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### **Advantest Announces Revision of 2<sup>nd</sup> Mid-Term Management Plan (FY2021-FY2023)**

In FY2018, Advantest formulated a 10-year mid- to long-term management policy, its “Grand Design,” which defines the commitments and strategies needed for Advantest to continue to be a company that embodies its corporate purpose & mission of "enabling leading-edge technology." In FY2021, the Grand Design was updated in response to the improvement of Advantest's business performance and changes in the company's environment. At the same time, Advantest formulated its second mid-term management plan (FY2021-FY2023) (MTP2), which was announced in May 2021, to ensure achievement of the Grand Design's goals. The entire company is working as one to achieve these targets.

In FY2021, the first year of MTP2, Advantest achieved record-high performance amidst strong growth in the semiconductor market. Potential demand for semiconductor test equipment continues to be robust in FY2022, and the company anticipates setting new performance records. Furthermore, based on current assumptions for FY2023, it now appears that the company is more likely than before to exceed each of the numerical targets set forth at the time of MTP2 formulation. Thus, we have revised MTP2 as follows.

#### **< Management Metrics & Financial Targets >**

Under MTP2, Advantest will promote efforts to strengthen its business for further growth, expand growth investment as well as shareholder returns, and strive to increase corporate value. Given this framework, the management metrics that are emphasized in MTP2 are sales, operating margin, net income, return on equity attributable to owners of the parent (ROE), and earnings per share (EPS). Advantest will endeavor to grow all these numbers. In order to evaluate the progress of the plan from a mid/long-term perspective, the company will use three-year averages to minimize the impact of single-year performance fluctuations.

The semiconductor and semiconductor-related markets have been trending strongly up to this point, far exceeding our assumptions at the time of MTP2 formulation, and in addition, our initiatives for seeking further business growth have steadily progressed. However, with the risk of recession increasing in the global economy, weaker demand for final products and softening of the semiconductor market are expected in the future. We recognize that this has implications for the semiconductor tester market, and a certain amount of future slowdown needs to be taken into account, particularly regarding consumer electronics-related demand.

On the other hand, the diversification of semiconductor applications in recent years has created a higher support level in the semiconductor test equipment market. Additionally, the ongoing trend of greater difficulties around testing high-end devices, the strong motivation of major chipmakers to invest in advanced technologies, the future sales outlook for Advantest's products, and foreign exchange rate trends all contribute to the possibility that our sales will not decline significantly during the MTP2 period. Based on the assumption that the current slowdown in the global economy will remain within moderate bounds, we are forecasting sales of ¥550 billion for FY2022, an increase of 31.9% over the previous fiscal year, as disclosed today. For FY2023, we currently expect year-on-year sales growth to be in the range of approximately -15% to +10%.

Given Advantest's results for FY2021 and future business outlook mentioned above, the company has revised each target for MTP2 as follows.

	FY2021-FY2023 average	
	Previously Announced Targets <sup>1</sup> (As of May 2021)	Revised Targets <sup>2</sup> (As of July 2022)
Sales	¥350-380B	¥480-520B
Operating Margin	23-25%	27-30%
Net Income	¥62-70B	¥98-120B
Return on Equity (ROE)	20% or more	30-35%
Earnings per share (EPS)	¥320-370	¥510-630

<sup>1</sup> The exchange rates used in the previous announcement were 1 USD = 105 JPY and 1 euro = 130 JPY.

<sup>2</sup> The revised targets use exchange rates for FY2022 2Q-4Q and FY2023: 1 USD = 130 JPY and 1 euro = 140 JPY (actual rates in FY2021 were 1 USD = 112 JPY and 1 euro = 130 JPY, FY2022 1Q rates were 1 USD = 124 JPY and 1 euro = 134 JPY).

### < Key Measures for Success >

Supported by broad-based demand drivers such as the ongoing digital transformation and carbon-neutral policies, the semiconductor market is expected to grow over the mid/long-term despite short-term demand fluctuations. In addition, increases in semiconductor complexity and integration, which have driven the expansion of the semiconductor tester market in recent years, are expected to actively progress in the future. Against this background, customers hold ever higher expectations for Advantest to deliver total test solutions that cover the entire semiconductor value chain.

Thus, Advantest will seek growth in each of its businesses while basically continuing the following policies, which were set forth last year.

- Company-Wide
  - Amidst long-term growth expectations in the semiconductor market, we will strengthen our growth foundation by strengthening supply chain management, DX / AI investment, capital investment, and human resources investment in order to secure our growth potential and reinforce robustness of our business.
  - Respond quickly to technological evolution by strengthening partnerships with leading customers in the semiconductor value chain.
- Semiconductor and Component Test System Segment
  - Capture the expanding demand for test equipment for SoC semiconductors, including HPC (high performance computing) devices, a sector which is expected to grow robustly over the mid/long-term, by leveraging the strengths of the new V93000 EXA Scale.

- Establish a leading position in test for millimeter-wave related devices, a sector that will commence full-scale growth during the MTP2 period.
  - Capture demand in emerging sectors such as power semiconductors and silicon photonics devices.
  - Maintain a strong business foundation for DRAM and non-volatile memory device test.
- Mechatronics System Segment
    - Expand sales opportunities by providing test cell environments that deliver better test quality.
- Services, Support and Others Segment
    - As demand for system level testing (SLT) increases, win more customers in mobile, HPC, automotive, memory / storage, etc. In addition, actively promote expansion of recurring sales of consumables.
    - Invest to refine our business model in the data analytics field and further develop infrastructure for this business.

### < Cost / Profit Structure >

To create corporate value over the long-term in a sustainable manner, Advantest will further strengthen its R&D investments, secure needed human resources and enhance human resource development, and reinforce its parts procurement capabilities, which are foundational to increasing added value and maintaining sustainable competitiveness.

It must be borne in mind that factors such as new COVID-19 strains, prolonged shortages of components such as semiconductors, geopolitical risks, ongoing inflation, and falling consumption all contribute to considerable uncertainty regarding the future of the global economy and Advantest's business environment. The company will strive to achieve the above targets by flexibly responding to changes in the external environment, such as implementing cost controls as necessary.

### < Capital Policy >

Advantest's capital policy under MTP2 prioritizes business investments for growth while flexibly utilizing liabilities (debt) from a balance sheet management perspective that considers both capital efficiency and cost of capital. Furthermore, the Company's policy is to maintain financial soundness and establish an appropriate capital structure to strengthen the foundations of its business and create sustainable corporate value. As a measure of financial soundness, the Company seeks a shareholders' equity ratio of 50% or more, and sets ROE as an indicator of capital efficiency.

### < Growth Investments & Shareholder Return Outlook >

As profits are now expected to grow more than the company anticipated at the time of MTP2 formulation, Advantest has revised its outlook for growth investments and shareholder returns as follows.

Firstly, the company's capital allocation policy aims to use the cumulative operating cash flow of ¥280-360 billion expected during the MTP2 period as a primary source of funds, and allocate it appropriately to growth investments and shareholder returns after periodic reviews of cash on hand levels. Regarding resource allocation for growth investment, we will increase capital investment related to R&D and production beyond what was initially planned, in response to expectations for long-term semiconductor market expansion and further semiconductor performance gains. The company currently expects to spend a cumulative total of ¥70 billion on capital investments and ¥100 billion on strategic investments such as M&A over the MTP2 period.

Regarding shareholder returns, Advantest will maintain its existing returns policy, assuming that its business environment remains stable during the MTP2 period. Specifically, the company will maintain stable dividends with a minimum semi-annual dividend of ¥50 per share and a minimum annual dividend of ¥100 per share, while simultaneously aiming for a total annual return ratio (\*) of 50% or more. Advantest will also seek to enhance shareholder returns and improve capital efficiency through dividends and share repurchases.

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

#### **Cautionary Statement with Respect to Forward-Looking Statements**

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

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