Advantest Announces Mid/Long-Term Management Policy

Tokyo – April 26, 2018 – Advantest Corporation (TSE: 6857) has announced its newly formulated mid/long-term management policy. Embodying Advantest’s management philosophy of "enabling the leading-edge technology," the company has formulated a high-level roadmap starting in fiscal 2018, which lays out the next decade of Advantest’s growth policies. It consists of a Grand Design (10 years) and Mid-Term Management Plan (3 years). Within these guidelines, the company will strive to create customer value and further enhance corporate value.

1. Grand Design (10 years) FY2018 – FY2027

<Vision Statement>
Adding Customer Value in an Evolving Semiconductor Value Chain

<Strategy>
Advantest’s business today focuses on the development and sales of systems for semiconductor production test. In the future, the company will aim to expand its business and expand corporate value by broadening its business domain to include related markets such as semiconductor design and evaluation processes and product/system level test processes, which are carried out before and after semiconductor production processes, respectively.

Toward the achievement of this long-term vision, Advantest will work on four strategic issues: reinforcing core businesses and investing strategically; seeking operational excellence; exploring value to reach the next level; and pioneering new business fields.

<Long-Term Management Goals>
¥300B - ¥400B in annual sales

<Cost / Profit Structure>
Advantest aims to balance sales growth with cost efficiency. Under the new plan, the company aims for a cost of sales ratio of 46%, a SG&A rate of 32%, and an operating income margin of 22% when annual sales are at the 300 billion yen level.

2. Mid-Term Plan (3 years) FY2018 – FY2020

<Management Metrics>
The new plan focuses on enhancing corporate value while remaining aware of both improvement of profit and loss and efficient utilization of capital. Based on these priorities, Advantest has determined key management metrics during the mid-term management plan period: sales, operating margin, return on equity (ROE) and earnings per share (EPS). The company’s targets for the three-year average of each metric from FY2018 to FY2020 are as follows.

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY2018–FY2020 average Conservative case</th>
<th>FY2018–FY2020 average Base scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semiconductor Test Equipment Market Growth Rate</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td>Sales</td>
<td>¥230B</td>
<td>¥250B</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Return on Equity (ROE)</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>Earnings per share (EPS)</td>
<td>¥135</td>
<td>¥170</td>
</tr>
</tbody>
</table>
<Key Measures>

- Semiconductor and component test system business
  - Meet the wave of test demand for more complicated next generation devices such as those used in HPC (High-Performance Computing) and 5G communications
  - Maintain our robust business lead in DRAM and NVM (non-volatile memory)

- Mechatronics business
  - Expand sales opportunities by providing integrated test cell solutions and responding to advanced environment test demand

- Services business
  - Increase post sales revenue by responding to factory automation needs, expand sales of SSD testers, pursue M&A in closely related markets

- Reinforce business management
  - Introduce internal business management and evaluation tools based on ROIC (return on invested capital) to strengthen our business management structure.

<Financial Policy & Shareholder Returns>

In order to strengthen its business growth infrastructure and maintain a sound financial status, Advantest aims to create a cumulative free cash flow of 85 to 100 billion yen over the period of the new mid-term management plan. The company believes that cash holdings of 50 to 60 billion yen are appropriate to ensure stable business activities. Regarding the use of excess funds, Advantest will prioritize business investments for growth such as M&A, R&D, facility enhancements, etc. Specifically, the company will set 100 billion yen as its cumulative total M&A investment frame for the mid-term management plan period.

Regarding shareholder returns, Advantest will continue its policy of improving dividend levels through the growth of earnings per share, based on a semi-annual consolidated payout ratio of 30%. However, if residuals are retained for a long time, the company will consider flexibly reviewing its dividend payout ratio and improving total shareholder returns by, for instance, repurchasing stock, taking into consideration our projected growth investments.

<ESG Challenges>

Semiconductors will play an increasingly important role in the future in solutions for global social issues. Through semiconductor test, Advantest will contribute to a safer, more secure, more comfortable, and more sustainable future.

In addition, by training global human resources and frontier human resources and promoting innovative work styles, the company aims to form a foundation for achieving its long-term strategic goals and business expansion. Furthermore, in order to make effective use of human capital, Advantest will try to shape its organizational structure into a posture of natural compliance with its business environment and management strategy.

In terms of governance, four of nine members of Advantest’s Board of Directors are presently outside directors, and two are non-Japanese. Going forward, the company will further advance the diversity of its Board of Directors and aim for governance-oriented management.

* Foreign exchange assumptions for forecasts of future performance indicators under this mid- to long-term management policy are USD$1 = 110 yen and 1 euro = 135 yen. Also, the target values given for return on equity (ROE) and earnings per share (EPS) assume the 2019 conversion of Euro yen convertible bonds worth 30 billion yen.

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.

End