



Briefing on Mid-/Long-term Management Policy

The “Grand Design” (refreshed in FY2024)
and the Third Mid-term Management Plan (MTP3)

June 25, 2024

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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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- ▶ **“Era of Complexity”**

Megatrends and our new vision

- ▶ **The Third Mid-term Management Plan**

- ▶ **Four Key Strategies**

- ▶ **Financial Targets**

Global Semiconductor Revenue



Source : TechInsights Inc.

Megatrends Bring Greater Complexity to the Semiconductor Industry

Megatrends

- ⚙️ Technological breakthrough
- 🌱 Rising environmental issues
- 🌐 Geopolitical risk

High-end /
High-Technology
Semiconductor Devices








X

Supply Chain /
Ecosystem
Re-distribution

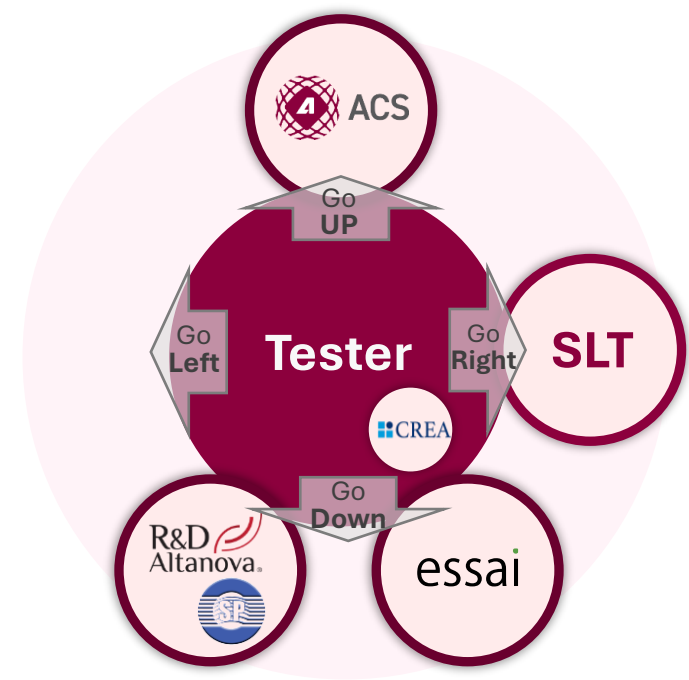


MTP1&2 : Invested in ATE, Adjacent, and Global Footprint

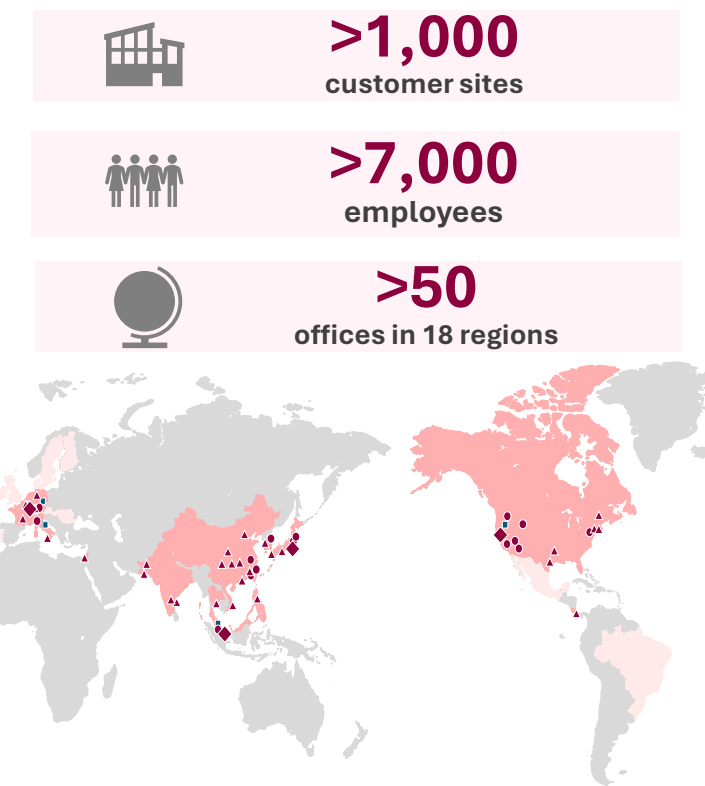
1 Product portfolio

	 Data Center / AI	 Automotive	 Industrial / IoT	 Phone/PC /AR-VR
	Cloud		Edge	
HPC	V93000 Digital			
Power Device		V93000 PAC		
RF		V93000 WSRF		
HBM	T583X			
DRAM/ NVM	T583X / T5503HS2			
Image Sensor			T2000 ISS	
Display Driver			T6391	

2 Adjacent Markets



3 Global Footprint



Customer and Market Trust

Semiconductor Tester Market Share

CY17

CY23

36% → **58%**

Sales

FY17

MTP2 Results
(FY21-23 Average)

¥207.2B → **¥487.9B**

Market Capitalization

Mar. 2018

May 2024

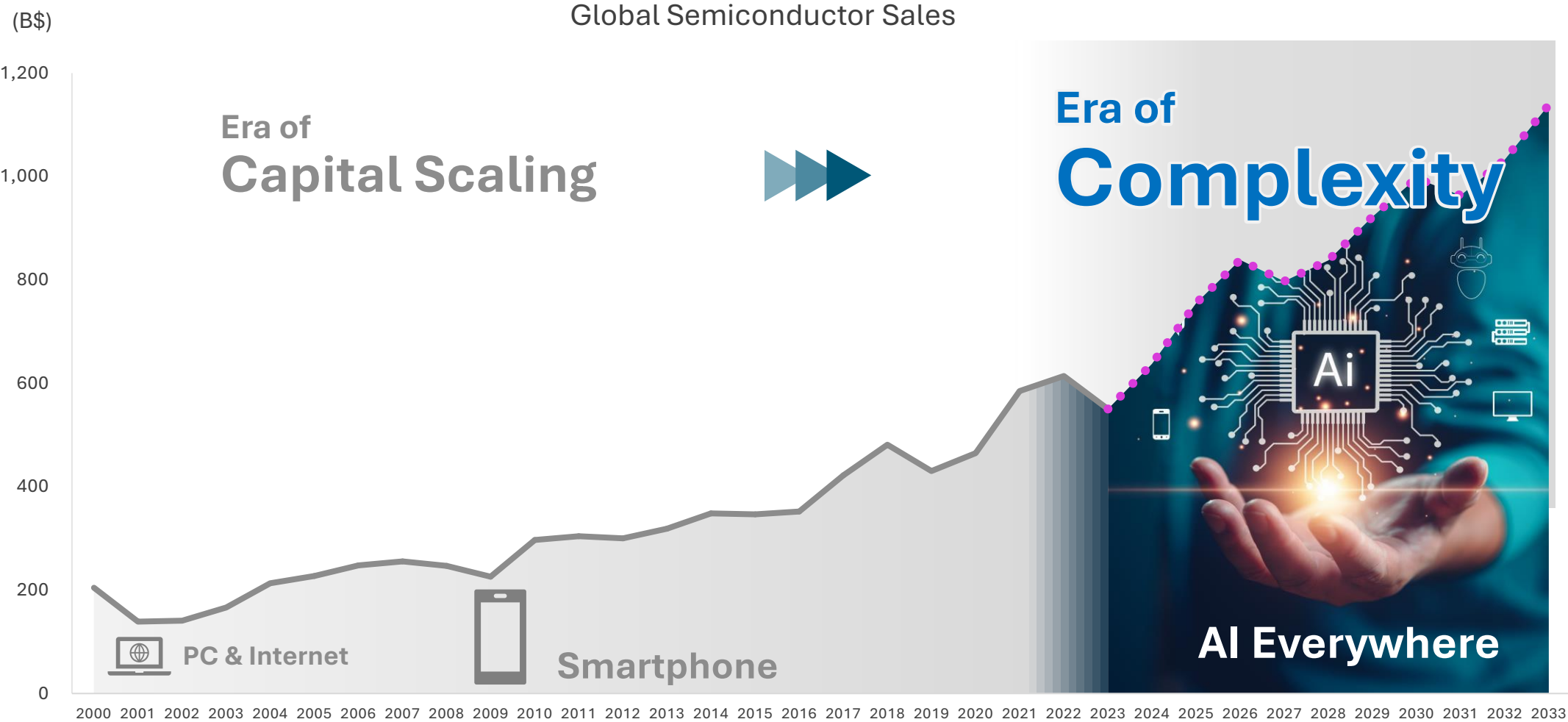
¥400B → **¥4,000B**

Industry Leadership

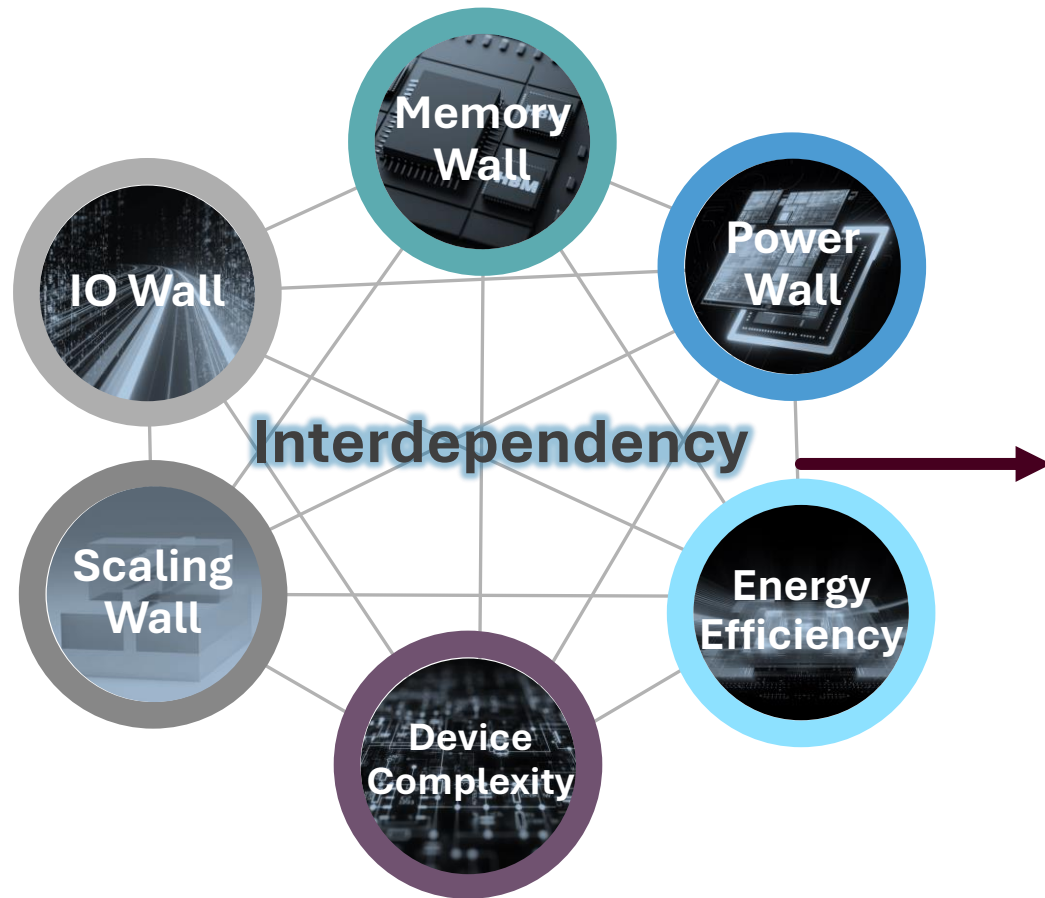


The **5th** Consecutive Year
Ranked the **#1** Large Supplier
of Chip Making Equipment

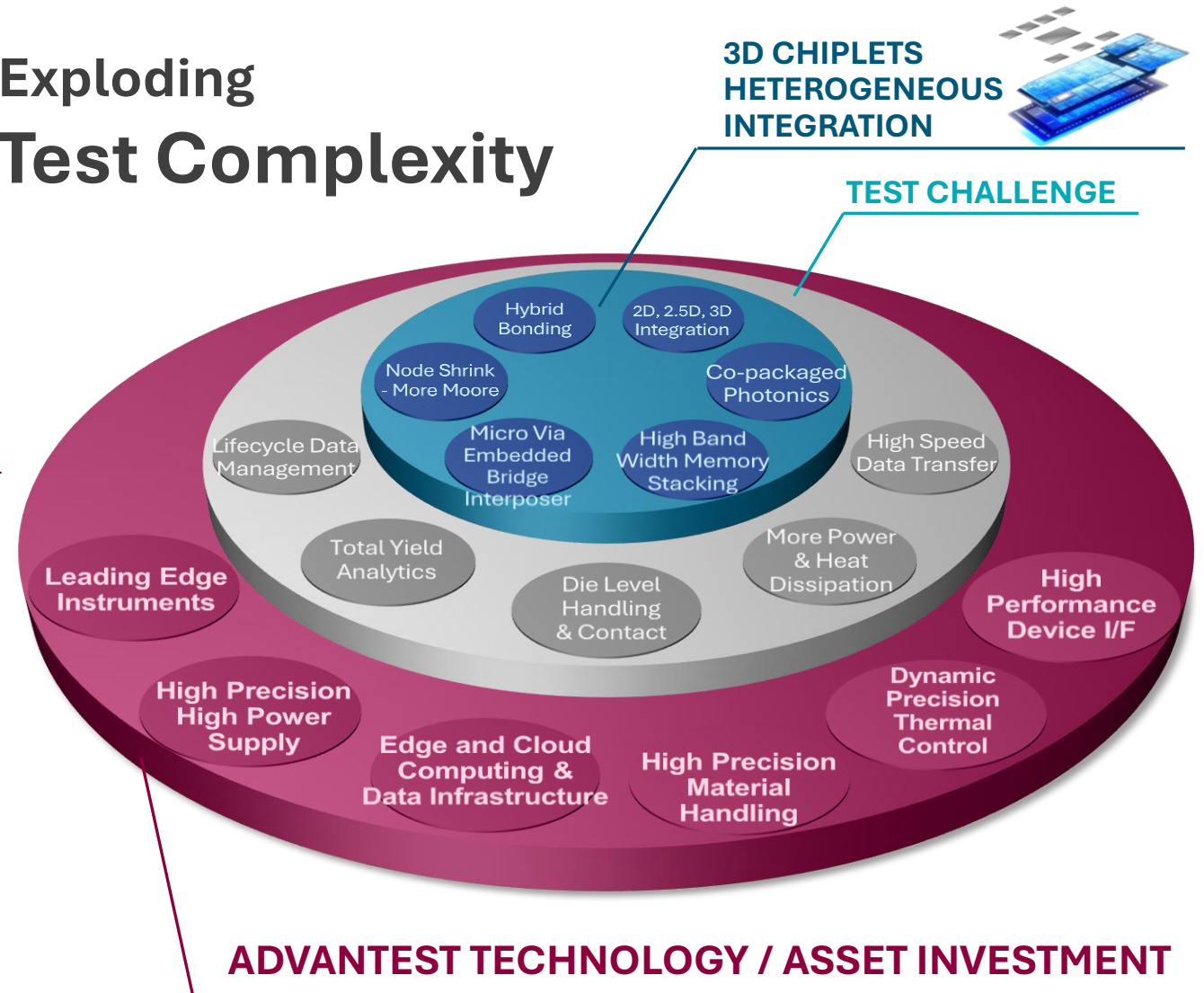
Change of Semiconductor Industry



Acceleration of “Era of Complexity” - Technology

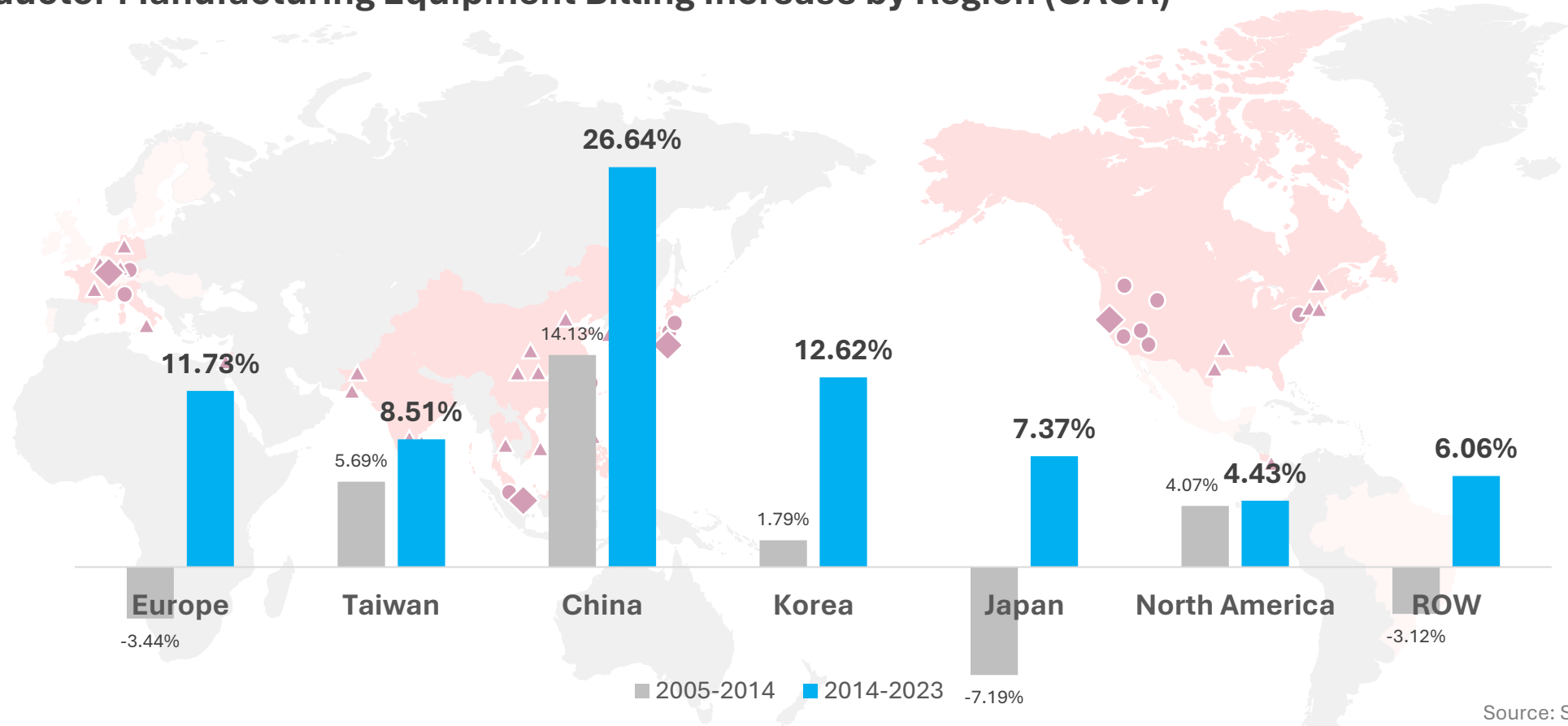


Exploding Test Complexity



Acceleration of “Era of Complexity” - Supply Chain

Semiconductor Manufacturing Equipment Billing Increase by Region (CAGR)



Source: SEAJ, SEMI, SEMI Japan

- Advantest Location
- ◆ Regional Headquarters
 - R&D / Manufacturing
 - ▲ Sales and Support Office

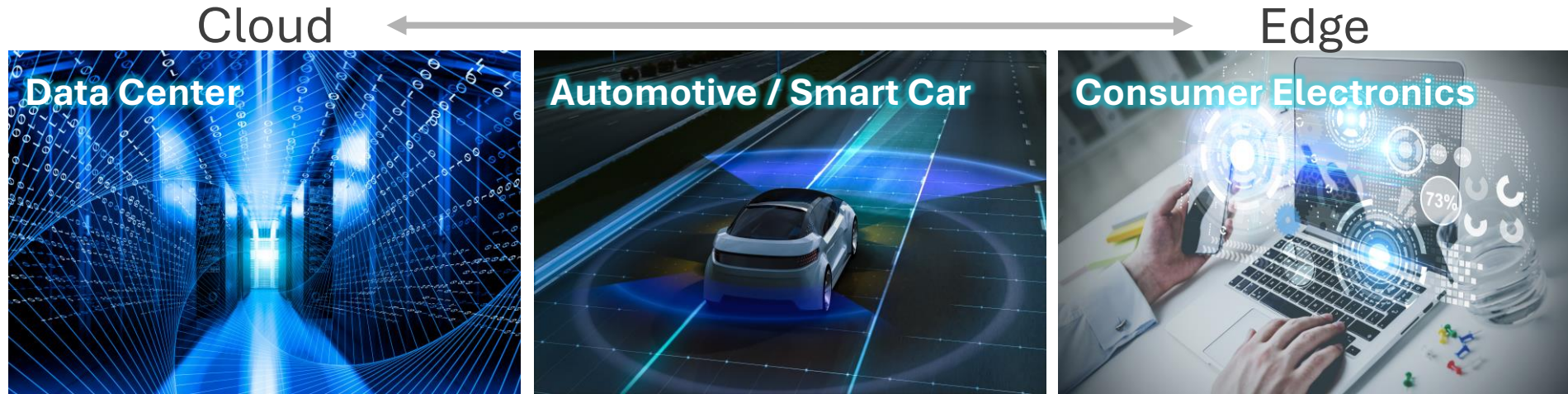
New vision statement

**Be the Most Trusted
and Valued
Test Solution Company
in the Semiconductor
Value Chain**



The Third Mid-term Management Plan (MTP3, FY2024-FY2026)

MTP3 Starting Point : Our Market Position Today



- HPC / AI Chip / GPU
- Network Connection
- High Bandwidth Memory

- Application Processor
- Wireless Communication
- Power / Analog
- High-/Mid-end Memory

← **Advantest is in No.1 Position** →

MTP3 Key Strategies

- 1 Outpace the Growth in Our Core Market**
- 2 Expand Adjacently / New Businesses**
- 3 Drive Operational Excellence**
- 4 Enhance Sustainability**

Strategy #1

Outpace the Growth in Our Core Market

Continue to Aggressively Invest in Superior Test Solutions



V93000

Advanced Test Technologies and Integrated Solutions for Leading Edge Devices in Digital, RF, Power & Analog

- ▶ Digital / SoC: Pursue market leadership of high - performance digital chip testing
- ▶ RF: Scalable from IoT to mmWave
- ▶ Power / Analog: Test across all application areas w/T2K pf.
- ▶ MCU / Sensor: High parallel testing



Memory

Solidify the Position of All Round Memory Testing Solution Provider

- ▶ Next-generation High speed Memory I/F test solution
- ▶ Functionally Rich Memory Core and Wafer Test
- ▶ Protocol NAND Flash, High speed & more layers 3D NAND
- ▶ HBM test solutions



SLT / Burn-in

System Level Test & Burn-in Solutions by Emulating Device End Use and Stress Testing the Device

- ▶ Active Thermal Control across all SoCs
- ▶ High volume and mid volume handling platforms
- ▶ Test application SW & data analytics solutions
- ▶ Run structural test in SLT/BI architecture in addition to OS/SW test cases



T2000/T6391

Most Efficient Test Solutions for Application Specific Devices

- ▶ CIS: Enhanced Image Capture Module and Image Processing Unit with heterogeneous computing technology
- ▶ Display Driver IC: Meet covering all testing requirements as market leader
- ▶ Power / Analog: test across all application areas w/ V93K pf.



DH
Featuring
Die level Solution

Advanced Die Level Handling Solution to be Essential Technology for 3D Chiplets

- ▶ High Volume Die Level Handling
- ▶ Active Thermal Control for singulated die
- ▶ HBM Die Carrier Solution

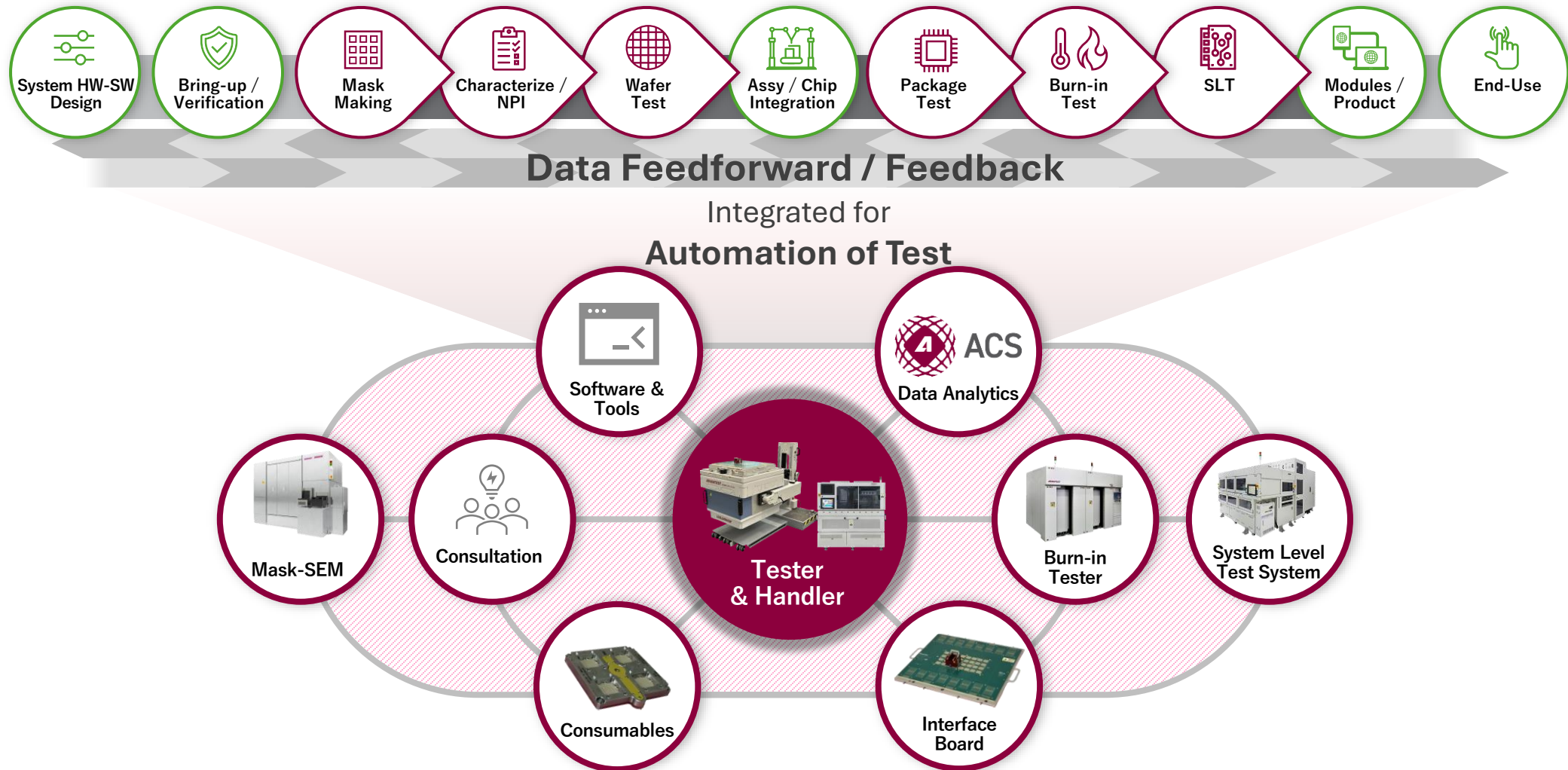


CREA

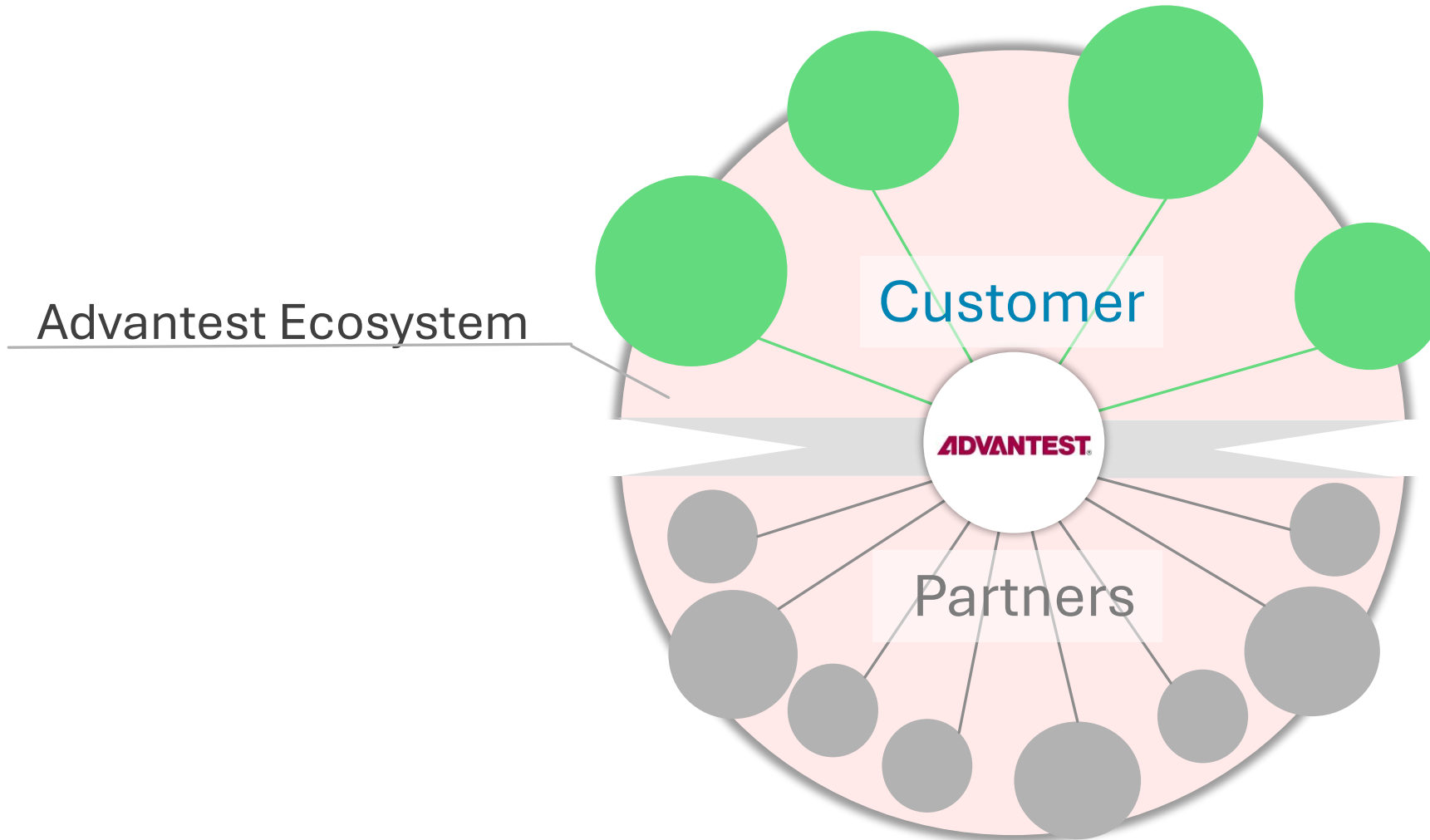
Robust Power Semiconductor Test Solution, Indispensable for Power Efficiency of EV with focus on Short Circuit Test

- ▶ SiC, GaN, IGBT
- ▶ Addressing parallel test, IPM and SiP
- ▶ Wafer, KGD and Module testing solution

Address the Industry Issues by “Automation of Test”



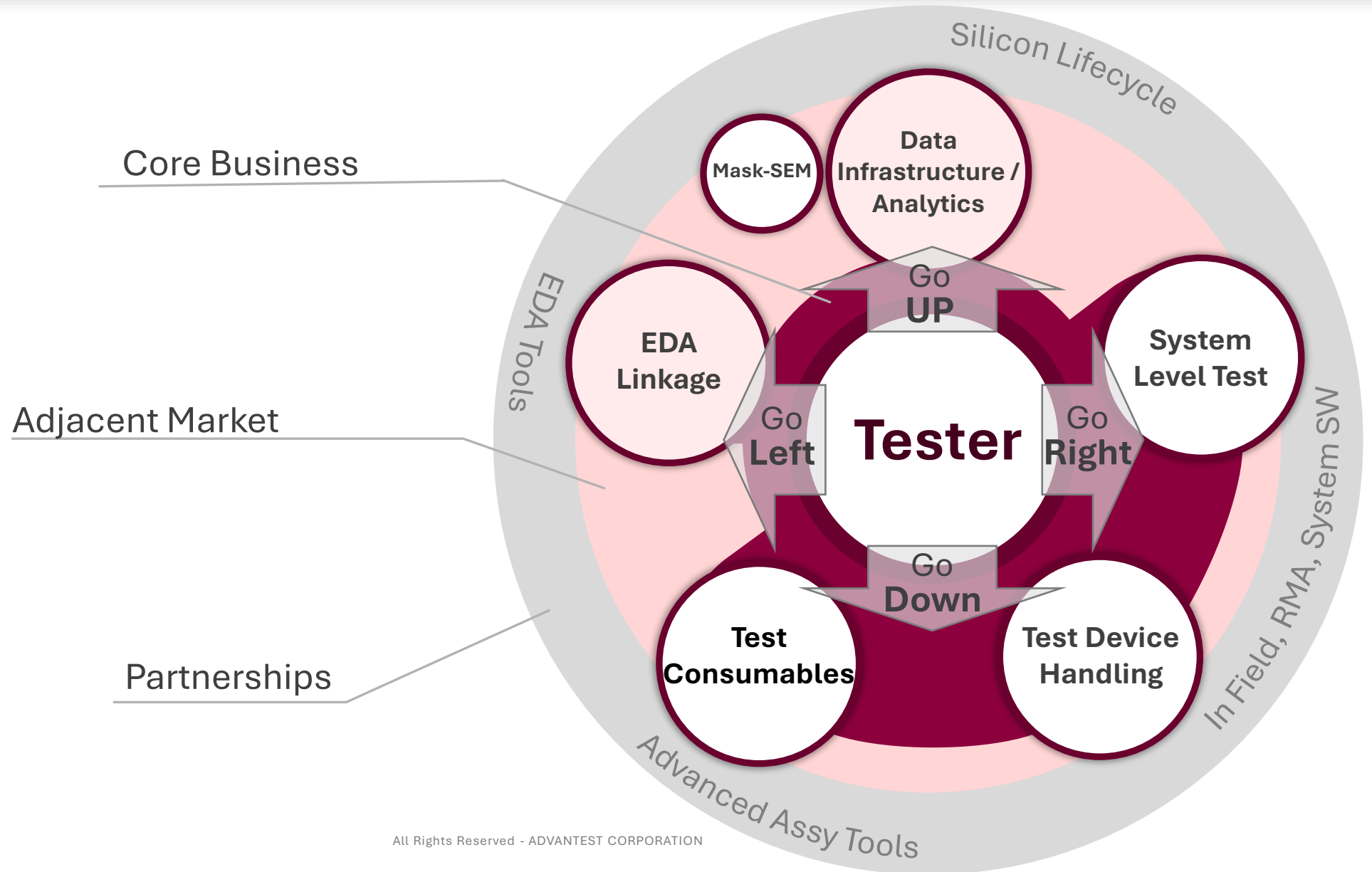
Ecosystem to Address Complex Customers' Issues



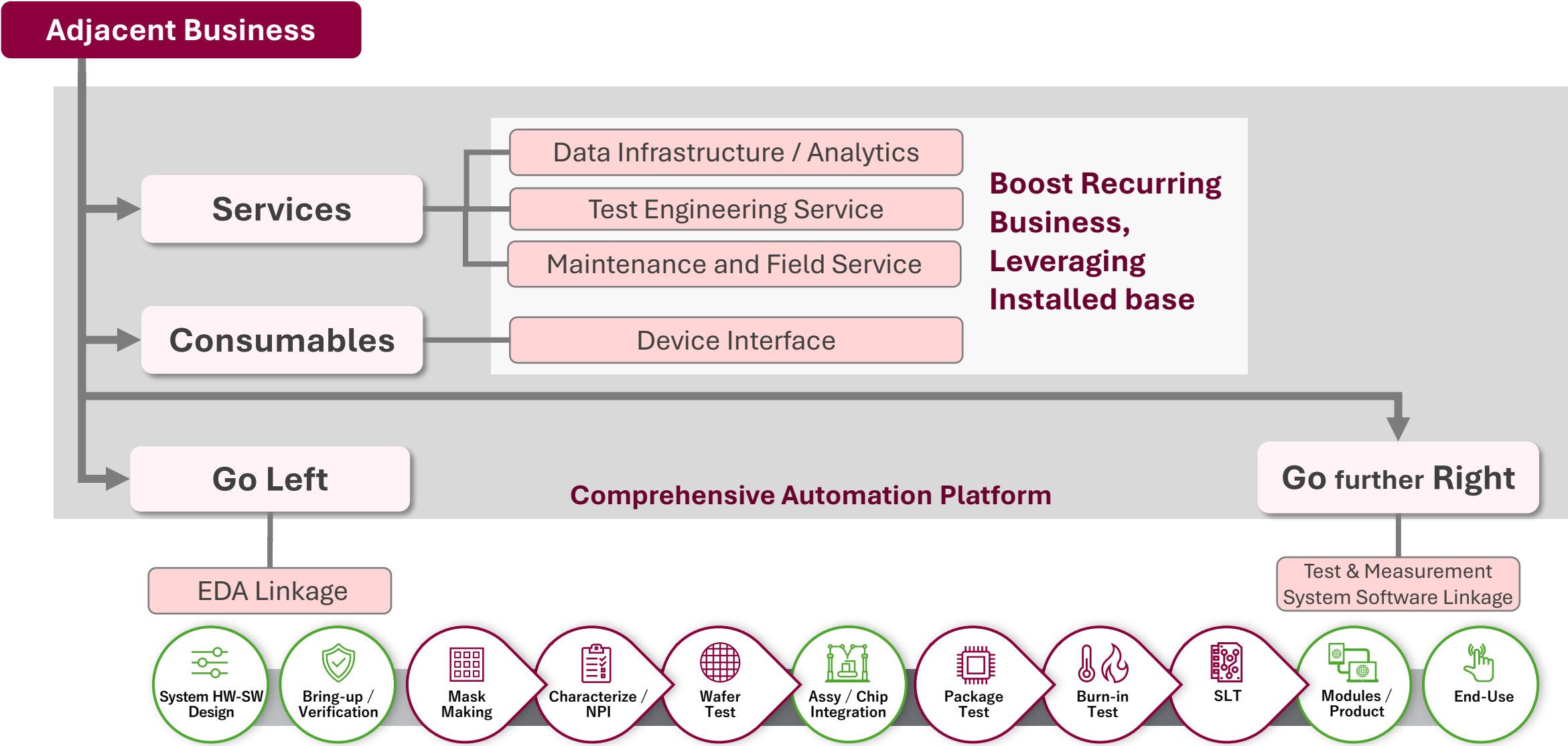
Strategy #2

Expand Adjacently / New Businesses

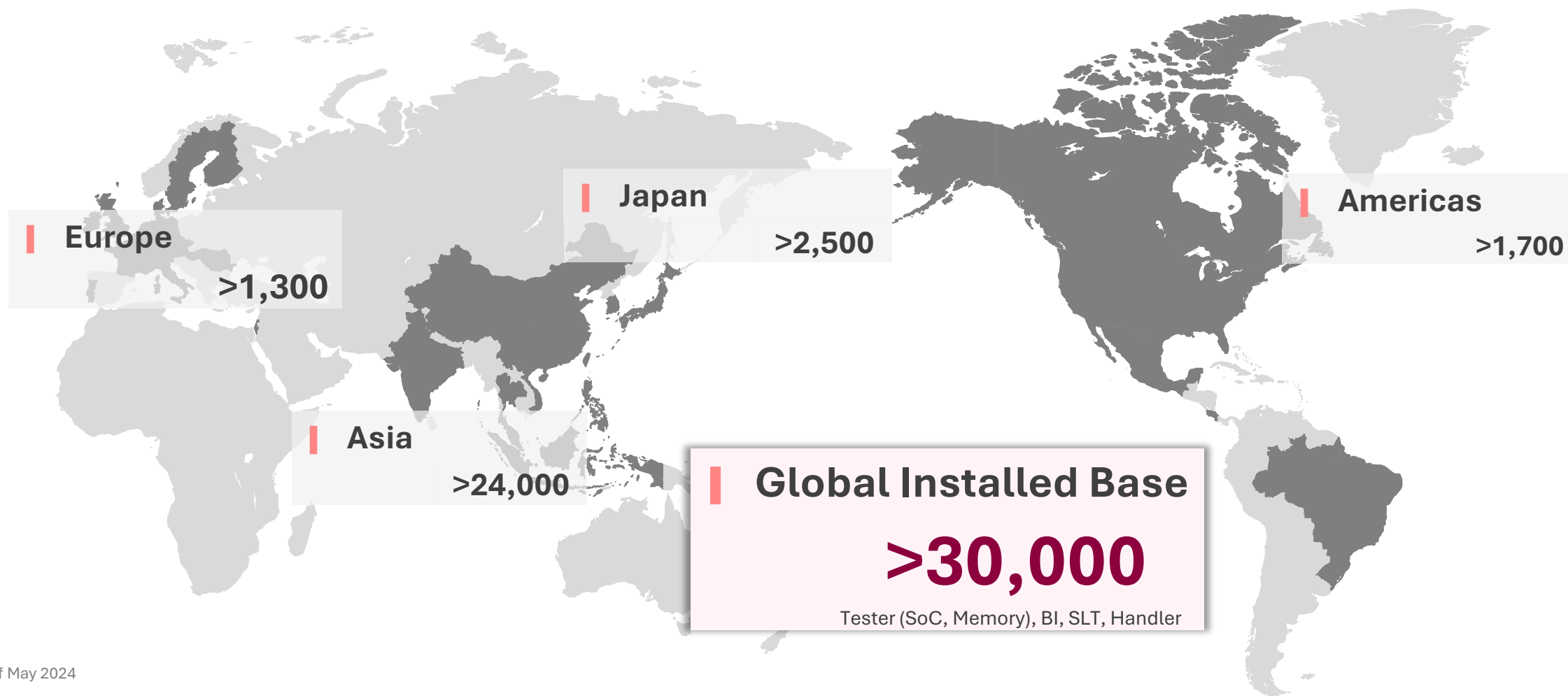
Adjacent Businesses Strengthen Our Core and the “Automation of Test”



Further Differentiation and Create New Business Opportunity

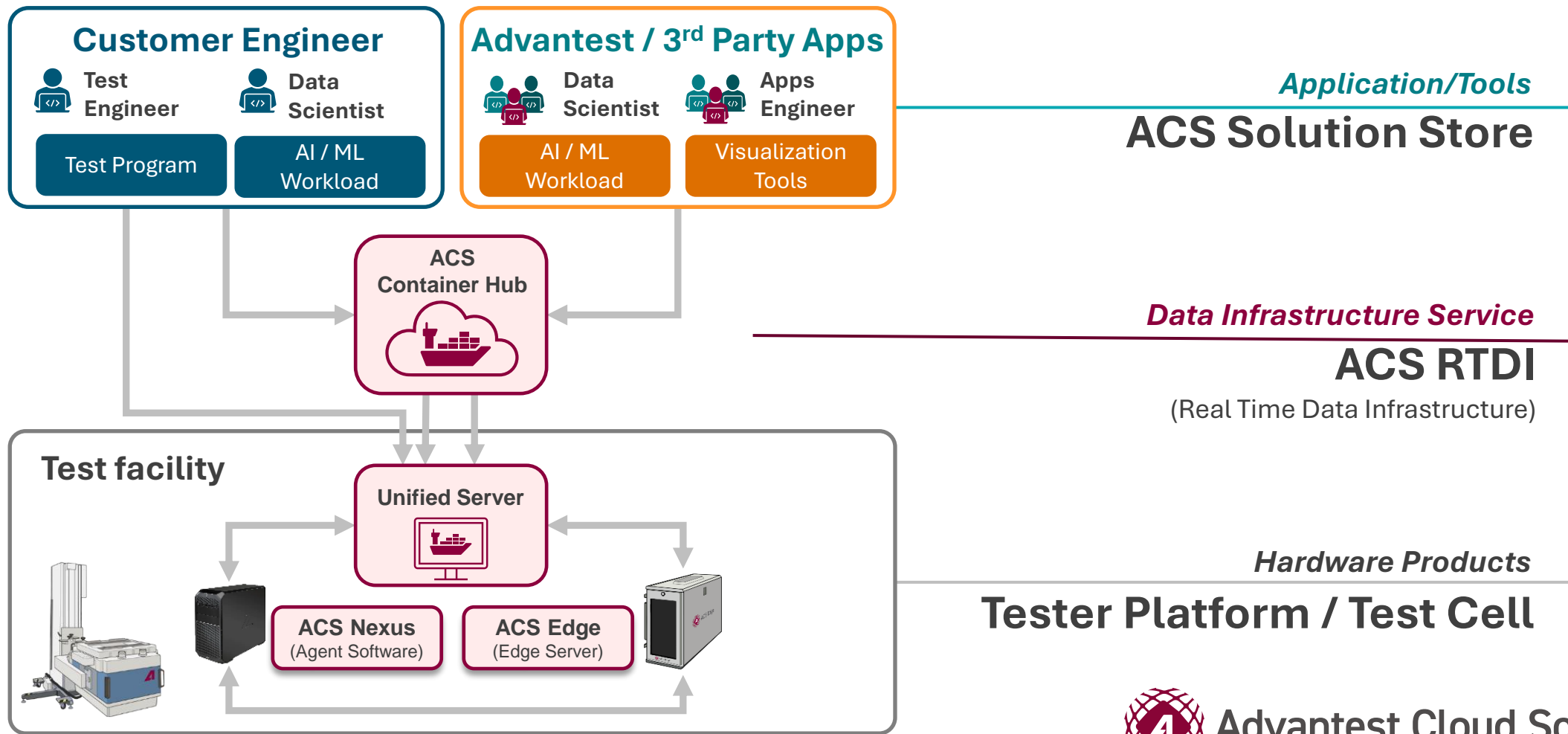


Leverage Installed Base for Service Business & Customer Needs Observation



As of May 2024

Data Services in Cloud & Edge + Application Software = Unique Value Added



Strategy #3

Drive Operational Excellence

Initiatives to Improve Our Operations



Digital Transformation



Supply Chain Reform



IT Architecture & Security



Corporate Risk Management



Financial Management



Human Capital Development



Higher Productivity

Supply Chain Resilience

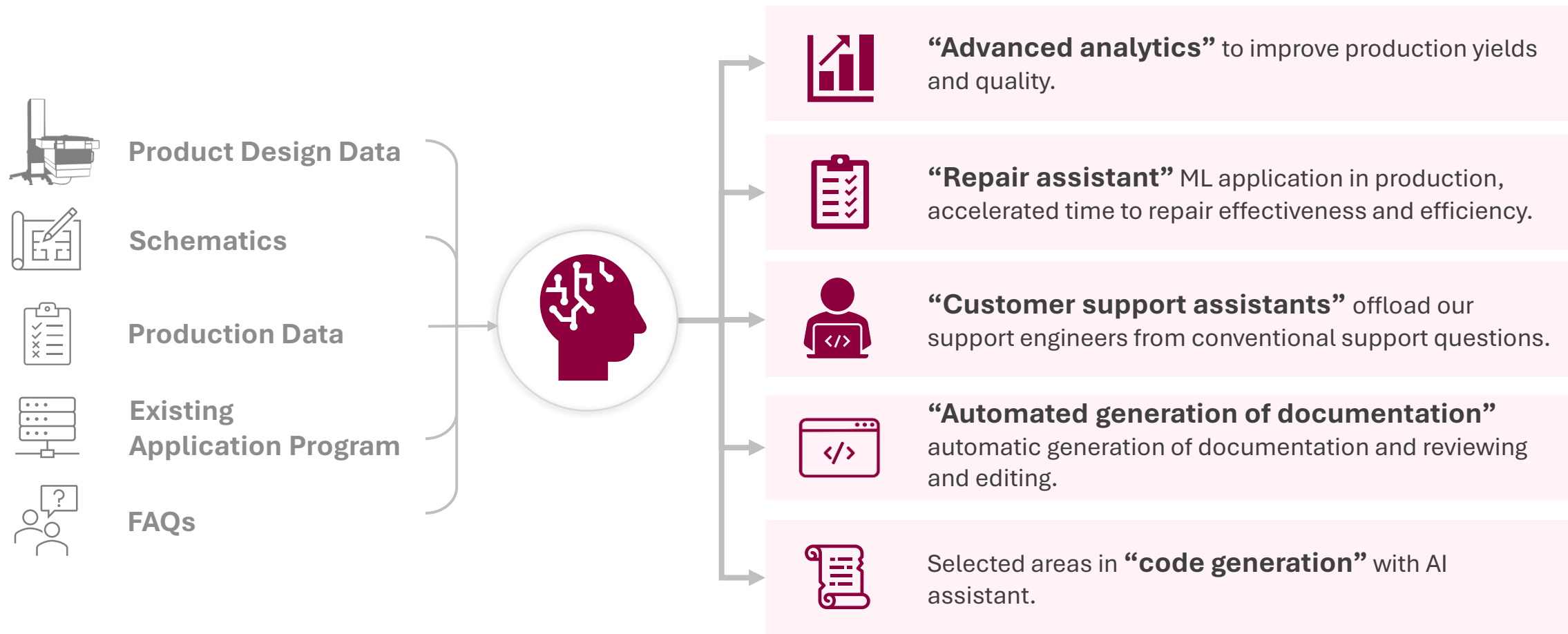
Secured IT Environment

Proactive Risk Control

Effective Cost Control

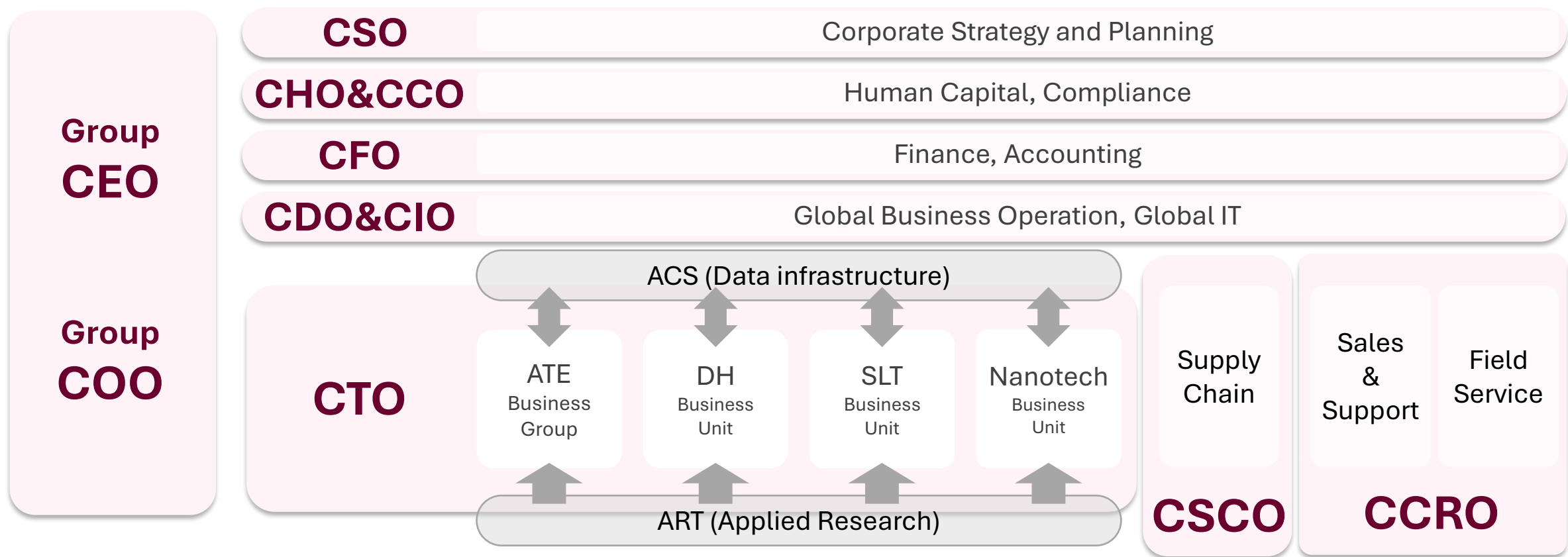
Higher Value Creation

Enhance Business Value & Profitability through the Strategic Utilization of AI



Clear Accountability of Management

- Advantest has transitioned to CxO management structure to clarify executive management accountability for all operational aspects of the company.



Targeted Management Metrics (Financial Targets)

Overall Semiconductor Market Trend



Source: Omdia (AMFT 1Q24 update), TechInsights Inc.

Capacity expansion

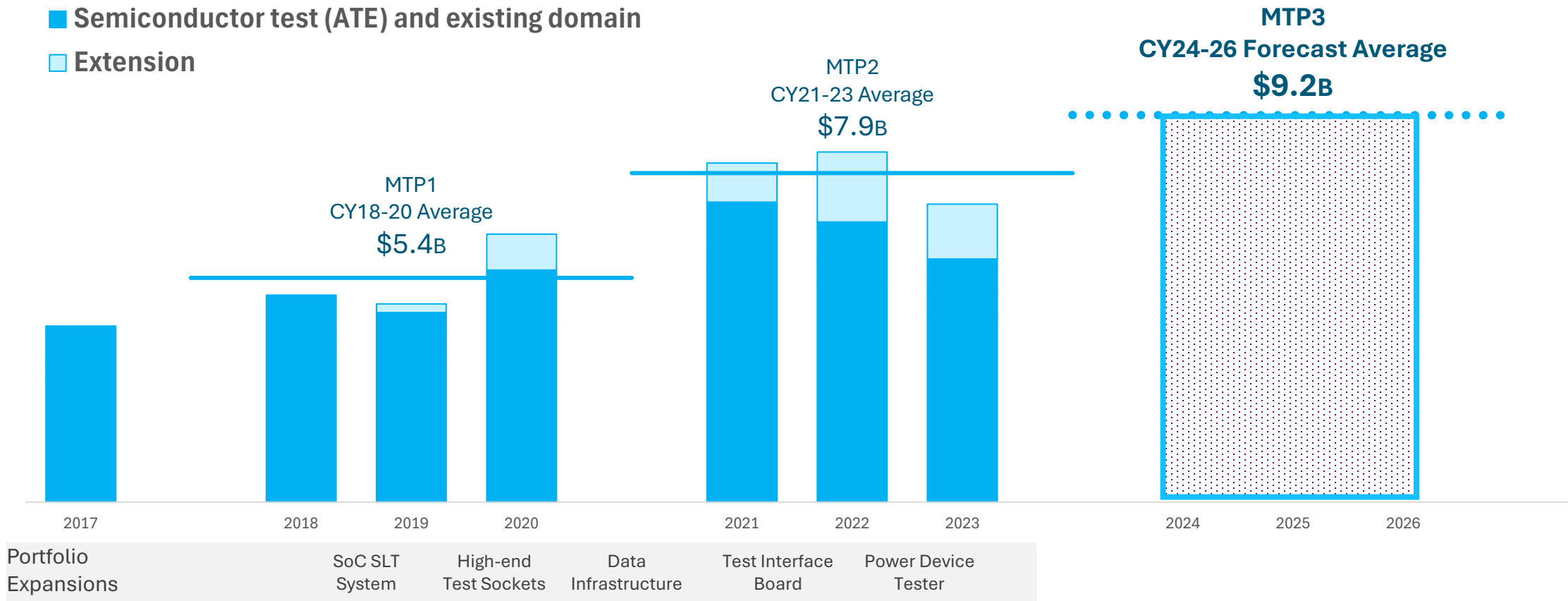
- ▶ Secular demand growth in AI, EV, edge computing
- ▶ Content growth and demand recovery in consumer / industry segments
- ▶ Sovereign initiatives for supply chain resilience

Technological advancement

- ▶ Further scaling, 3D transitions, and other architectural migrations in cutting-edge devices
- ▶ Increase in complexity in GPU/CPU/NPU, ASIC, communication device, HBM, ADAS devices

Our “Core” Market is Expanding

- Our market was limited to semiconductor test (ATE), test handlers, and test peripherals in the past. However, through our efforts over the past six years, we have expanded our business portfolio.



Source: Advantest, TechInsights Inc., Yole Intelligence 2023

Market Assumptions

	MTP2 Results (CY21-23 Avg.)	MTP3 Forecast (CY24-26 Avg.)	vs. MTP2
Core market	\$7.9B	\$9.2B	+18%
Semiconductor test (ATE) market	\$5.1B	\$5.9B	+16%
ATE market share	54%	>58%	>4pts

MTP3 Targeted Management Metrics

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

*MTP3 financial targets are based on exchange rate assumptions of 140 yen to the US dollar and 155 yen to the Euro

*Return on Invested Capital = NOPAT / Invested capital (average at beginning and end of period). NOPAT = Operating income x (1 - tax ratio 25%).
Invested Capital = Borrowings + Corporate bonds + Total equity, with excluding Lease liabilities.

Mid-term Cost/Profit Target Model

- Focus on improving GPM.
- While investing for future growth such as R&D, we will improve overall efficiency.
- Improvement in operating model supports >30% OPM on any given year.

	MTP1 (FY18-20)		MTP2 (FY21-23)		MTP3 (FY24-26)
	Target model	Results	Target model*	Results	Target model
Sales	¥300B	¥290.4B	¥500B	¥487.9B	¥630B
Gross Profit Margin	54%	55%	57%	55%	53%
SG&A as % of Sales	32%	33%	28%	30%	28%
(of which R&D expenses)	13%	14%	12%	12%	11%
Operating Profit Margin	22%	22%	29%	25%	25%

*Mid-point of revised targets announced in July 2022

Efforts to Improve Profitability & Capital Efficiency

- We will strive to achieve MTP3 financial targets and generate returns that far exceed the cost of capital by improving the GPM, improving the operating model, and improving capital efficiency.

I Improvement of gross profit margin

- ▶ Increase sales of superior test solutions
- ▶ Optimize supply chain management and manufacturing operations

I Improvement of Operating model and management efficiency

- ▶ Through initiatives to pursue operational excellence, such as DX and strengthening human capital, we optimize SG&A expenses by improving productivity, including business processes

I Improving capital efficiency and earning power using ROIC

- ▶ Streamline working capital through cash conversion cycle reduction
- ▶ Ensure an appropriate capital structure with maintaining financial soundness
- ▶ Increase value creation through the deeper use of ROIC in business and investment management

Investments & Shareholder Return Policy in MTP3

I Investments

- ▶ We will continue to prioritize business investment for future growth
- ▶ R&D expenses will be increased to 1.2x from MTP2
- ▶ We will continue to seek promising strategic investments such as M&A and partnerships

	MTP2 Results (FY21-23 total)	MTP3 forecast (FY24-26 total)
R&D expenses	¥174B	Approx. ¥210B
CAPEX	¥63.9B	Approx. ¥60B
Strategic investments	¥40.7B	Approx. ¥100B

I Shareholder Return

- ▶ Stable and continuous dividend with a minimum amount of ¥30 per share for annual
- ▶ We have set a target to achieve a cumulative total return ratio* of 50% or more, including share repurchase, over the three-years of MTP3

	MTP2 (FY21-23 total)	MTP3 (FY24-26 total)
Total Return ratio Target	50% or more	50% or more
Results	69%	

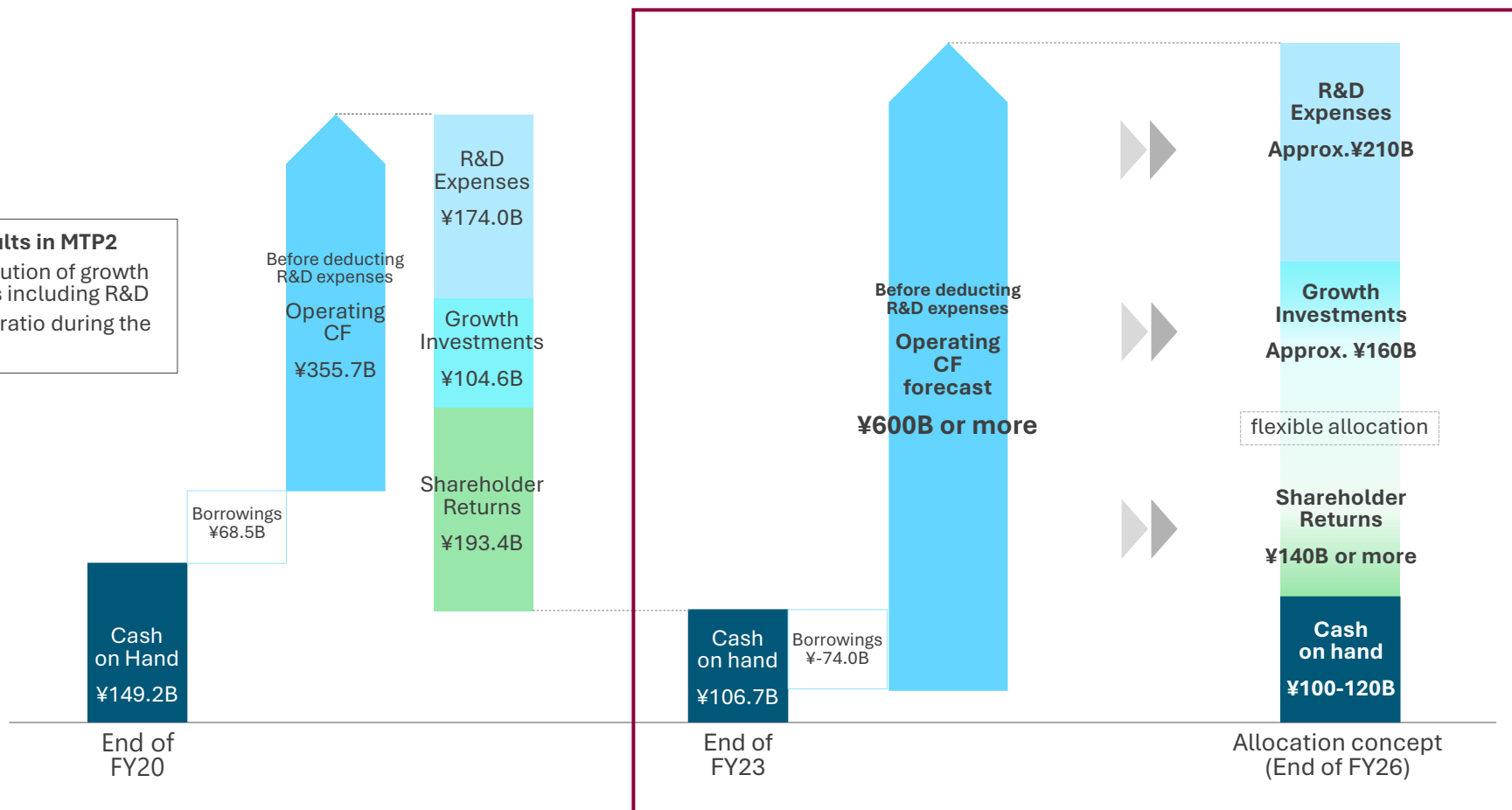
Target shareholder returns may be subject to change in favor of growth investments or due to deteriorating market conditions.

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

Capital Allocation Plan in MTP3

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

- Allocation results in MTP2**
 - Steady execution of growth investments including R&D
 - Total return ratio during the period: 69%



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

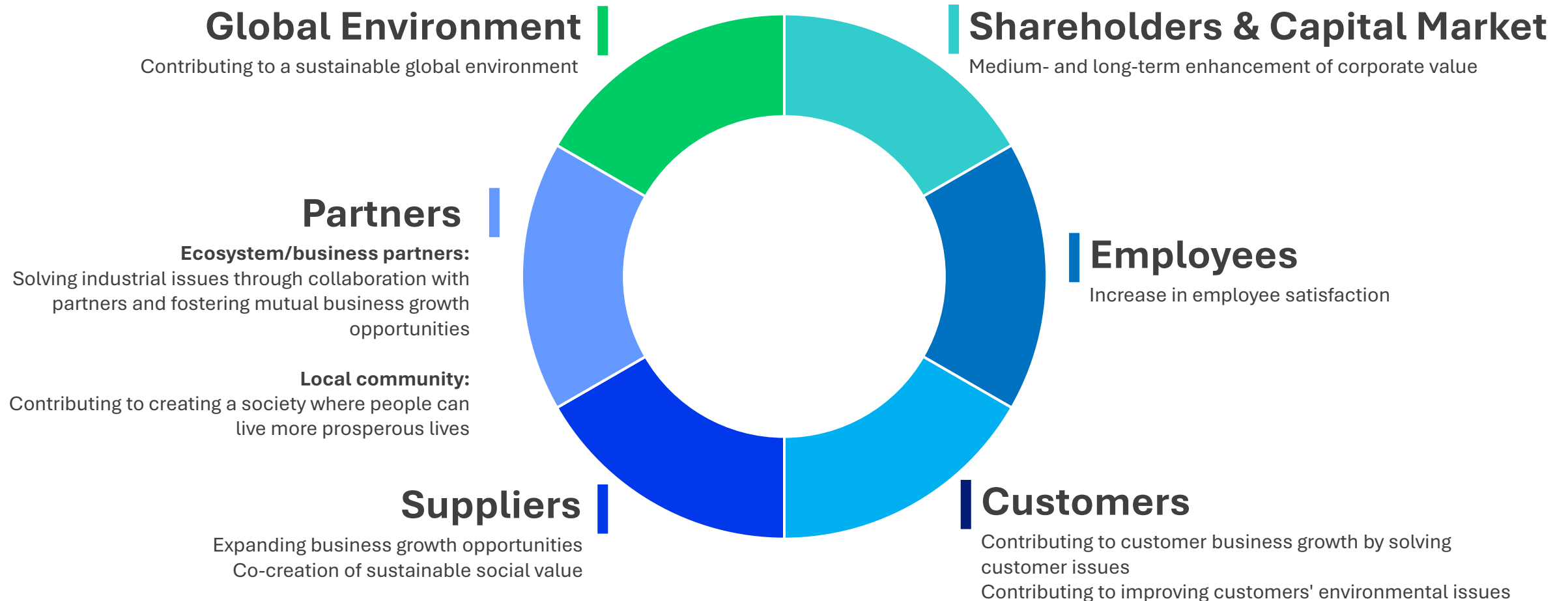
*Additional debt will be considered depending on investment opportunities and business environment

Strategy #4

Enhance Sustainability

Value to Stakeholders

- We will strive to earn the trust of our stakeholders.



Begins with Advantest Culture



Global Environment - Contributing to a Sustainable Global Environment

■ Commitment to actions that contribute to environmental sustainability.



Greenhouse gas emission reductions

Scope 1+2 KPI Target (FY26)

- ▶ Reducing GHG emissions from Scope 1+2 by 65% (vs. FY18)
- ▶ Raising renewable energy usage to 80%
- ▶ Reducing energy consumption by shortening the production period of major products by 20% (vs. FY20)

Scope 3

- ▶ Improving the environmental performance of our products
- ▶ Promote the use of renewable energy by suppliers and contractors



Contribution to the Circular Economy

- ▶ Improvement of recycling rate through promotion of 3Rs (Reduce, Reuse, Recycle)
- ▶ Maintaining company-wide water consumption at FY16 levels



Conservation of biodiversity and natural capital

- ▶ Preservation of biodiversity, promotion of nature conservation activities

Advantest's Purpose & Mission

Enabling Leading-Edge Technologies





Facing the future together