our environment.

As part of our response, we isolated potentially affected systems and, out of an abundance of caution, we proactively took additional systems offline to assess and contain the issue. We understand that this may cause some operational challenges for our customers, partners, and suppliers, and we have implemented workarounds that are designed to help address these issues while we work to fully restore our systems.

As part of our ongoing investigation, we are working closely with leading external cybersecurity experts to determine data that may have been subject to access or exfiltration. Based on ongoing monitoring being conducted by our leading external cybersecurity experts, we have seen no indication that any data related to this incident has been released publicly.

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ADVANTEST