



## **Briefing on Mid-/Long-term Management Policy**

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

June 25, 2024

Douglas Lefever, Representative Director and Group CEO

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- Today, we are presenting our MTP3.

## NOTE

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

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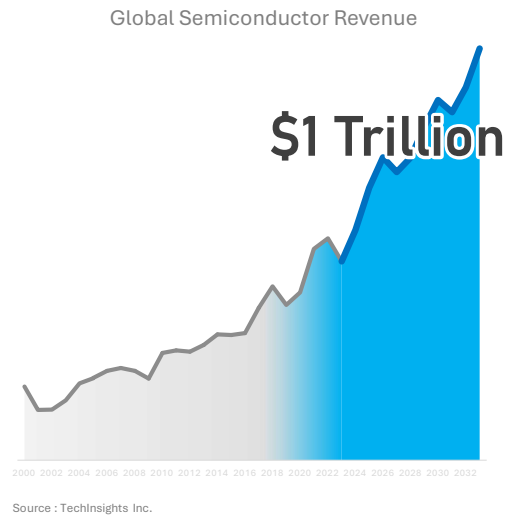
### ▶ “Era of Complexity”

Megatrends and our new vision

### ▶ The Third Mid-term Management Plan

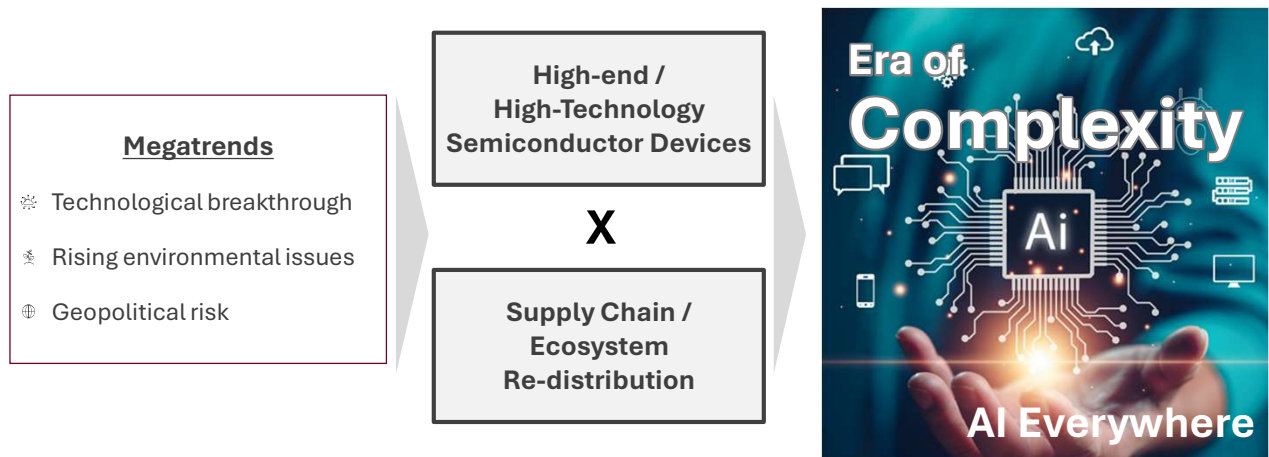
#### ▶ Four Key Strategies

#### ▶ Financial Targets



- The contents of what I would like to share with you today are the following.
- First of all, we are going to be talking about the “Era of Complexity”.
- Then, I will talk about the key strategies that we are going to employ during the next three years.
- Then, we will talk about the financial targets associated with those strategies.

## Megatrends Bring Greater Complexity to the Semiconductor Industry



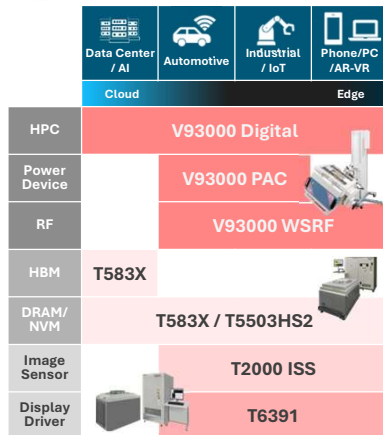
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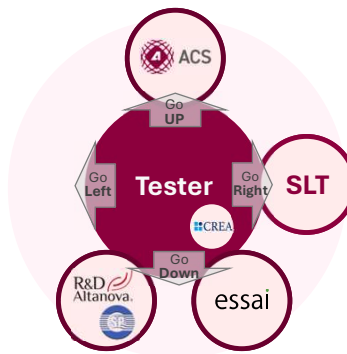
- The environment surrounding the world is changing fairly drastically now.
- There has been breakthroughs in technology combined with efforts to improve the sustainability of the global environment are driving innovation and driving demand for high-performance semiconductors.
- On the other hand, there is rising geopolitical risks have led to increased semiconductor production capacity and geographical re-distribution.
- The growing demand for high-performance semiconductors, which require high technology for manufacturing, and the diversification of value chains are bringing this “Era of Complexity” to the semiconductor industry.
- Actually, we have been focusing on this now since the 2010s and we recognize that the complexity will have a significant impact on the direction of our business.
- To respond these, we formulated our “Grand Design” in 2018 and have implemented two medium-term plans over the last six years.
- This picture illustrates the multiplying effects of both the complexity of the devices and the complexity of the supply chains and put together creates a lot of opportunity for our industry and for the company.

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

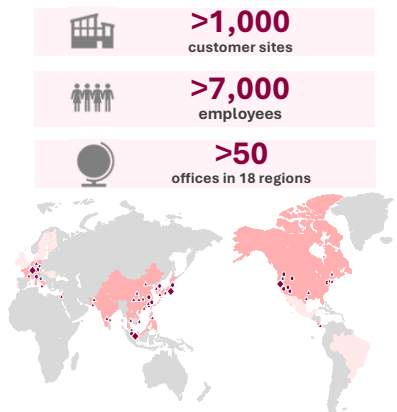
### 1 Product portfolio



### 2 Adjacent Markets



### 3 Global Footprint



- In the past two mid-term plans, we accomplished three major achievements.
- The first achievement was the creation of an unparalleled product portfolio by investing in the development of semiconductor test equipment.
  - It is no exaggeration to say that there is no semiconductor that cannot be measured by our semiconductor test equipment, such as:
    - cutting-edge HPC/AI devices and HBM used in data centers for generative AI,
    - and power management ICs, which are in growing demand for automobiles and industrials,
    - and image sensor, display drivers, and others that are widely used in automotive and consumer electronics.
- The investments in our core businesses during the mid-term plan 1 and 2 over the last six years have created the foundation for future growth.
- Second, we made strategic and complementary investments mainly in the field of adjacent areas. As a result, in addition to strengthening our existing core markets we have expanded our business scale into the areas of "system-level test", "test interfaces and sockets", and "data infrastructure".
- Thirdly, we have meticulously placed our bases where semiconductor-industries around the world have expanded and we have strengthened our personnel in the development area and R&D, sales, and support in each of these regions.
- This has enabled us to build strong relationships with our customers, which had led us to a very advantageous position.

## 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

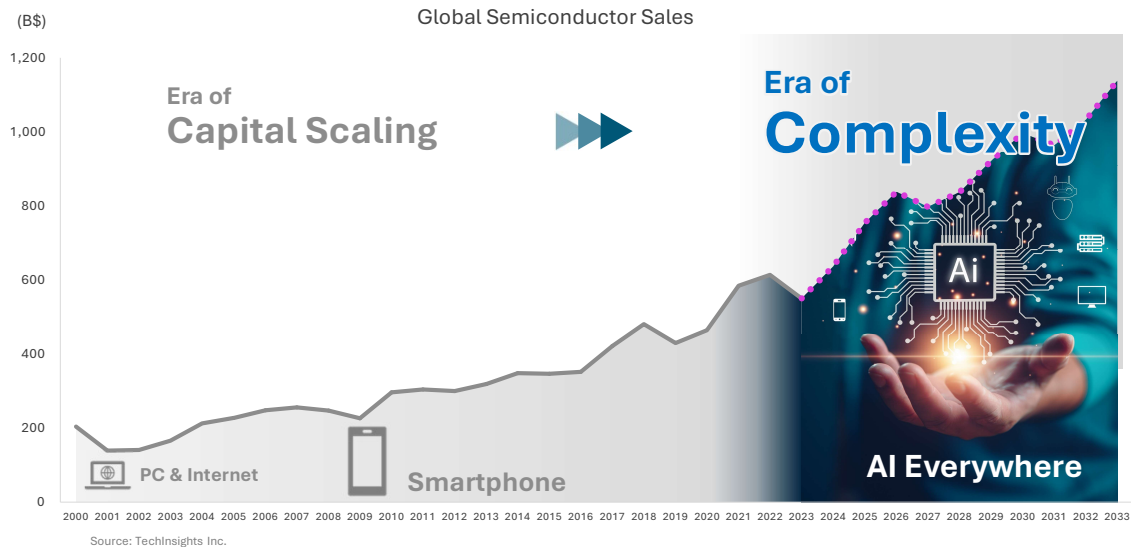
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- This is what it all resulted in. We have been able to earn the trust of our customers in the market, and we have recorded significant growth in market share, revenue, and market capital.
- We have recorded significant growth in market share from 36% in 2017 to 58% last year.
- Our revenue has multiplied by 2.4 times and our market cap has gone up 10 times.
- In addition, we have become the No. 1 market leader in research company's customer satisfaction surveys for five consecutive years from 2020 to 2024.

## Change of Semiconductor Industry

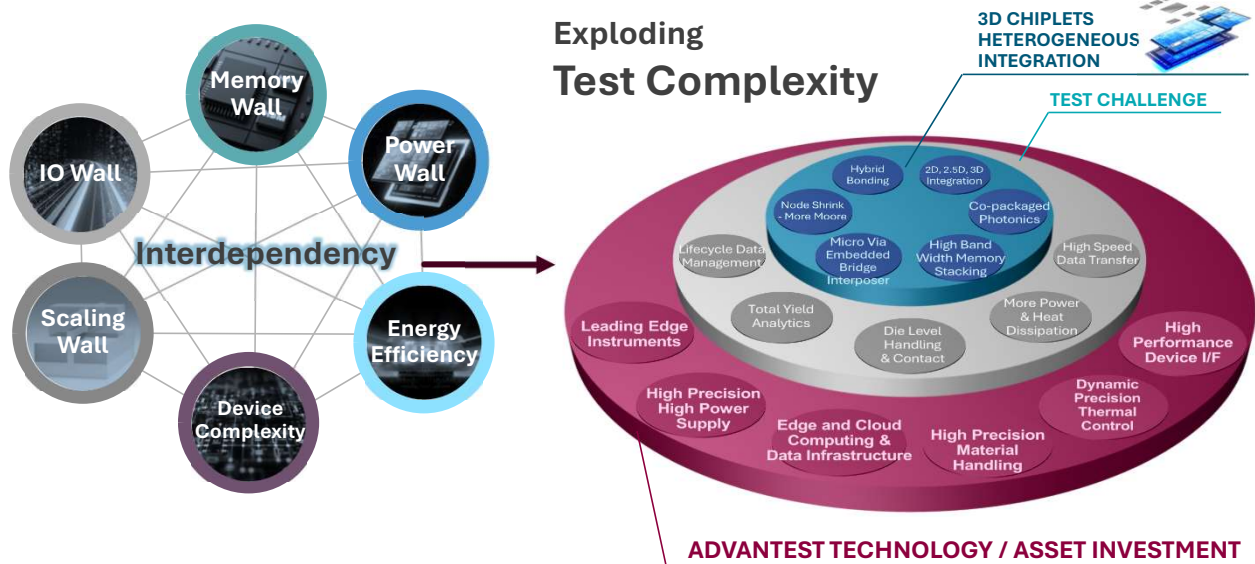


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- Let's look at semiconductor market growth and the driver of the market.
- As you all know and expected, the Semiconductor market will reach to 1 trillion US dollars in 2030s.
- In late 1990s with personal computers and the internet, then mid-2010s with widespread of smartphones adoption, the semiconductor industry was already in the "Era of Capital Scaling", which then turned into now what we call the "Era of Complexity".
- The "Era of Capital Scaling", was needed to keep up with the evolving technology, increasing demand, and the more you needed equipment, the more you needed to scale.
- However, there have been increased calls now for technical constraints such as slowing of Moore's law, and growing technical and social demands to reduce power consumption.
- On the other hand, the rapid social implementation of AI, generative AI, requires more advanced computing power.
- To meet these conflicting demands, the semiconductor industry is working to combine and optimize a variety of technologies, giving rise to what can be described as the "Era of Complexity."
- And that complexity is accelerating.

## Acceleration of “Era of Complexity” - Technology

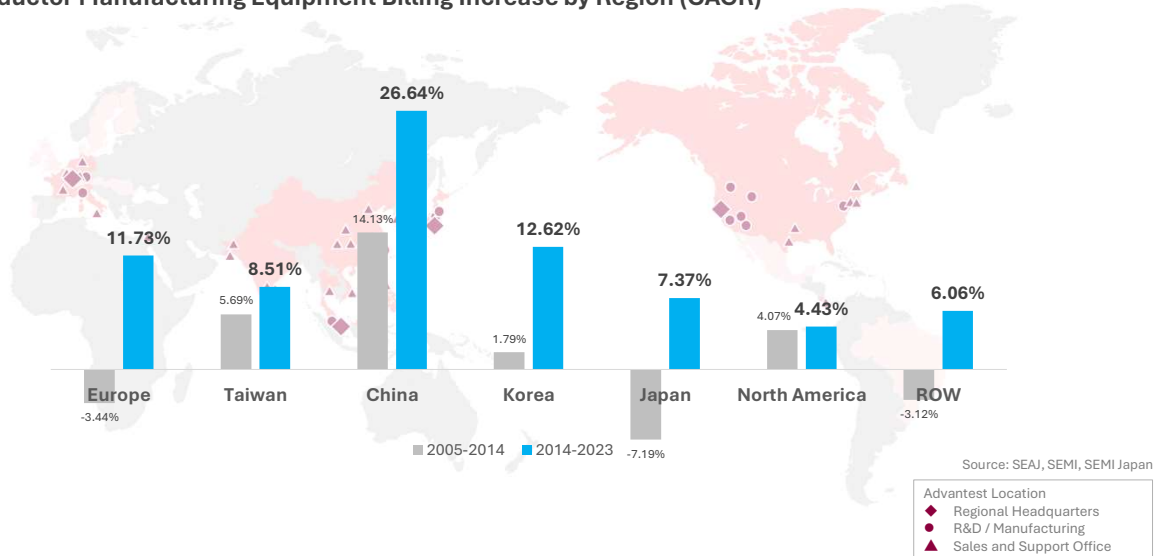


- Now we are talking specifically about the “Era of complexity” first, from the technology side.
- The issue is that somebody can be summarized in the diagram on the left, for example all six circles are issues that are connected. It means that they are interdependently important for the complexity, but they're also interrelated.
- There is a multiplying effect. The connection and dependency becomes much stronger and tighter for more advanced computing like AI.
- Therefore, test intensity grows in the “Era of Complexity” and this will be driving a degree of interdependency, for which test solutions will be needed.
- Then, if we move to the right side now, we can look at the value that advance test brings.
- The proliferation of AI, the value chain is driving challenges of integrating the advanced computing capabilities such as learning, inferencing, and generation into a single device.
- In order to address all of these challenges, there are more interdependencies and more value that Advantest can bring with our assets shown in the brighter wine red circle.



## Acceleration of “Era of Complexity” - Supply Chain

Semiconductor Manufacturing Equipment Billing Increase by Region (CAGR)



- Also, as I mentioned earlier about the world complexities, this picture illustrates some of the changing dynamics.
- Today, the environmental requirements, demographic shifts, and political issues are driving the reorganization of semiconductor production bases and capacity.
- Global supply chains continue to expand and strengthen, there is a mix of directions closely related to supply chains within countries and regions, increasing the complexity of semiconductor production.
- I would say Advantest, over the last many decades already has worked to place ourselves strategically around the globe and now we are re bearing the fruits of the good fortune of having mapped ourselves to where the semiconductor supply chain is moving.

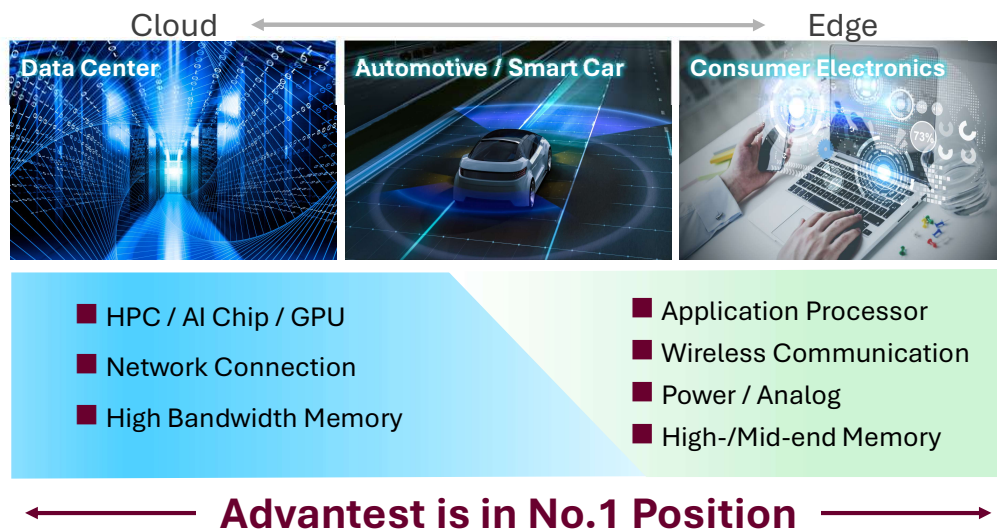


- So, all of this is meant to say that we are in good shape and we are continuing the efforts that we put in place already.
- To respond to the “Era of Complexity” that we have just discussed, we have updated our vision statement as a company, which is to be the most trusted and valued test solutions company in the semiconductor value chain.
- So, let me just highlight the three important words in that statement, which is “trusted”, “valued”, and “solutions”. We selected these three essential words to walk through the “Era of Complexity”.

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

- Let me now transition to the details of the third mid-term management plan, where I will lay out the strategies.

## MTP3 Starting Point : Our Market Position Today



- Before we get into specifics, I want to highlight again the position that Advantest is in. We are in the starting market position that is number one.
- This is a result of all the efforts that we put forth in the 1st and 2nd mid-term plans and now it is safe to say that we have a dominant position in the test market.
- From the cloud to the edge, from the data center to the smart car to the consumer devices, we hold a commanding position.

## MTP3 Key Strategies

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

- To keep this position and expand our corporate value, as the third mid-term management plan, we will implement four strategies over the next three years.
  1. Outpace the growth in our core market
  2. Expand adjacently / new businesses
  3. Drive Operational Excellence
  4. Enhance Sustainability
- From the next page, we will get into the details of each strategic initiative.

# Strategy #1

## Outpace the Growth in Our Core Market

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- The first one is to outpace the growth in our core market.
- We will further strengthen our core business of testers and aim to grow beyond our core market while incorporating the adjacent business that we have already invested in.
- Sometimes we say “Yesterday's adjacent is today's core”. It is a good way to summarize what we have done over the past several cycles.

## 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



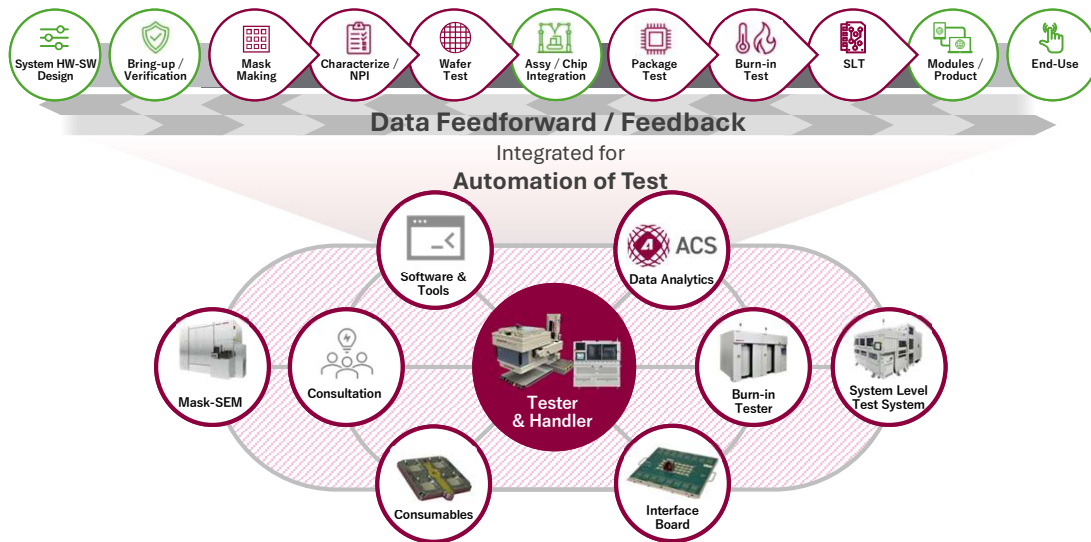
**CREA**

### 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

- If we move into the specifics of that first key strategy, it really is the cornerstone of the company, which is to provide superior test solutions based on superior measurement technologies. In order to address customer issues more broadly and deeply, we will further strengthen and deepen these test solutions in our third mid-term management plan.
- If you look at the picture here, you can see that these are our key platforms.
- V93000 that addresses digital and RF and power / analog. T2000 and T6391 that addresses our CMOS image sensor and display driver customer markets. Our memory ATE that addresses all of the memory devices including HBM, which is a very popular topic right now. Our device handling which is established for our past legacy pick & place handler business, but now we will go forward and address things like die level handling.
- SLT and burn-in, we can address all types of devices and system level testing. And with CREA on the lower right is the business we acquired that addresses solution that require high voltage for things like electric vehicles.

## Address the Industry Issues by “Automation of Test”



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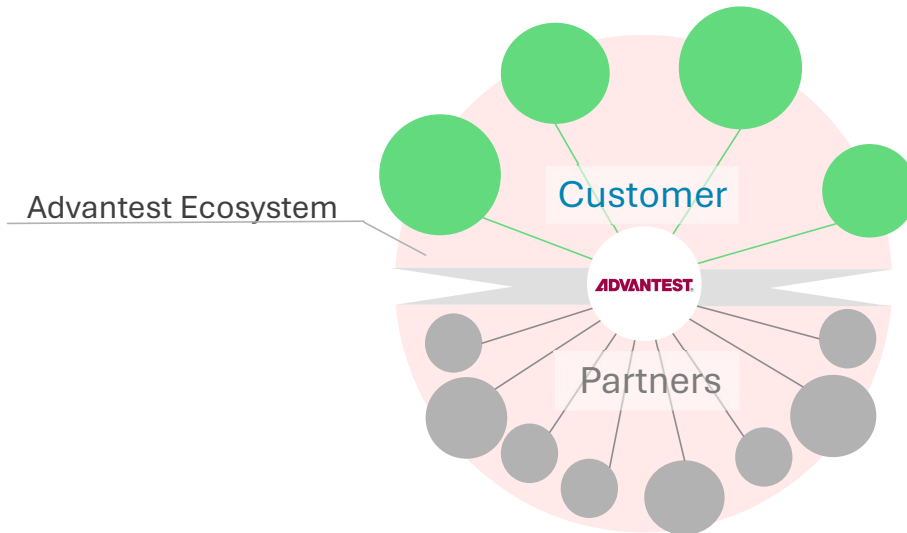
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- This is important slide, so let me try to explain clearly.
- If we look at the crossbar on the upper side of the page, this shows the value chain of the semiconductor industry from left to right.
- In red are the points that our products are used, in green circles are areas where our product do not cover.
- The lower side of the page shows an example of our portfolio of products and services, each of which integrates or connects each other with the tester as center.
- In this presentation, we have looked at test complexity in the “Era of Complexity.”
- And we believe the efficiency is the key for addressing it.
- To realize the significance of efficiencies, we will pursue the next layer of automated testing to help our customers release their products into the market in the most efficient manner possible.



## Ecosystem to Address Complex Customers' Issues



- In order to solve the problems of the industry for the test complexities, Advantest has a lot of assets that we can draw upon, and we have developed either organically or inorganically.
- But also there is areas and gaps that we do not fill. And that is important to recognize that we have to collaborate into the future. And so, Advantest can serve a very special role in this problem solving through integration.
- That integration happens both with our customers and with our partners as you can see in the picture.
- And the complexity is really driving the industry into more collaborative environment and Advantest has a very good trusted relationship both with our suppliers, with our customers and our ecosystem partners.

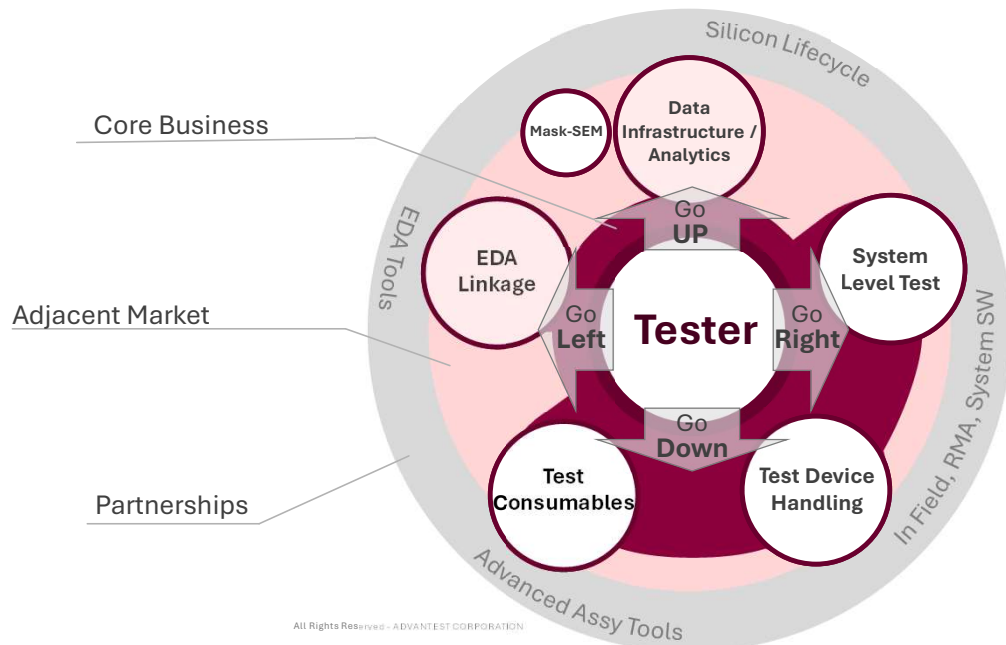
## **Strategy #2**

# **Expand Adjacently / New Businesses**

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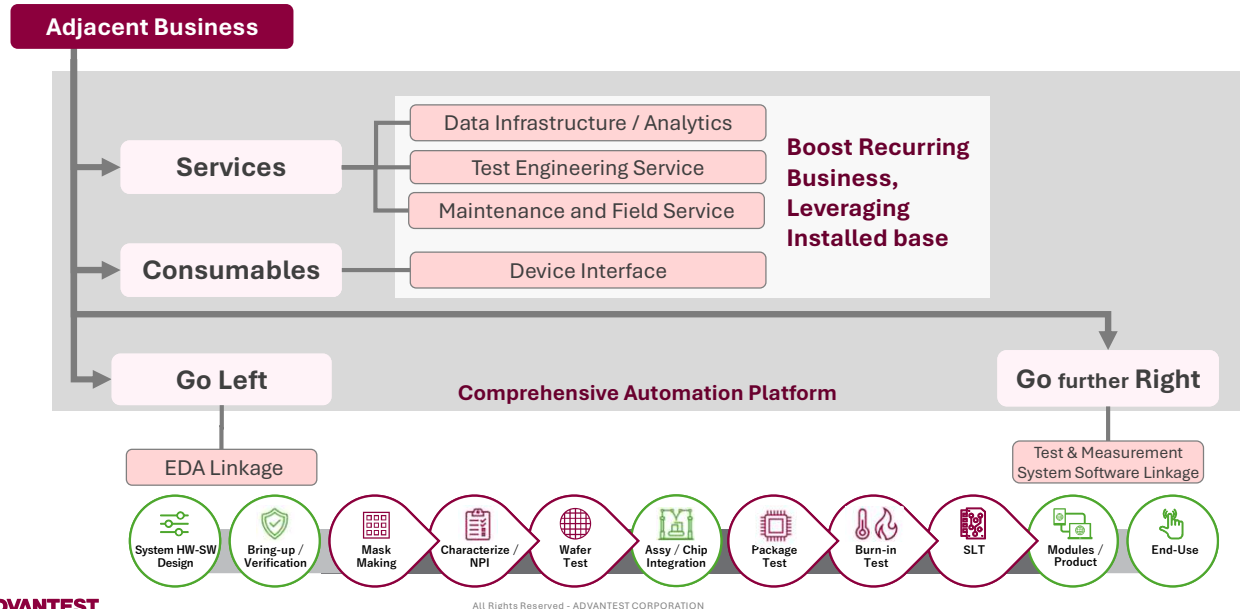
- The second strategy is “Expand Adjacently / New Businesses.”
- For the past six years we have invested in adjacent areas and now we have to deliver on those expanding adjacents.

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



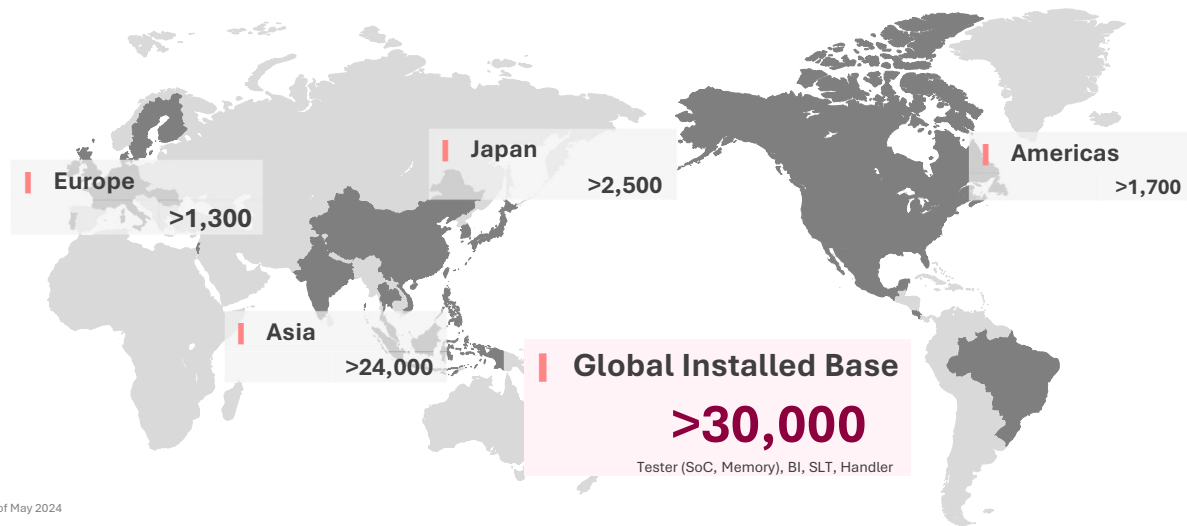
- This picture tries to summarize things in a very simple way as we could make it actually. It shows how that we will leverage our system level testing, in our device handling and test consumables and data infrastructure that we have acquired and developed in the mid-term management plan one and two as a bridge to expand our core business domains.
- You can see in the growing wine red area in the picture, our core expansion will continue to widen with the consideration of urgency, importance and the size of market demand related to complexity.
- We made a series of acquisitions in the past and we continue looking for potential M&As and partnerships during MTP3.

## Further Differentiation and Create New Business Opportunity



- One of the key areas of adjacent business expansion is into related areas such as service.
- At the top box in the pink, you can see that our service business related sales are expected to increase along with the increase in our installed base, as a recurring business will continue to stabilize our earnings.
- In MTP3, we will also work on a test engineering service in order to help our customers bring up devices faster to deploy into production, this will be an important capability as the complexity grows.
- Then in the bottom, you can see again the supply chain chart and we can extend left in order to help collaborate with our customers around linking EDA into production test.
- And then also further right as we have already invested to continue further expansion downstream into system level tests and system testing.

## Leverage Installed Base for Service Business & Customer Needs Observation



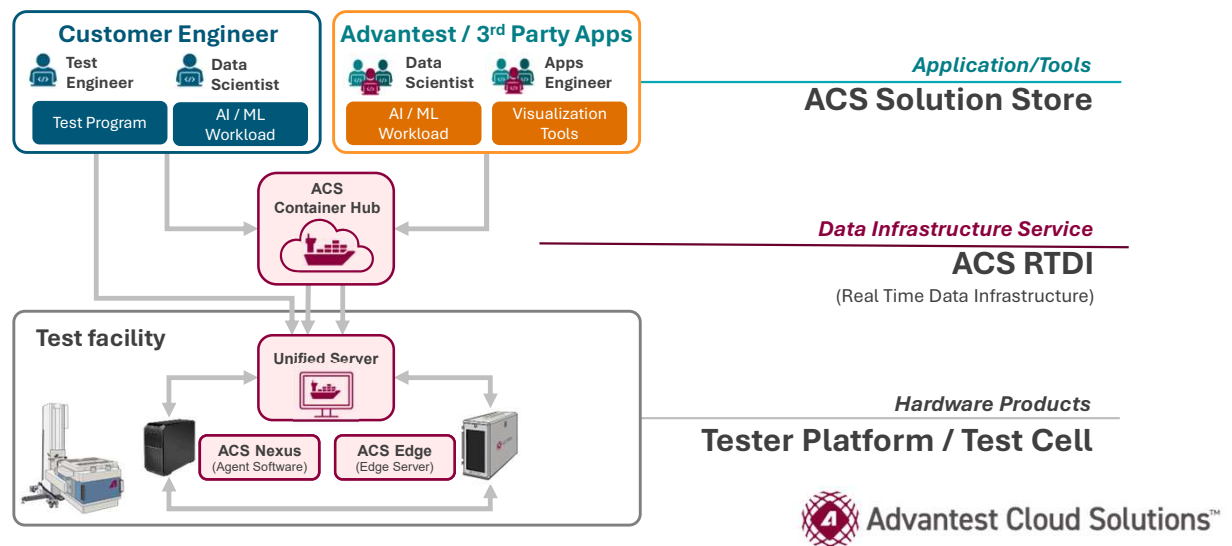
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- It's important to leverage our install base. It really serves as a foundation.
- We have large installed base, so here it tells you we are over 30,000 systems installed worldwide and this is comprised of SoC testers, memory testers, handlers, system level testers, all which are maintenance service available right now.
- And into the future, we continue to grow service revenue based on that installed base.

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



- One of the specific solutions I wanted to highlight is around data analytics.
- We have developed Advantest Cloud Solutions™ as a platform for the use of AI and semiconductor testing and data collection utilization with the test platform shown at the bottom as an anchor.
- We have provided infrastructure enables what we call real time data transfer, called RTDI as well as AI algorithms and visualization applications developed by us and our partners as a computing environment in which these applications run.
- The solution also allows customers to run AI applications developed on their own. It has been very efficient so far in improving efficiency of test, improve testing quality at all of the customers in the value chain and we are seeing customer's expectations increase strongly in this area.

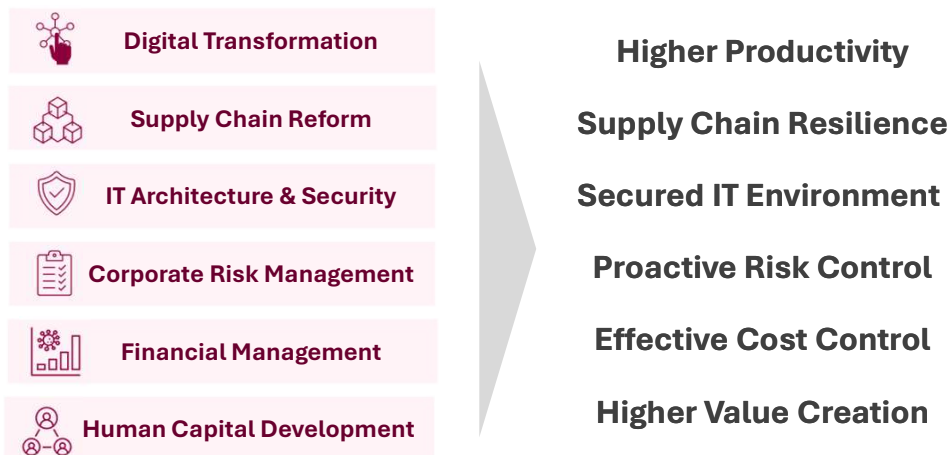
## Strategy #3

# Drive Operational Excellence

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- The third strategy is “Drive Operational Excellence”.
- It's how we do things faster, better and more productively so.

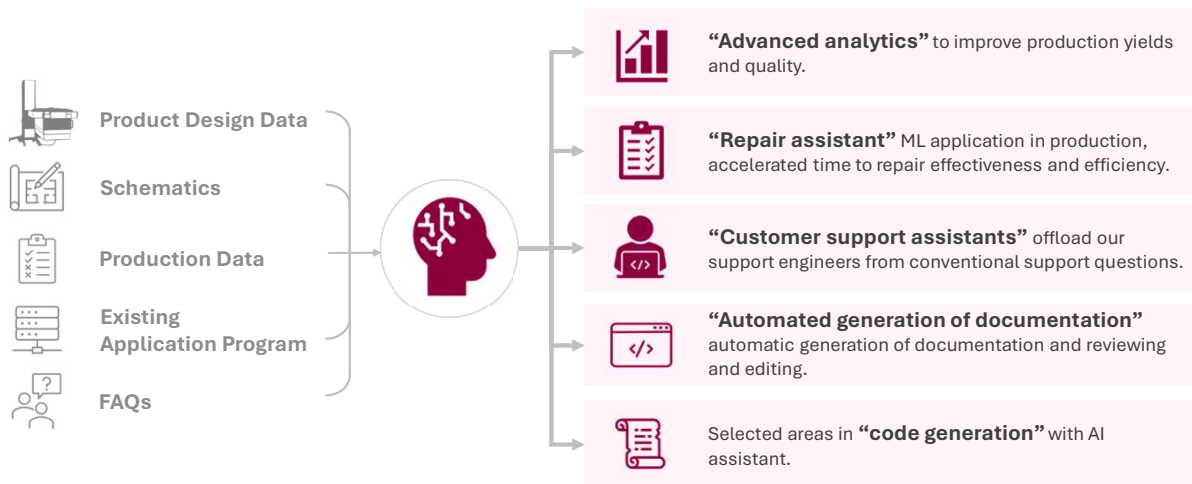
## Initiatives to Improve Our Operations



- In order to increase our corporate value, we will enhance our operating model that brings high-quality management within our company.
- For that purpose, we have begun the initiatives of Promotion of DX, Supply Chain Reform, IT Architecture and Cyber security, Corporate Risk Control, Financial Management, and Human Capital Development.
- Digital Transformation through Business Process Re-engineering will bring us higher productivity in our internal activities among R&D, sales, and production,
- Supply Chain Reform will build the most efficient way of production for our various product portfolio, and realize the high resilience of our global supply chain and contribute to our BCP.
- As high technology company we are basically valued by our Intellectual Property and customer information which are the most critical things to protect. So securing our IT Environment is the mandatory infrastructure.
- We will also continuously improve also corporate risk management for proactive risk control
- Effective cost control by our financial management is a foundation of our business success.
- And last but not least, human capital development where we will continue to create high value by enhancing our development and retention programs through hiring, training, education as well as sharing and transferring knowledge and skills. Probably the most important piece of capital that Advantest has is our human capital.



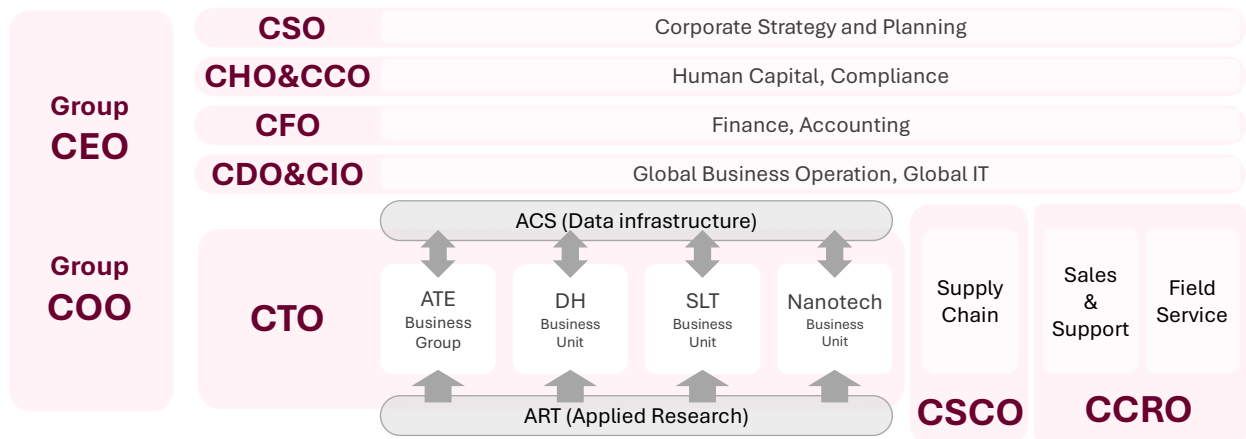
## Enhance Business Value & Profitability through the Strategic Utilization of AI



- We are using AI across the company to improve efficiencies.
- There is a variety of application areas, including manufacturing, product repair, customer support, documentation and programming, which we are all deploying.
- AI and machine learning through these efforts will further continue customer satisfaction and cost efficiencies.

## Clear Accountability of Management

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



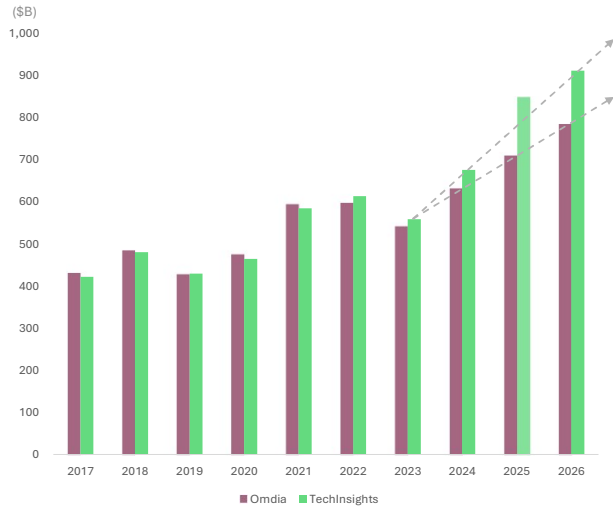
- And then finally, from our operational excellence strategy, we have transitioned to what we call a CxO structure. Our former CEO, Yoshida-san, deployed this and it has had very profound effects on the company already.
- The CxOs are responsible and accountable to each of the global operations and the entire group.
- For example, the CTO takes responsibility on all of the technology and product technologies across the company.
- What is also very significant is most of the members of the CxO group have been working closely for a long, long time, in many cases multiple decades. We know each other, we know how each other operates and we work closely as a team.
- As a result, Advantest will continue these efforts to realize operational excellence on a cross functional basis under the strong ownership of each CxO.
- Now let me go to the financial targets, then we will come back to the fourth strategy on sustainability to wrap it all up.

## Targeted Management Metrics (Financial Targets)

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- Here, I would like to talk about financial target of MTP3.

## Overall Semiconductor Market Trend



Source: Omdia (AMFT 1Q24 update), Techn Insights 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

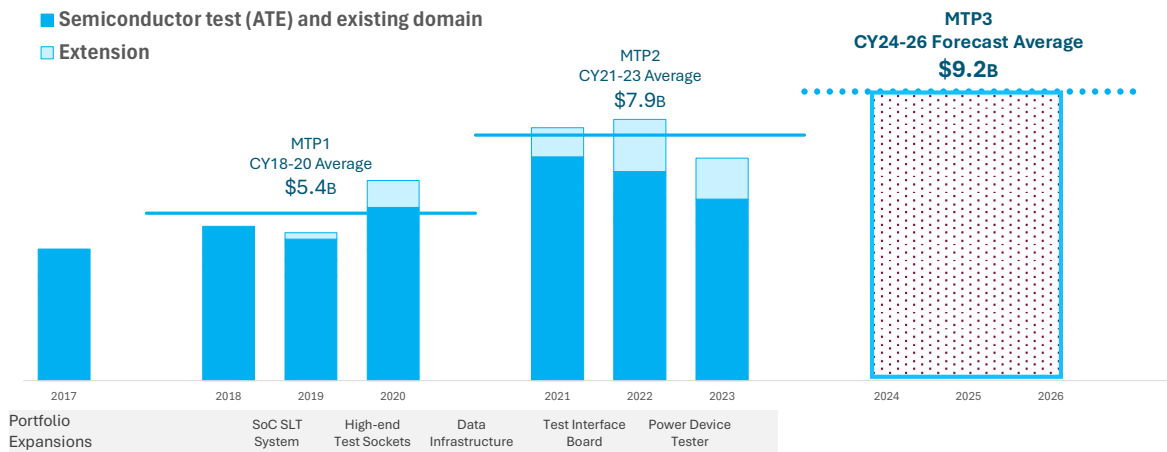
### Technological advancement

- ▶ 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

- In order to explain our financial targets, I want to first begin by explaining the markets surrounding us.
- Let's look at the outlook for semiconductor market. This is the foundation for our business growth.
- From this data, there is forecasted CAGR from 2023 to 2026 ranges that go from 13 to 18% depending on the research firm. They all predict robust growth in semiconductor market over the next three years.
- There is also a very strong forecast as the size of the AI related semiconductor market in 2026, which will double compared to 2023.
- In terms of both volume and technology, the semiconductor market is expected to benefit from a variety of favorable factors.

## 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.



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- Moving from the IC market to our markets, as I have explained so far, our business has expanded through initiatives taken in the past.
- Our market was limited to semiconductor tester, test handlers, and test peripherals in the past. However, through our efforts over the last six years, we have expanded our business portfolio, and all together we define this now as our core market.
- We have been expanding this business portfolio since 2018 and each time we have added a market in which we can expand, we have raised the potential for sales growth.
- The horizontal bars represent the average market size for each of our mid-term business plan periods.
- The markets in which we do business have grown in a cyclical-growth manner, with fluctuations. For this reason we have been using three-year averages to look at the industry and look at our business to account for those cycles.
- And the total market size for test-related solutions in which we are currently operating is expected to average approximately 9.2 billion US dollars per year over the three-year period from 2024 to 2026 which is our MTP3 period.
- We will aim to further grow in the wider core markets going forward.

## Market Assumptions

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

- Based on the market assumptions here, we are using these financial metrics now for MTP3. As explained in the previous slide, our core market size is 9.2 US billion dollars.
- In MTP3, the core market is expected to approximately grow by 18%. Within that, the ATE market size will be 5.9 US billion dollars and we expect that growth rate will be 16% plan-over-plan range.
- By implementing the strategies, I have explained so far, I look forward to further increasing our market share to 58% or above, which would be 4% from the average of MTP2.

## 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.

- Now I will outline the targeted financial KPIs for MTP3. Again, in order to evaluate the progress of the plan from a medium- to long-term perspective, we use three-year averages to level the impact of industry cycle.
- We have selected five key indicators to focus on over the next few years in terms of sales growth, profitability, capital efficiency, and shareholder value.
- I want to note that we are using 140 Japanese yen to the US dollar for all of our assumptions as a constant rate.
  - Sales ¥560 – 700 billion
  - Operating Profit Margin: 22 – 28%
  - Net Income: ¥93 – 147 billion
  - ROIC: 18 - 28%
  - EPS: ¥127 – 202
- I am sure we will get the questions that the lower limit of some of these indicators is low. The lower limit of some indicators is mainly due to the current sales and profitability forecasts for FY2024, However, we are just on the upswing of a down cycle that carried through FY2023 and into the beginning of FY2024. We are gaining optimism about FY2024.
- So given that we hope to narrow this range of KPI is and also shift that mid-point to the right and exceed these targets.
- As I mentioned in the earnings announcement in April, we recognize that improving profitability is a key challenge. I will explain our initiatives going forward in the next slide.

## 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

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- On this slide, I will explain our approach to improving profitability in MTP3, using a target model for single-year cost and profit.
- We aim to make the next three-years to demonstrate overall improvement in our profit structure by improving our gross margin and maximize operating leverage, which will ensure medium- to long-term growth potential.
- The figures here are the profitability targets for MTP3 when using the mid-point between the ranges I showed just now.
- From a sales perspective, we expect our mid-point at the 630 billion yen level.
- And this will basically be driven by the market demands and the market growth on the gross margin side, our mid-point level set at a 53%. We recognize this is low compared to previous mid-term plans and we will have measures to improve this that I will detail in the next couple of pages.
- Our SG&A is 28%, and while this is positive direction from the previous mid-term plan, we will do further efficiency improvement to go even better and be more productive as part of SG&A.
- R&D expenses is 11%. The total amount is increased from what we have actually done as an absolute levels at Japanese yen year-over-year and mid-term plan to mid-term plan. But the percentage obviously is lower as our sales go up and as our productivity improves. And one of the things I want to point out is that because of our market share position, we have the advantage of knowing what our customers require us to develop for the future. And so that is very helpful from what we call R&D “hit” rate and that helps our R&D expenses to be very efficient, because we do not waste dollars or yen on projects that will not turn out to give a return for the company.
- Our OPM is 25%. Our improvement in the operating model, it should be noted, will support over 30% operating profit margin in any given year. We have achieved that in the past, that does not go away. And depending upon the market cycle and if we execute the initiatives on efficiencies for SG&A and cost of goods sold reduction, we will see this OPM number go even higher.



## 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.

### Improvement of gross profit margin

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

### 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

### 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

- Let me talk about the efforts to improve profitability and capital efficiency.
- Let's first talk about gross profit margin. Our gross profit margin has been declining due to a couple factors, such as change in rising cost from inflation and application mix or product mix.
- We will give every effort to further improve this margin by increasing the sales of our superior solutions that meet the customer needs and promoting the optimization of supply chain management and production operations.
- Regarding SG&A, as part of our pursuit of operational excellence will come through various improvements will optimize SG&A efficiency through improvements in our operational productivity.
- On the capital efficiency side, we will streamline our working capital through the shortening of our cash conversion cycle and we'll also achieve appropriate capital structure while maintaining financial soundness.
- At the same time, we will increase the value we created by deepening the use of ROIC, and businesses and investment management.

## Investments & Shareholder Return Policy in MTP3

### 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

### 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 Results (FY21-23 total)	MTP3 forecast (FY24-26 total)		MTP2 (FY21-23 total)	MTP3 (FY24-26 total)
R&D expenses	¥174B	Approx. <b>¥210B</b>	Total Return ratio	Target	50% or more
CAPEX	¥63.9B	Approx. <b>¥60B</b>	Results		69%
Strategic investments	¥40.7B	Approx. <b>¥100B</b>			

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

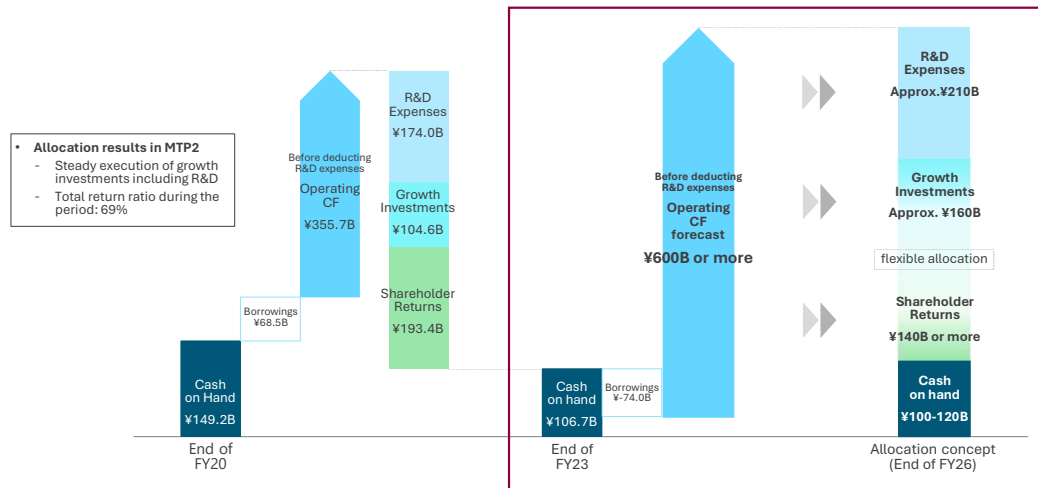
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- I will now move on to an explanation of growth investment and shareholder return policy in MTP3 period.
- We plan to invest approximately 210 billion yen in R&D over the three-years. We plan to invest 1.2 times the amount of the previous mid-term plan. We will use that R&D in part to related to the superior test solutions and something also related to what we call "Automation of Test".
- The capital expenditures are planned to be approximately 60 billion yen, the same level as MTP2 results. We also plan to actively invest in IT, which will form the basis of various efficiency improvements.
- With regard to strategic investments such as M&A, we will actively seek the most strategic opportunities that will lead to organic and in-organic growth in our core business and expansion of our adjacent markets.
- In terms of shareholder returns, regarding dividends, we will make a stable and continuous dividend with a minimum amount of ¥30 per year.
- For total return, we will set a target to achieve a cumulative total return ratio of 50% or more, including share repurchase, over the three-years of MTP3.
- However, the shareholder return policy may be revised in the event of investment growth opportunities that require more funds than expected, and / or the deterioration of business performance due to changes in our market environment.

## 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.



- This talks further about capital allocation in MTP3.
- I would say the headline for this picture is the operating cash flow. We expect a very large amount of cash flow to come in from our businesses.
- And so you know controlling for the deduction of R&D expenses, we expect to have more than ¥600 billion over the three-year period. Compared to MTP2, this is a very strong level of cash income.
- Everyone is going to ask what do we plan to do with the cash. In the midst of the expected medium to long term growth of the semi market will allocate this shown in this figure.
- Again, we are prioritizing growth investments in order to maximize the value we will create in the future.
- We are committed to further strengthening our growth foundation in order to steadily convert medium- to long-term growth opportunities, such as increasingly complex semiconductor testing, into greater value.
- And by further enhancing the value we provide to each of our stakeholders based on our strengthened business foundation, we hope to continue to be a company that embodies the new vision statement I mentioned at the beginning of my presentation: "Be the Most Trusted and Valued Test Solution Company in the Semiconductor Value Chain" over the long term.
- While prioritizing investments for business growth and strategic investments, we also focus on returns to our shareholders. Our basic return policy is as I explained in the previous slide. However, with the surplus of cash, if it arises beyond the use, we will return these to shareholders by dividend or share repurchase or both.

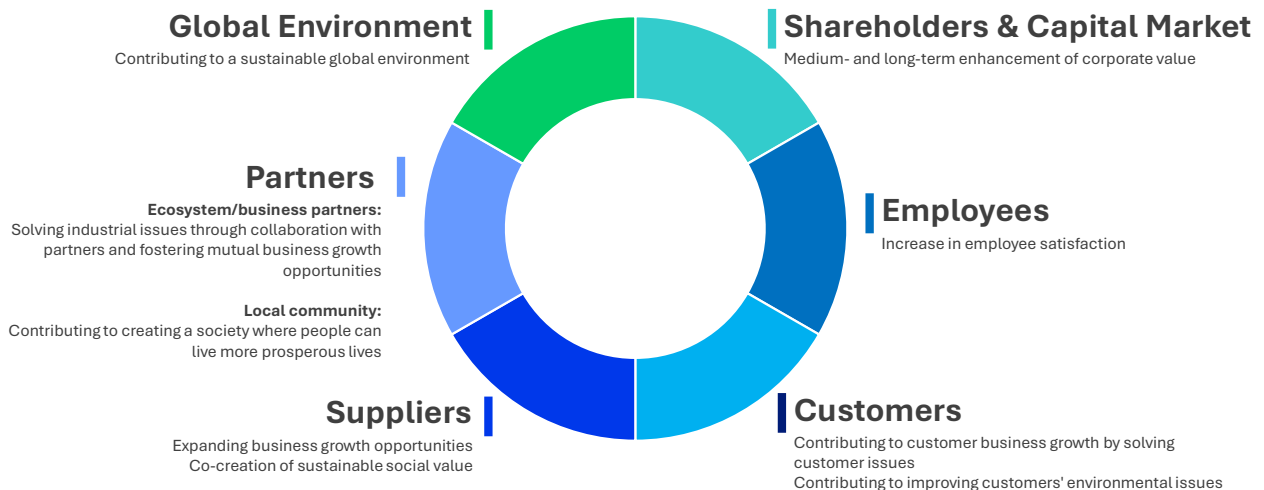
## Strategy #4 Enhance Sustainability

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- I am going to wrap up with perhaps the most important pages of the presentation, which is bringing this all together through our sustainability initiatives. It is a key strategy which is to enhance sustainability.
- There is quotation that I have used for the company; “Meeting the needs of the present without compromising the ability of future generations to meet their own needs”.
- This is a very powerful, important thing, especially for a company like ours who has been around for now 70 years and intends to be here for many, many more 70 year periods. We always take a long-term view and act on the behalf of our communities, our employees, environment and our customers and shareholders while at the same time improving profits in the medium term.

## Value to Stakeholders

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



- Here we see the six key stakeholders that the company has.
- Our policy is to further strengthen our foundation for enhancing our corporate value through proactive and positive action on sustainability issues, responsible business activities, enhanced risk management, enhancement of corporate governance to earn greater trust from each of these stakeholders.




## Begins with Advantest Culture



- One of the hearts of Advantest is our culture. And this page speaks to our commitment to culture.
- For further enhancement to society, we believe it is utmost important to create a foundation for each employee to work toward expanding the value provided to the stakeholders they face.
- Credit to Yoshida-san for creating the INTEGRITY core value system within Advantest and it is something I intend to carry forward. We realized INTEGRITY is our core value in 2019, and since then, we have been focusing on these initiatives to disseminated throughout the whole company.
- By further deepening the cultivation of common values, we continue to be company ultimately is needed by society, at the same time responds to the demands of the society.

## Global Environment - Contributing to a Sustainable Global Environment

### ■ Commitment to actions that contribute to environmental sustainability.

 <b>Greenhouse gas emission reductions</b>	<b>Scope 1+2 KPI Target (FY26)</b> <ul style="list-style-type: none"> <li>▶ Reducing GHG emissions from Scope 1+2 by 65% (vs. FY18)</li> <li>▶ Raising renewable energy usage to 80%</li> <li>▶ Reducing energy consumption by shortening the production period of major products by 20% (vs. FY20)</li> </ul> <b>Scope 3</b> <ul style="list-style-type: none"> <li>▶ Improving the environmental performance of our products</li> <li>▶ Promote the use of renewable energy by suppliers and contractors</li> </ul>
 <b>Contribution to the Circular Economy</b>	<ul style="list-style-type: none"> <li>▶ Improvement of recycling rate through promotion of 3Rs (Reduce, Reuse, Recycle)</li> <li>▶ Maintaining company-wide water consumption at FY16 levels</li> </ul>
 <b>Conservation of biodiversity and natural capital</b>	<ul style="list-style-type: none"> <li>▶ Preservation of biodiversity, promotion of nature conservation activities</li> </ul>

- Based on the shared values cultivated and our core values will promote our contribution to the global environment, such as:
  - 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)
- We are tackling all of these things and improving our methodologies to contribute to these initiatives of emission reduction.
- It is a priority for the whole planet. We would like to collaborate within our industry associates and other companies in our industry to become a company that is capable of measuring the value we are providing to society.
- We will proceed in our “Automation of Test” which is a key strategy to deploy these idea of catching the failures to help improve the yield along the semiconductor lifecycle to prevent wasting natural resources and energy.
- This is a very critical area. It is something that our customers and our suppliers are constantly talking about, is how do we avoid waste and just fractions of a percent of yield savings can address a huge amount of emissions if we work together. And so, this is a really very important part of our company strategy and something I intend to talk more about in the future.





- Lastly, I would like to talk about our Purpose and Mission.
- Today, many of the advanced technologies such as AI, which is everywhere in the news, all over the place, all of these things are realized by semiconductors.
- These semiconductors are requiring lots of power. So, we have to make efficient use of energy, reduce the consumption, no doubt. In other words, semiconductors are indispensable for the realization of a sustainable society and the development of various industries in people's lives.
- Based on our purpose and mission of “Enabling leading-edge Technologies”, we will contribute to the realization of safe, secure, comfortable and sustainable society through semiconductor testing.
- We are living in an “Era of Complexity” and that makes it difficult for us to predict the future, but we are going to embark on a new voyage together with our stakeholders.





*Facing the future together*

- I would like to address a few words on behalf of Advantest.
- This year marks the 70th anniversary of Advantest's founding. We will continue to work to ensure that we remain a company that contributes to the sustainability and development of society by enabling leading-edge technologies, even in our 100th year of founding.
- I would like to express my sincere gratitude to all of our stakeholders for your continued support.
- That's all from me. Thank you for your attention.