

ADVANTEST[®]



FY2023
(Period Ended March 31st, 2024)
Financial Briefing

April 26th, 2024
Advantest Corporation

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NOTE

Accounting Standards

– Our results and outlook, described in this presentation, have been prepared in accordance with IFRS.

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Financial Results for FY2023

Yasuo Mihashi

Senior Executive Officer, CFO & CSO (Chief Strategy Officer)

Executive Vice President, Corporate Strategy Group

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FY23 Results

- FY2023 sales, operating income, and net income were down year-on-year
- However, we gained market share in both SoC and memory testers
- Sales for high-performance DRAM related to generative AI increased, while the SoC tester market was slower than expected
- In terms of product mix, the sales ratio of the high margin SoC testers for leading-edge processes declined
- The magnitude of the decline for sales was within the range of our guidance ¹ announced in July 2022, despite soft market conditions

* 1: FY 23 sales guidance range as part of the revised Second Mid-Term Management Plan announced in July 2022: Approx. -15% to Approx +10% year-on-year)

○ FY2023 Results Highlights

- I would like to thank our suppliers, our employees and all our stakeholders for their continued support of our business in an uncertain economic environment.
- Compared to the record results of FY22, sales, operating income, and net income in FY23 were down.
- We would like to highlight that we gained market share in both SoC and memory testers.
- Despite a significant increase in sales for high-performance DRAM related to generative AI, SoC tester sales declined due to factors such as soft smartphone market conditions and a slowdown in server investments.
- Amidst such soft market conditions, the magnitude of the decline in sales was within the range of our guidance announced in July 2022 when we revised the Second Mid Term Management Plan(MTP2). However, in terms of profitability, the product mix changed significantly due to lower than expected sales of SoC testers for leading-edge processes.
- FY23 was the final year of MTP2. We will discuss the results of MTP2 later in the presentation.

FY23 Summary of Results

(¥B)

	FY22		FY23		
	Results	Forecast as of Jan. 2024	Results	vs. FY22	
				Change	(%)
Sales	560.2	480.0	486.5	-73.7	-13.2%
Operating Income	167.7	85.0	81.6	-86.1	-51.3%
Operating Margin %	29.9%	17.7%	16.8%	-13.1pts	
Income Before Tax	171.3	82.5	78.2	-93.1	-54.4%
Net Income	130.4	64.5	62.3	-68.1	-52.2%
Net Income Margin %	23.3%	13.4%	12.8%	-10.5pts	
Exchange Rate	1 US\$	¥134	¥143	¥143	¥9 Depreciation
	1 Euro	¥140	¥154	¥155	¥15 Depreciation
Dividend Per Share*1	¥33.75	-	¥34.25*2	+¥0.5	
Share Repurchase	50.0	-	-	-	
Total Return Ratio*3	58%	-	41%	-17pts	

*1: Advantest has issued a 4-for-1 stock split of common stock, effective October 1, 2023. The above dividend per share figures are based on the assumption that the stock split had been issued at the beginning of FY22.

*2: The year-end dividends for FY23 will be formally resolved at the Board of Directors' meeting held on May 21, 2024

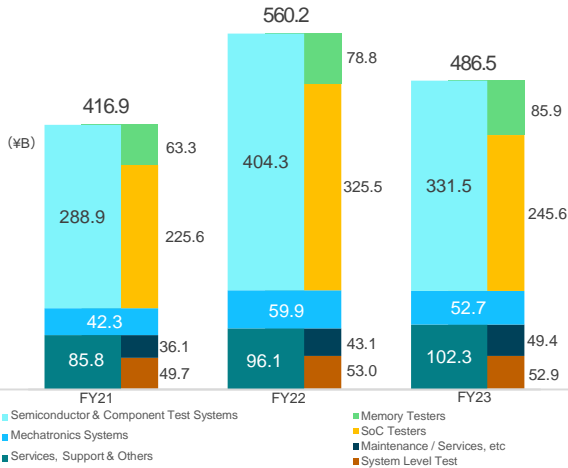
*3: Total return ratio = (Total dividends + Total share repurchases) ÷ Net Income

○ FY2023 Summary of Results

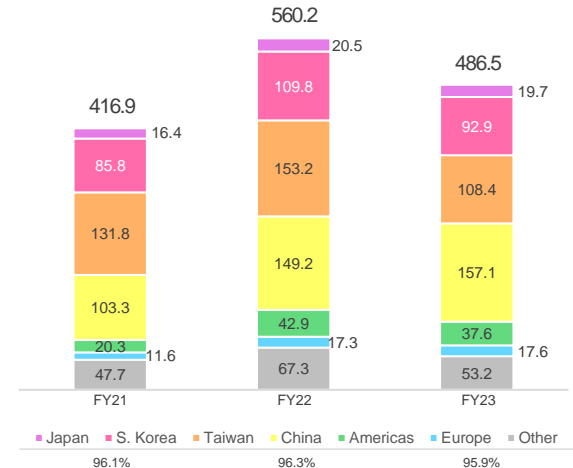
- Sales, operating income, and net income decreased significantly year-on-year.
- Compared to the full-year guidance as of January 2024, sales were slightly ahead due to higher than expected product deliveries to customers, in particular for memory testers.
- However, operating income fell short of the full-year guidance due to an impairment loss for a portion of goodwill of approximately ¥ 9 billion in other expenses in the fourth quarter.
- Core operating income that excludes one-off items was ¥ 87.1 billion, and the core operating income margin was 17.9%.
- Net income for the year was also below the full-year guidance.
- Tax expenses for the year include approximately ¥ 3.8 billion of deferred tax assets in the fourth quarter which are likely to be realized within a certain period in the future, resulting in a slightly lower effective tax rate of approximately 20%.
- Combining our year-end dividend forecast of ¥ 18 and the interim dividend of ¥ 16.25 already paid out, our annual dividend forecast is ¥ 34.25.

FY23 Sales by Segment / Region

<Sales by Segment>



<Sales by Region>



Note: Intersegment transactions have been eliminated from totals

Overseas Sales %
Region: the location of customers' facilities to which products were shipped

○ FY2023 Sales by Segment / Region

- This slide shows our annual sales trend comparison by segment and by region.
- We faced a decline in demand for our products due to low utilization of our customers' equipment resulting from an elevated level of tester deliveries over the past three years up to FY22, combined with soft market conditions.
- By business segment, although sales for SoC testers for mature process devices such as automotive and industrial was solid, sales for advanced process devices for major consumer applications such as smartphones and PCs and for data center-related applications declined.
- Memory tester sales exceeded the previous year due to strong tester demand for high-performance DRAM and growth in sales to Chinese memory companies.
- By region on a ship-to basis, sales to Taiwan fell sharply, particularly for high-end SoCs.

FY23 4Q Summary of Results

(¥B)

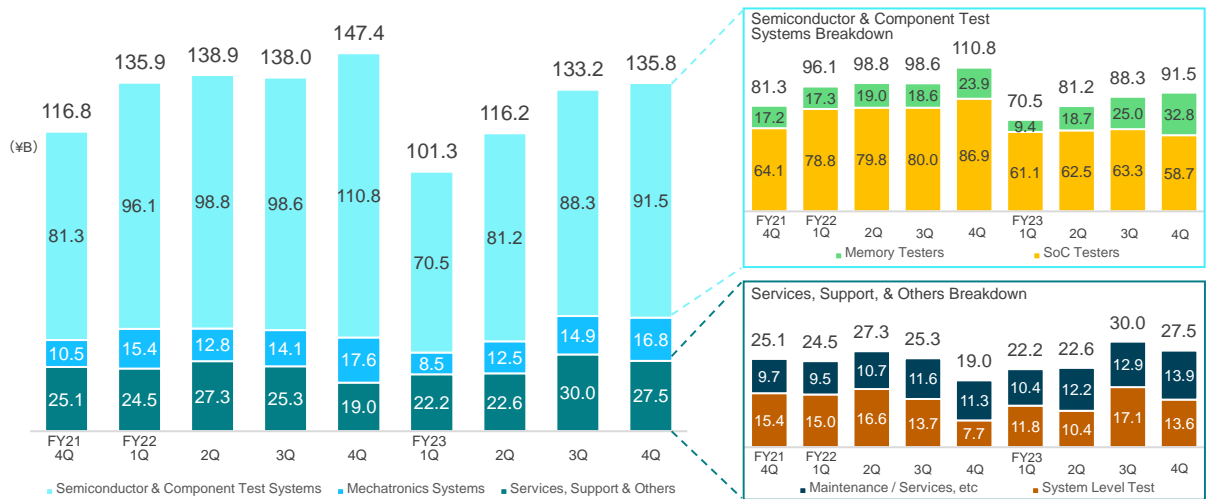
	FY22				FY23				QoQ		YoY	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Change	(%)	Change	(%)
Sales	135.9	138.9	138.0	147.4	101.3	116.2	133.2	135.8	+2.5	+1.9%	-11.6	-7.9%
Gross Profit	78.9	79.9	81.6	78.7	51.0	58.0	67.4	69.6	+2.2	+3.3%	-9.1	-11.5%
Gross Margin %	58.1%	57.5%	59.1%	53.4%	50.3%	49.9%	50.6%	51.3%	+0.7pts		-2.1pts	
Operating Income	44.8	43.1	41.2	38.6	14.3	21.0	26.8	19.5	-7.3	-27.2%	-19.0	-49.3%
Operating Margin %	32.9%	31.1%	29.9%	26.2%	14.1%	18.1%	20.1%	14.4%	-5.7pts		-11.8pts	
Income Before Tax	48.4	46.8	37.7	38.4	13.0	20.3	26.3	18.6	-7.6	-29.1%	-19.8	-51.6%
Net Income	36.5	34.7	28.6	30.6	9.2	16.7	21.2	15.2	-6.1	-28.6%	-15.4	-50.5%
Net Income Margin %	26.8%	25.0%	20.8%	20.8%	9.1%	14.4%	15.9%	11.2%	-4.7pts		-9.6pts	
Exchange Rate	1 US\$	¥124	¥135	¥144	¥133	¥135	¥142	¥149	¥147	¥2 Appreciation		¥14 Depreciation
	1 Euro	¥134	¥139	¥144	¥142	¥146	¥156	¥159	¥159	-		¥17 Depreciation
Dividend Per Share*1	-	¥16.25 (¥65)	-	¥17.50 (¥70)	-	¥16.25 (¥65)	-	¥18	-	-	-	+¥0.5

*1: Advantest has issued a 4-for-1 stock split of common stock, effective October 1, 2023. The above dividend per share figures are based on the assumption that the stock split had been issued at the beginning of FY22. (values in parentheses are those before the split).

○ FY2023 4Q Summary of Results

- Our fourth quarter results are shown on this slide.
- Details of performance will be explained in the subsequent slides.

Quarterly Sales by Segment



Note: Intersegment transactions have been eliminated from totals

○ FY2023 4Q Summary of Results

- Our fourth quarter results are shown on this slide.

○ Semiconductor & Component Test Systems

- SoC testers sales were ¥ 58.7 billion, a decrease of ¥ 4.7 billion QoQ.
- For application processors (APUs), sales declined partly due to some pull-forward in the previous quarter. On the other hand, sales for advanced process devices was down only slightly quarter-on-quarter, owing to sales growth for high-performance computing (HPC) and AI-related semiconductors.
- Sales for mature process devices such as automotive and industrial were solid in the first half but softened in the second half, resulting in a declines in sales for two consecutive quarters.
- Sales of memory testers were ¥ 32.8 billion, an increase of ¥ 7.9 billion quarter on quarter. In addition to strong demand for high-performance DRAM related to generative AI, sales to Chinese DRAM companies also increased.

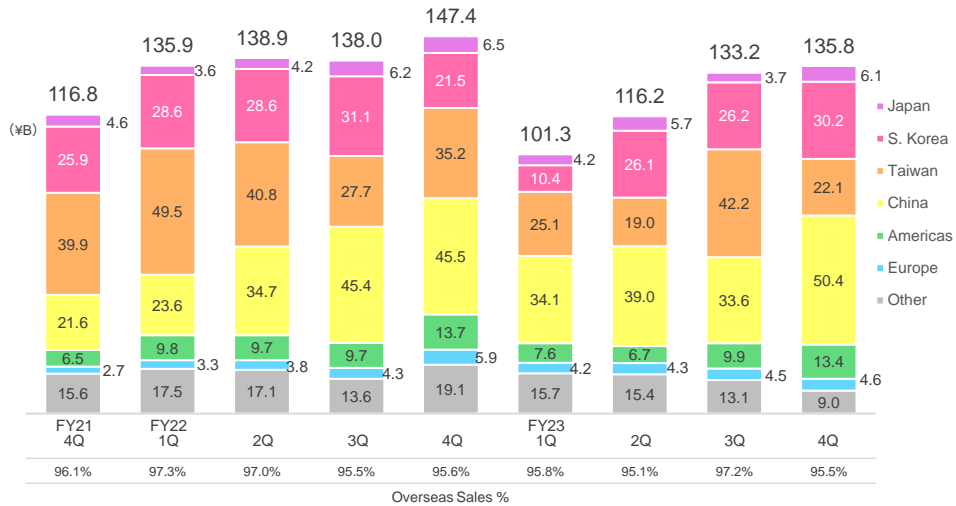
○ Mechatronics Systems

- Sales increased due to a healthy number of shipments in SEM metrology products.

○ Service, Support, & Others

- In the System Level Test (SLT) business, which has high sales exposure to specific customers, sales decreased due to a high comparison base, following a high level of product deliveries in the previous quarter.

Quarterly Sales by Region

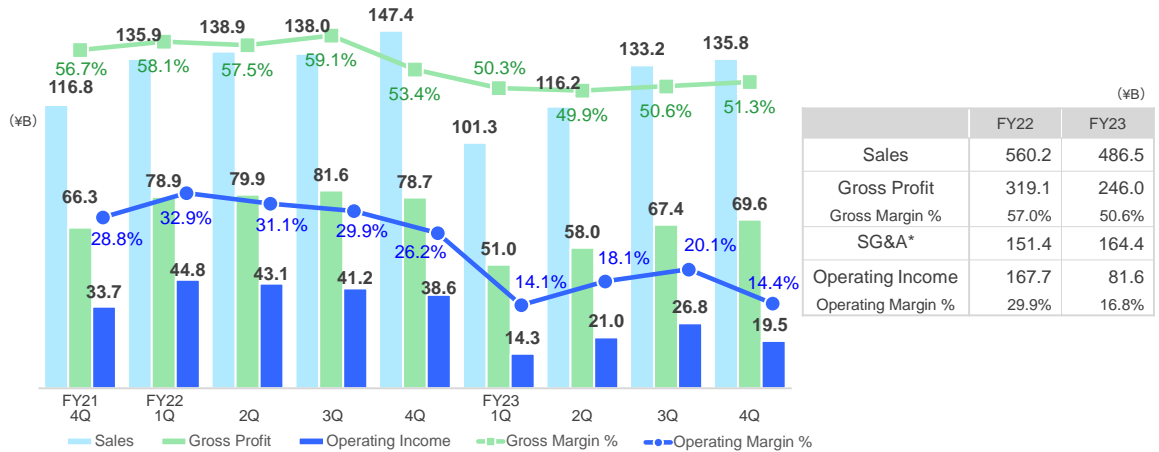


Region: the location of customers' facilities to which products were shipped

○ FY2023 4Q Sales by Region

- Our fourth quarter results are shown on this slide.
- Taiwan
Due to the impact of some sales pull-forward in the third quarter as explained on the previous page, sales of SoC testers decreased significantly quarter on quarter. Moreover, sales of System Level Test business decreased.
- China
Sales increased in SoC testers and memory testers respectively.
- South Korea
Memory tester sales increased due to continued robust customer investment, particularly in DRAM applications.

Sales / Gross Profit / Operating Income



○ FY2023 4Q Sales / Gross Profit / Operating Income

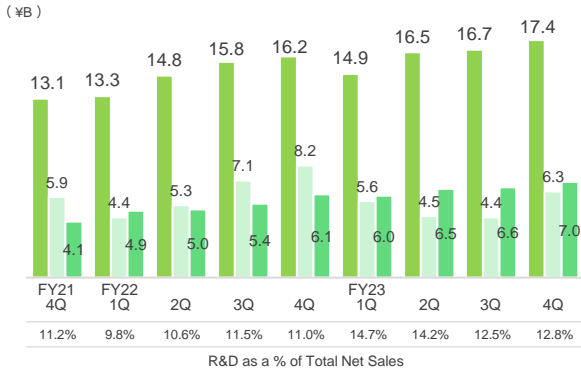
- Gross margin increased slightly quarter on quarter.
- SG&A (including all other income and expenses) increased by ¥ 9.5 billion quarter on quarter.
- This is due to impairment of a portion of goodwill of approximately ¥ 9 billion in other expenses, as mentioned previously.
- The impairment is related to Essai, Inc., which we acquired in FY 2019. Due to a lower than expected sales outlook of their test socket business to a major customer, the future cash flow projection has deteriorated.
- Core SG&A was almost flat quarter on quarter.

Investments / Cash Flow

<Investments>

- R&D Expenses
- Capital Expenditure
- Depreciation & Amortization

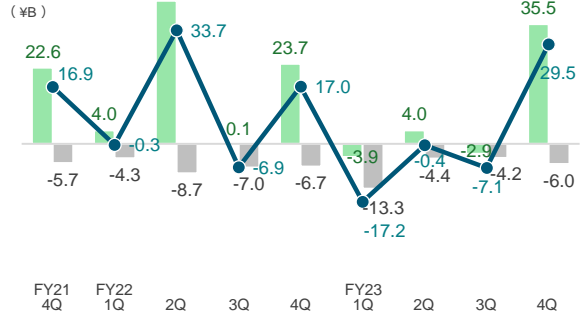
	FY22	FY23
R&D Expenses	60.1	65.5
R&D as a % of Sales	10.7%	13.5%
CapEx	25.0	20.8
D&A	21.4	26.1



<Cash Flow>

- Cash flows from operating activities
- Cash flows from investing activities
- Free cash flows

	FY22	FY23
Cash flows from operating activities	70.2	32.7
Cash flows from investing activities	-26.7	-27.9
Free cash flows*	43.5	4.8



* Free Cash Flows = Cash flows from operating activities + Cash flows from investing activities

○ R&D Expenses

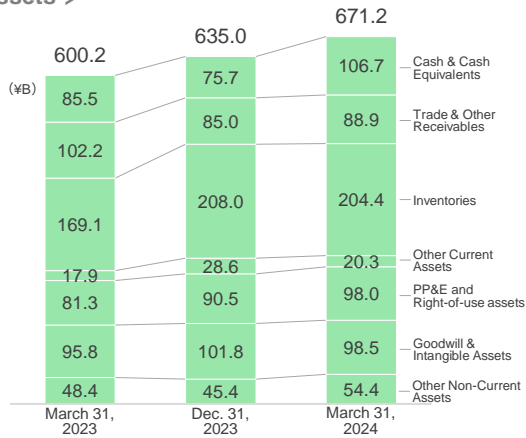
- R&D, capital expenditure and depreciation are illustrated on this slide.
- R&D and capital expenditure increased quarter on quarter partly due to the fiscal year end.

○ Cash Flow

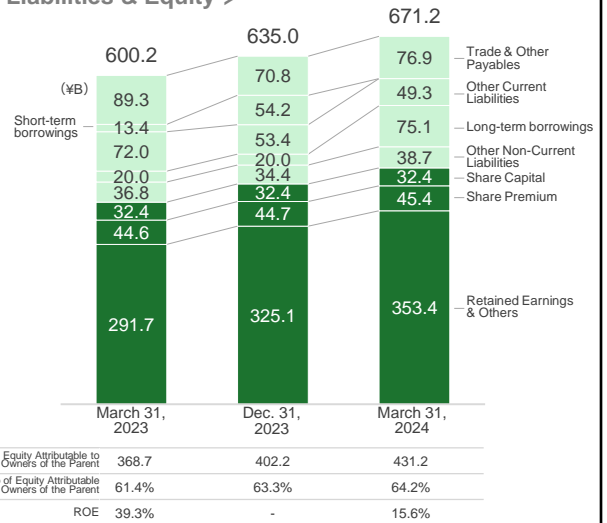
- In the fourth quarter, operating cash flow increased significantly quarter on quarter due to the absence of income tax and bonus payments as in the previous quarter, as well as a slight decrease in inventories.

Financial Position

< Assets >



< Liabilities & Equity >



○ Balance Sheet for the Period Ended March 31st, 2024

- On the asset side, inventories decreased, albeit slightly, compared to the previous quarter.
- On the liabilities side, short-term borrowing was refinanced into long-term borrowing in view of working capital.
- Throughout FY23, we worked to strategically build up inventories with a medium- to long-term view and to increase supply capacity in areas where demand is strong, particularly for high-performance DRAM. In addition, inventories increased significantly compared to the previous fiscal year, partly in response to push out requests from customers, especially for SoC testers.
- To address declining capital efficiency, we will drive our efforts to upgrade supply chain management and seek to monetize inventories in a timely manner.

Second Mid-Term Management Plan (MTP2, FY21-23) Results

- Sales exceeded the lower end of the target range
- Profitability and capital efficiency targets were not achieved due to a more pronounced than expected slowdown of the market and a change in mix

	MTP1 Results Avg. of FY18-20	Original MTP2 Targets (announced May 2021) Avg. of FY21-23	MTP2 Targets (revised July 2022) Avg. of FY21-23	FY21 Results	FY22 Results	FY23 Results	MTP2 Results Avg. of FY21-23
Sales	¥290.4B	¥350-380B	¥480-520B	¥416.9B	¥560.2B	¥486.5B	¥487.9B
Operating Margin	22.3%	23-25%	27-30%	27.5%	29.9%	16.8%	24.7%
Net Income	¥60.1B	¥62-70B	¥98-120B	¥87.3B	¥130.4B	¥62.3B	¥93.3B
ROE	29.1%	20% or more	30-35%	30.4%	39.3%	15.6%	28.4%
EPS ^{*1}	¥77	¥80-93	¥128-158	¥112	¥174	¥84	¥124
Capital Expenditure ^{*2}	¥30.2B	¥40B	¥70B	¥18.0B	¥25.0B	¥20.8B	¥63.9B
Strategic Investments e.g. M&A ^{*2}	¥47.7B	¥100B	¥100B	¥29.0B	¥3.5B	¥8.3B	¥40.7B
Shareholder Returns ^{*2} (Dividend + Share buybacks)	¥61.7B	Estimate: ¥150B or more	Estimate: ¥210B or more	¥93.0B	¥75.0B	¥25.3B	¥193.4B
Total Return Ratio	39%	Total annual return ratio of 50% or more		107%	58%	41%	69%

*1: EPS figures are different from the previously announced figures due to a 4-for-1 stock split of shares of common stock, effective October 1, 2023

*2: The MTP2 targets represent a three-year cumulative figure for capital expenditure and strategic investments e.g. M&A, and shareholder returns

○ Second Mid-Term Management Plan (FY2021-2023) Results

- Finally, I would like to discuss the results of the Second Mid-Term Plan, MTP2. As shown in the slide, while we were able to meet all of the original targets set in May 2021, we did not meet the revised targets set in July 2022, with the exception of sales.
- Looking back over the past three years, the business environment has changed significantly in a short period of time. In the first half of the period, the increasing digitalization of society drove advancement of semiconductors, while simultaneously pushing for increased semiconductor supply capacity. In the second half, however, the semiconductor market for major consumer applications entered a correction phase, and the tester market which had experienced rapid expansion previously ended up slowing down, although there were areas of strength such as high-performance semiconductors related to generative AI.
- Even under such an environment, we have increased our market share for three consecutive years in the MTP2 period by successfully capturing the test demands of leading customers and new entrants working on advanced technology development in the area of high-performance semiconductors of increasing complexity, such as HPC/AI and HBM.
- Despite the short-term cyclicity of semiconductor supply and demand, we see a continuing trend of increasing complexity in the pursuit of higher performance semiconductors. Including the emergence of new semiconductor market entrants, the semiconductor tester market is likely to continue to grow in the mid- / long- term, just as MTP2 results exceeded those of MTP1.
- We recognize that the key challenge for us going forward is how to ensure strong profitability which can withstand changes in the product mix.
- With regards to shareholder returns, after taking into account the company's minimum cash holding level of JPY 100 billion, working capital requirements, and growth investment opportunities, we decided to implement shareholder return based solely on dividends for FY23. Therefore, the total return ratio was below 50%. However, the total return ratio for the three-year cumulative period of MTP2 exceeds 50%.



FY2024 Outlook

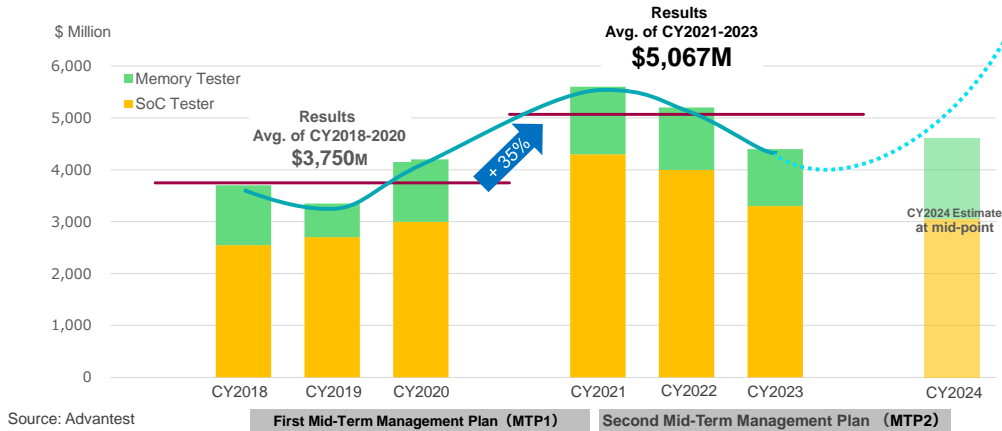
Douglas Lefever
Representative Director, Senior Executive Officer, Group CEO

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Tester Market Trend

- ✓ From MTP1 to MTP2, the tester market size in terms of a three-year average increased by 35%
- ✓ The market size assumption for MTP3 is currently under formulation. After having hit a bottom in CY23, tester demand will be driven by complexity growth of semiconductors triggered by AI from CY24 onwards and will be cyclically up



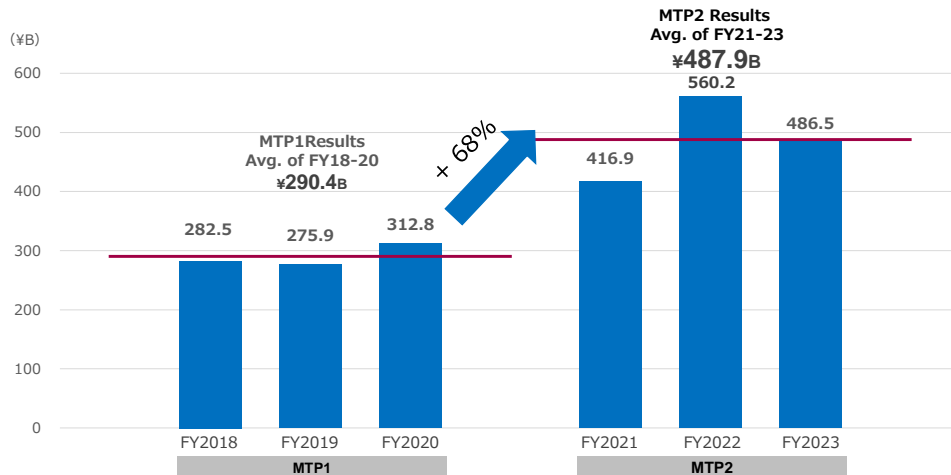
Source: Advantest

○ Tester Market Trend

- From MTP1 to MTP2, the tester market size in terms of a three-year average increased by 35%
- The market size assumption for MTP3 is currently under formulation. After having hit a bottom in CY23, tester demand will be driven by complexity growth of semiconductors triggered by AI from CY24 onwards and will be cyclically up.
- Although we see the solid HPC/AI related demand to start to expand, this year's overall tester market size is expected to be slightly up year-on-year, due to slow recovery in end-markets such as smartphones and PCs, and softness in automotive and industrial equipment markets.
- In CY25, overall demand for semiconductor testers is expected to pick up and reach a new record peak, underpinned by strong demand for advanced logic devices including those used in HPC/AI, demand recovery for mature SoC nodes, and further growth in demand for hi-end memory devices.
- Driven by solid HPC/AI-related demand, semiconductor tester demand is expected to hit consecutive record peaks in CY26.
- In both years, further volume growth and performance improvement in advanced logic and high-end memory will also drive demand for our system-level test equipment and test peripherals, particularly for high end SoC.

Our Sales Trend

- ✓ From MTP1 to MTP2, our sales in terms of a three-year average increased by 68%
- ✓ Our sales growth outpaced the tester market mainly due to market share gains and partial FX impact



○ Our Sales trend

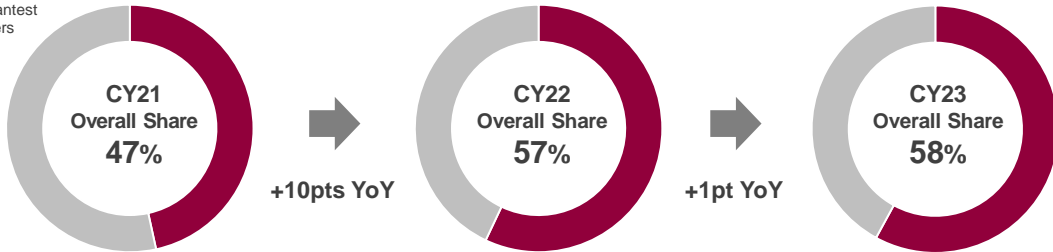
- From MTP1 to MTP2, our sales in terms of a three-year average increased by 68%.
- Our sales growth outpaced the tester market growth due to market share gains and partial FX impact.
- The overall market expansion is an opportunity for us, as we can leverage our historical strength in high-end applications such as HPC/AI as well as the all-around capability of our solutions portfolio.
- Our mid-term baseline is to secure 50% of the semiconductor tester market share, but we will aim for even greater heights as we have in the past.

Semiconductor Tester Market and Market Share Report

Market Size

Approx. \$5.6B $\xrightarrow{-6\% \text{ YoY}}$ Approx. \$5.2B $\xrightarrow{-15\% \text{ YoY}}$ Approx. \$4.4B

■ Advantest
■ Others



	Market Size	Advantest Share
SoC Testers	Approx. \$4.3B	45%
Memory Testers	Approx. \$1.3B	51%

	Market Size	Advantest Share
SoC Testers	Approx. \$4.0B	58%
Memory Testers	Approx. \$1.2B	53%

	Market Size	Advantest Share
SoC Testers	Approx. \$3.3B	59%
Memory Testers	Approx. \$1.1B	56%

Source: Advantest

○ Semiconductor tester market and market share trends

- Now, let me turn to our market share position.
- The CY23 total semiconductor tester market is estimated to have finished around US\$4.4 billion, down approximately 15% YoY, with the SoC tester market accounting for about US\$ 3.3 billion and the memory tester market accounting for about US\$ 1.1 billion.
- While technology advances in high-performance semiconductors drove demand for testers, the market size shrank for the second consecutive year due to the digestion of excess capacity and the prolonged effects of the decline in demand for semiconductors in key consumer electronics applications.
- We estimate our market share was 58%, an increase of about 1 % point YoY. We believe we have won the No.1 market share for the third year in a row, including a 59% share of the SoC tester market and 56% of the memory tester market.
- In CY23, despite the market contraction, we expanded our sales and gained market share in the tester market especially for high-performance semiconductors such as HPC/AI and HBM which are critical markets for the future.

Business Environment / Semiconductor Tester Market Trends: April 2024 Outlook

< Business Environment >

- Global recessionary concerns are lingering. In addition, uncertainty remains high in CY24 due to growing geopolitical risks and the risk of sharp exchange rate fluctuations.
- The semiconductor market is expected to pick up from the second half of the calendar year with an improved outlook for the semiconductor supply-demand balance and a more active investment related to generative AI.

< Semiconductor Tester Market >

- In CY24, the timing of a recovery in the semiconductor tester market remains uncertain. While tester demand is expected to increase in line with rising demand for generative AI, demand from key consumer electronics applications such as smartphones and PCs has remained sluggish for a prolonged period.
- The SoC tester market outlook is revised down due to weakness in the automotive / industrial / consumer applications despite an expected pick up in demand for HPC/AI in the second half of CY24. The memory tester market outlook is revised up, as demand for high performance DRAM is expected to remain robust.

	CY22 Actual	CY23 Actual	CY24 Estimate
SoC Tester Market	Approx. \$4.0B	Approx. \$3.3B (January estimate: approx. \$3.3B - 3.4B)	Approx. \$2.9B - 3.2B (January estimate: approx. \$3.3B - 3.6B)
Memory Tester Market	Approx. \$1.2B	Approx. \$1.1B (January estimate: approx. \$1.1B)	Approx. \$1.4B - 1.7B (January estimate: approx. \$1.3B - 1.6B)

Source: Advantest

○ Business Environment/Semiconductor Tester Market Trends

- In CY24, uncertainty remains over the timing of a recovery, as demand from key consumer electronics applications such as smartphones and PCs has remained sluggish for a prolonged period, while expectations for an increase in demand remain intact for high-performance semiconductors including HPC/AI and high-performance DRAM such as HBM.
- The SoC tester market size in CY24 is estimated to be in the range of \$2.9 billion to \$ 3.2 billion, a downward revision of approximately \$ 400 million from the estimate three months ago. In the automotive/industrial equipment applications, given high levels of capex spending until recently, we anticipate a slowdown in customer capex spending for mature semiconductors and weaker demand for new testers as existing test capacity get digested.
- The CY24 memory tester market is expected to be in the range of US\$ 1.4 billion to US\$ 1.7 billion, an upward revision of around \$ 100 million. In the area of high-performance DRAM, robust customer demand is expected to continue through CY25 in conjunction with increased customer production plans and higher quality assurance, leading to high growth rates. Demand for testers for non-volatile memory is expected to recover gradually in the second half of the year.
- Taking all these factors into account, the semiconductor tester market size is expected to increase by about 5% YoY at the mid-point in 2024.
- Looking beyond into 2025, we can say with relatively high confidence that the market size will grow.

FY24 Forecast

(¥B)

	FY23 Results	FY24 Forecast	vs. FY23	
			Change	(%)
Operating Income	81.6	90.0	+8.4	+10.3%
Operating Margin %	16.8%	17.1%	+0.3pts	
Income Before Tax	78.2	89.0	+10.8	+13.9%
Net Income	62.3	67.0	+4.7	+7.6%
Net Income Margin %	12.8%	12.8%	+0.0pts	
R&D Expenses	65.5	67.0	+1.5	+2.3%
CapEx	20.8	22.0	+1.2	+5.8%
D&A	26.1	27.0	+0.9	+3.4%
Exchange Rate**2	1 US\$	¥143	¥140	¥3 Appreciation
	1 Euro	¥155	¥155	—

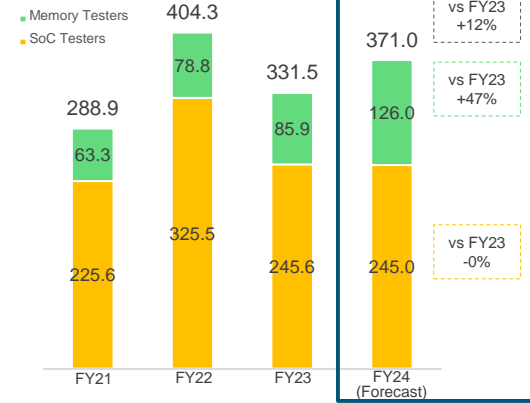
*1: Intersegment transactions have been eliminated from totals
 *2: Our latest forecast for the impact of exchange rate fluctuations on FY24 operating income is plus ¥0.7 billion per 1 yen of JPY depreciation vs USD, and minus ¥0.3 billion per 1 yen of JPY depreciation vs the euro

○ FY2024 Forecast

- In light of the tester market recovery, our FY24 forecast calls for an increase in sales and profits, with sales of ¥525 billion, operating income of ¥90 billion, income before income taxes of ¥89 billion, and net income of ¥67 billion.
- In the first half of FY24, sales are expected to decline HoH due to soft capex appetite of customers in the traditional automotive/industrial/consumer applications, despite robust demand for high-performance DRAM such as HBM.
- However, from the second half, demand for high-performance semiconductors, such as HPC/AI, is likely to absorb excess capacity in the market and drive new tester demand.
- Gross margin for the full year is expected to decline year-on-year to around 48%, mainly due to changes in product mix. Operating margin is expected to be 17.1%.
- We will continue our R&D and investment efforts to enhance the added value of testing by evaluating new test solution offerings aimed at solving customer problems. We are targeting high growth semiconductor areas that are driven by complexity growth.
- This forecast assumes exchange rates of 1 USD to 140 JPY and 1 euro to 155 JPY
- Our latest forecast for the impact of exchange rate fluctuations on FY24 operating income is positive ¥700 million per yen of JPY depreciation vs USD and negative ¥300 million per yen of JPY depreciation vs the euro.

FY24 Outlook by Segment

Semiconductor & Component Test Systems Sales Trends (¥B)



Semiconductor & Component Test Systems

< SoC Testers >

For HPC/AI, robust demand is expected for generative AI-related applications. On the other hand, sales are expected to decline further for automotive/industrial/consumer applications.

Applications	FY21	FY22	FY23	FY24e
Computing / Comms	60%	65%	60%	65%
Automotive / Industrial / Consumer / DDIC*1	40%	35%	40%	35%

*1 DDIC : Display Driver IC

Numbers are rounded to the nearest 5%

< Memory Testers >

Sales growth is expected, driven by high-performance DRAM related to generative AI.

Applications	FY21	FY22	FY23	FY24e
DRAM	60%	60%	90%	95%
Non-Volatile Memory	40%	40%	10%	5%

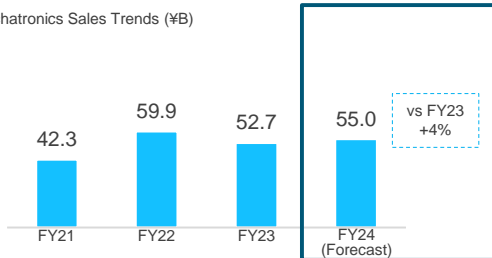
Numbers are rounded to the nearest 5%

○ FY2024 Semiconductor & Component Test Systems outlook

- SoC tester sales are expected to be flat year-on-year.
- For HPC/AI, we are sensing robust demand on the back of increasing production volume and complexity growth for generative AI. Furthermore, demand from new customers is expected. As such, the product mix within SoC testers is likely to turn around.
- On the other hand, for smartphones, although we expect complexity growth such as 3nm migration to increase test demand, recovery of demand remains uncertain, as the smartphone market conditions remain slow.
- For traditional automotive/industrial/consumer application, demand is expected to be soft this fiscal year.
- With lead times for SoC testers returning to the normal 3-4 months, visibility on tester demand is also getting shorter compared to information provided from customers. This makes it more challenging to formulate the full year forecast accurately. We will continue to work more closely with customers and increase the certainty of our business pipeline.
- For memory testers, sales growth is expected, driven by high-performance DRAM related to generative AI.
- However, the current profitability of the memory tester business is not at a satisfactory level, and I recognize that improving and increasing its profitability is one of the most important issues I need to address as CEO.

FY24 Outlook by Segment

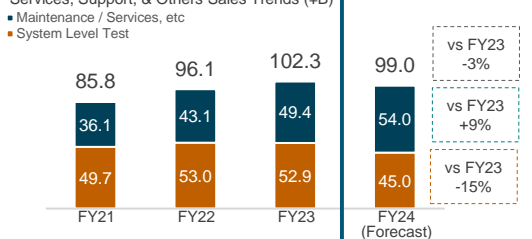
Mechatronics Sales Trends (¥B)



Mechatronics Systems

–Solid sales are expected across all businesses including device interfaces, test handlers, and nanotechnology products.

Services, Support, & Others Sales Trends (¥B)



Services, Support, & Others

–Demand for maintenance service is firm due to steady growth of our installed base

–In the system level test business, sales are expected to decline year-on-year due to continued uncertainty in the consumer electronics application

○ FY2024 Mechatronics / Services, Support, & Others Business Outlook

- In the mechatronics business, solid sales are expected for device interfaces and handlers, supported by tester sales growth. Nanotechnology product sales are expected to increase slightly.
- Sales in Service, Support, and Others are expected to be similar to the previous year.
- For maintenance services, demand is likely to be firm due to the steady growth of our installed base.
- In the System Level Test business, sales are expected to decrease year-on-year
- In FY24, despite the growing customer base for the adoption of SLT, the business is affected by specific customers to a certain extent, and the ongoing uncertainty in the consumer electronics applications is leading to soft demand growth recently.
- The System Level Test business is a nascent business area, and I have been working to expand this business, including through M&A. In FY23, we gained new customers in new applications, such as automotive and compute. The System Level Test business is critical for strengthening of quality assurance for complex semiconductors, which is an area of high growth. I remain confident about its future growth prospects.

Key Measures for FY24

- **Focus on complexity-driven high growth areas with our value-added solutions and expanded supply structure**

- ✓ Expand supply of testers for high growth devices such as HBM, to meet rapidly growing demand
- ✓ Accelerate our development of integrated test solutions, to enable our leading customers to overcome challenges in developing cutting-edge technology
- ✓ Create customer value through “Automation” initiatives for end-to-end test processes ranging from complex semiconductor design to system level test to data analytics

- **Pursue profitability improvement initiatives**

- ✓ Maintain our advantage in high-performance devices such as HPC/AI and leading-edge memory
- ✓ Upgrade supply chain management to keep up with future demand fluctuations and enhance our production structure

○ Key measures for FY2024

- I would like to address key measures for FY24. The first key measure for 2024 is to deliver high value-added solutions and to expand our supply.
- We will further expand our supply for high growth devices, such as HBM, to meet rapidly growing tester demand.
- We aim to accelerate our development of integrated test solutions, to enable our leading edge customers to overcome challenges in developing cutting-edge technology.
- We will create customer value through “Automation” initiatives for end-to-end test processes with coverage ranging from complex semiconductor design to system level test to data analytics.
- The second key measure is to drive profitability improvement initiatives.
- We will maintain our advantage in our already well-established position in the testing of high-performance semiconductors such as HPC/AI and leading-edge memory.
- We will also continue with our work on upgrading our supply chain management to keep up with future demand fluctuations and enhance our production structure.

Revision of Our Mid-/long-term Management Policy

■ **Through MTP1 and MTP2: We have reinforced foundations for growth, including an enhanced product portfolio, expanded business domain, and enriched engineering support**

■ **Our Mid-/Long-Term management policy including MTP3 is currently under formulation**

- Continue to outpace growth in our core market by driving “Automation” to provide more efficiency for increasingly complex semiconductor devices
- Drive operational excellence throughout the organization to ensure earnings growth
- Continue to explore adjacent / new businesses
- Enhance sustainability initiatives with a focus on net zero transition

■ **Briefing on Mid-/Long-Term Management Policy**

- Scheduled for the afternoon of Tuesday June 25, 2024 (Japan time)

○ Revision of Our Mid-/Long-Term Management Policy

- Through MTP1 and MTP2, we have reinforced foundations for growth, including an enhanced product portfolio, expanded business domain, and enriched engineering support.
- We are currently formulating our Mid-/ Long-Term Management Policy and growth paths that are underpinned by the aforementioned achievements we have made. Some of the core strategies are outlined below. There are four strategies I would like to share with you today.
- We aim to continue to outpace the future growth rate of our core market by providing greater efficiency through ‘Automation’ for increasingly complex semiconductor devices.
- We will drive operational excellence throughout the organization to ensure earnings growth.
- We will continue to explore adjacent / new businesses.
- We will enhance sustainability initiatives with a focus on net zero transition.
- We plan to hold a briefing in June to explain our Mid-/ Long-Term Management Policy and provide details, including targeted management metrics.



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