

ADVANTEST®

79th Ordinary General Meeting of Shareholders

June 23, 2021

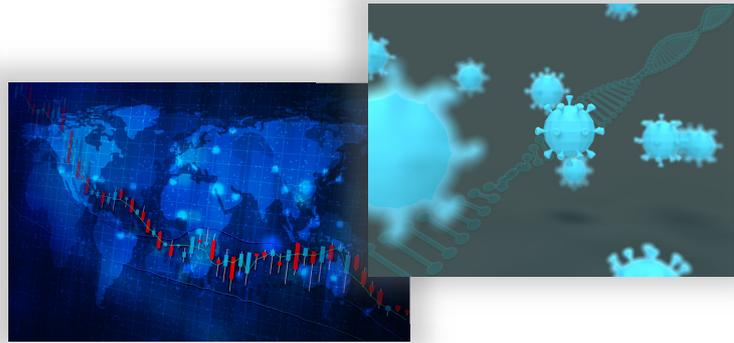
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World Economic Overview

World Economy

COVID-19 PANDEMIC



During fiscal 2020, the global economy was severely impacted by the Covid-19 pandemic. Although efforts were made in each country to balance public health and economic activity in order to save the economy, a historic recession set in, and the pace of recovery remains slow.

Overall Conditions

■ Data centers and game consoles

- The mainstreaming of remote work (WFH) and increased domestic consumption due to Covid-19 restrictions supported firm demand throughout the year.



■ Automotive and industrial equipment

- Market conditions improved from the second half due to the recovery of final-product manufacturing.

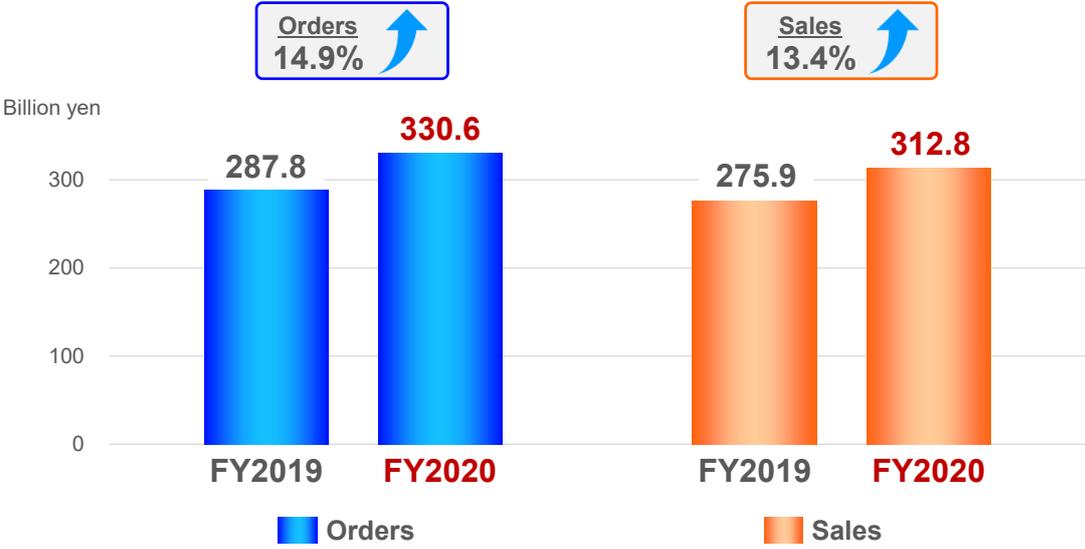


■ Smartphone-related

- Advantest strove to capture the demand for new test equipment that has arisen as a result of competition in handset performance.

In Advantest's core semiconductor test equipment business, the mainstreaming of remote work and increased domestic consumption due to Covid-19 restrictions supported firm demand related to data centers and game consoles throughout the year. In the automotive and industrial equipment markets, demand continued to stagnate from early spring under the influence of lockdowns intended to contain Covid-19, and other restrictions on movement, but market conditions improved from the second half due to the recovery of final-product manufacturing. Meanwhile, in smartphone-related markets, the intensifying friction between the United States and China triggered a significant adjustment in test equipment demand, but Advantest compensated for this impact by striving to capture the demand for new test equipment that has arisen as a result of competition in handset performance. Advantest also endeavored to boost sales of integrated test solutions such as mechatronics business products and system level test business products, amid further advances in semiconductor performance and reliability assurance needs.

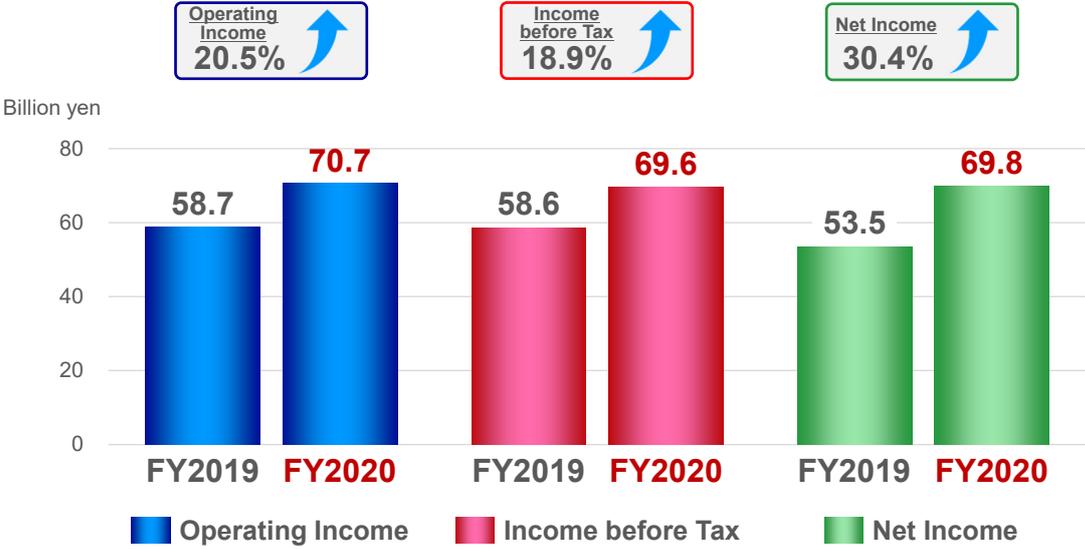
Orders/Sales



As a result, Advantest achieved record-high orders, sales, and net income. This enabled us to achieve all the management targets set under our first medium-term management plan, which covered the three years starting from FY2018.

Orders received for the current consolidated fiscal year were (Y) 330.6 billion (a 14.9% increase in comparison to the previous fiscal year), and sales were (Y) 312.8 billion (a 13.4% increase in comparison to the previous fiscal year).

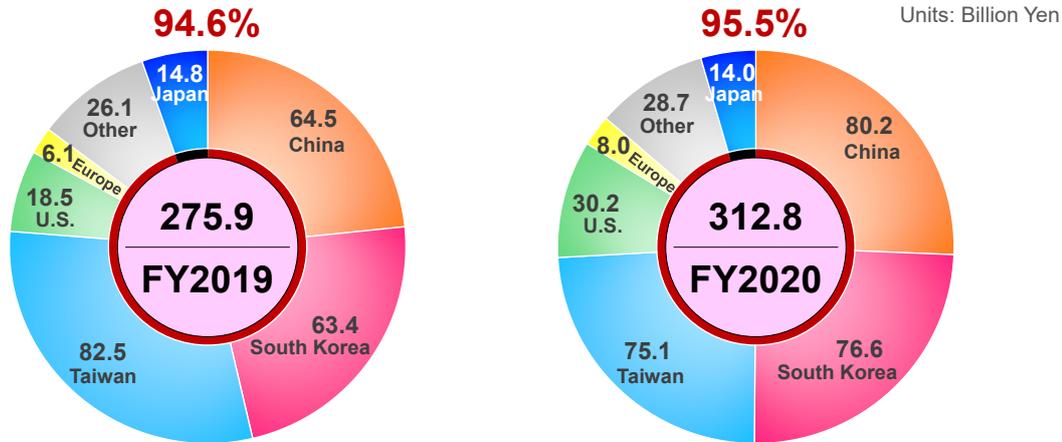
Operating Income, Income Before Tax, and Net Income



In terms of profit, operating income was (Y) 70.7 billion (a 20.5% increase in comparison to the previous fiscal year).

Income before tax was (Y) 69.6 billion (an 18.9% increase in comparison to the previous fiscal year). In addition, with the inclusion of deferred tax assets likely to be realized during a certain fixed period in the future that were recorded in the fourth quarter, net income was (Y) 69.8 billion (a 30.4% increase in comparison to the previous fiscal year).

Overseas Sales Ratio



Average exchange rate	FY2019	FY2020
1 USD	109 JPY	106 JPY
1 EUR	121 JPY	123 JPY

Average currency exchange rates in the current consolidated fiscal year were 1 USD to 106 JPY and 1 EUR to 123 JPY.

The percentage of net sales to overseas customers was 95.5%.

Semiconductor and Component Test System Segment



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Next, I will explain the results of each business segment.

In this segment, the mainstreaming of remote work helped to support a strong demand environment for SoC semiconductors for HPC (High Performance Computing).

In addition, the transition to higher functionality for display driver ICs and image sensors used in new smartphones with improved performance has greatly increased test demand for these types of devices, and contributed to an increase in orders. The movement to secure inventories of automotive and other types of semiconductors, which gathered momentum toward the end of the fiscal year, also boosted orders for SoC semiconductor test equipment.

On the other hand, due to the exacerbation of friction between the United States and China, some SoC semiconductor customers in the smartphone space experienced a significant demand adjustment over last summer, which somewhat depressed profit in this segment.

Sales of test equipment for memory semiconductors remained high amidst growing test demand for memory semiconductors for data servers and game consoles.

Semiconductor and Component Test System Segment



As a result, orders received for this segment were (Y) 227.2 billion (an 18.0% increase from the previous fiscal year), net sales were (Y) 207.2 billion (a 5.1% increase from the previous fiscal year), and segment income was (Y) 61.6 billion (a 5.4% decrease from the previous fiscal year).

Mechatronics System Segment



HIFIX
Device Interface



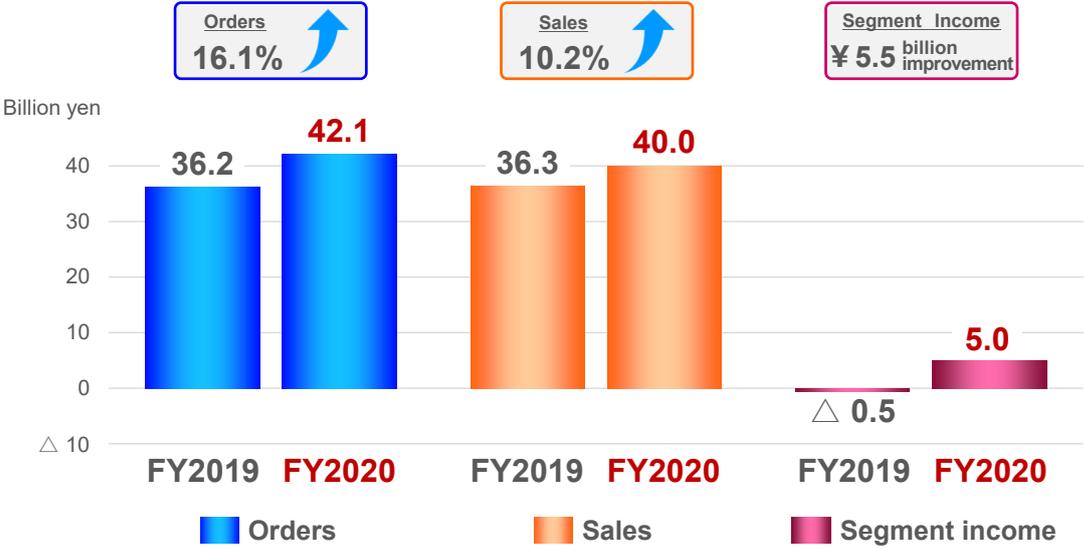
M6242A
Test Handler

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In this segment, sales of device and interface products that closely track demand for test equipment for memory semiconductors grew in step with memory test equipment sales. In addition, a one-time gain on the transfer of Advantest's probe card business of approximately (Y) 2.5 billion was recorded as part of this segment's profit.

Mechatronics System Segment



As a result, orders received for this segment were (Y) 42.1 billion (a 16.1% increase from the previous fiscal year), net sales were (Y) 40.0 billion (a 10.2% increase from the previous fiscal year), and segment income was (Y) 5 billion (an increase of (Y) 5.5 billion yen from the previous fiscal year).

Services, Support, and Others Segment



**Field Service
Global Support**



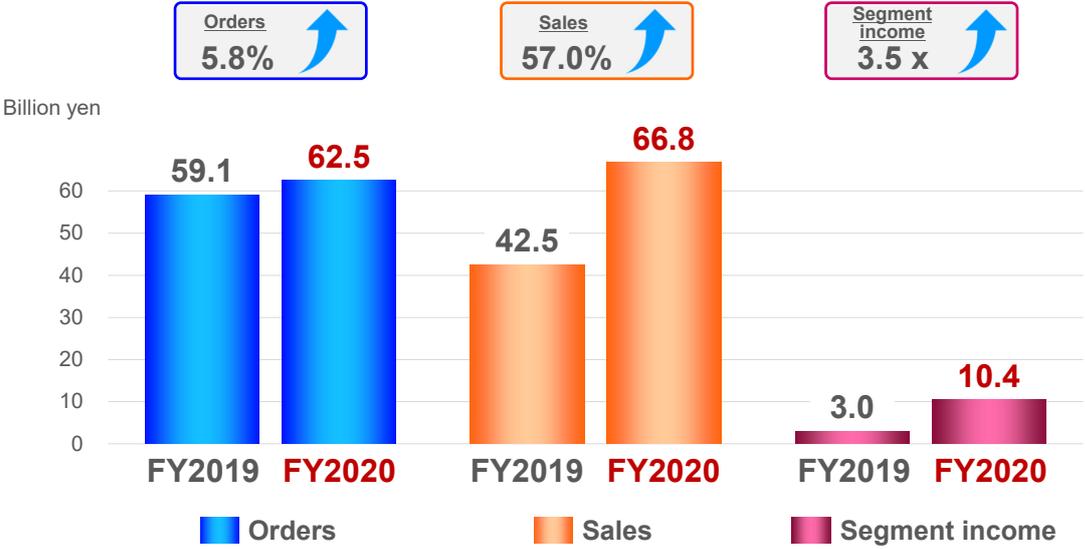
**ATS5xxx series
System Level Test**

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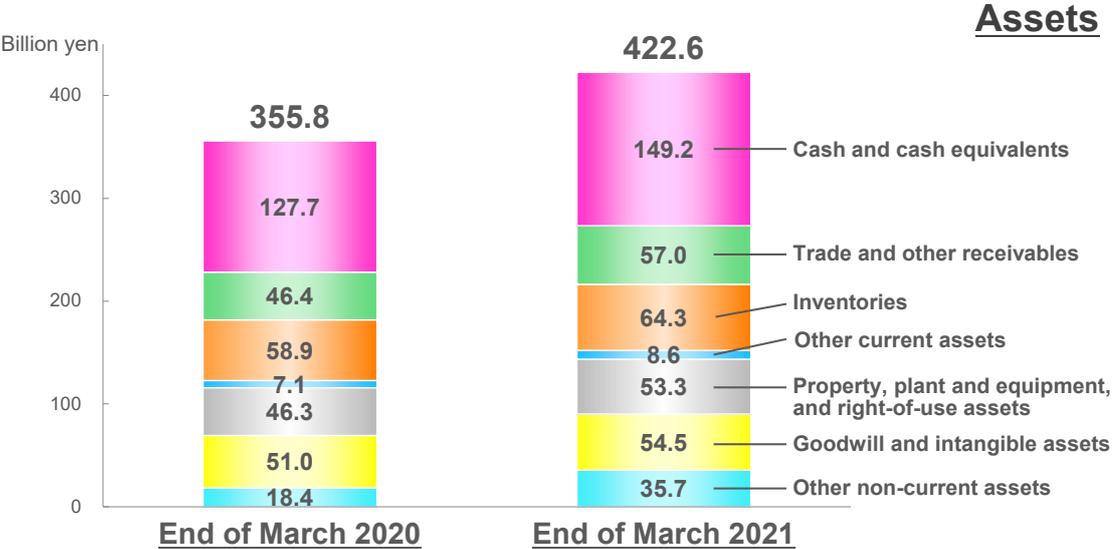
In this segment, demand for Advantest's services remained strong against the backdrop of the robust semiconductor market. In addition, Advantest's acquisition of Essai, Inc., in January 2020 boosted segment sales due to the effect of consolidation. Furthermore, market needs for semiconductors with better performance and reliability raised demand for various system level test equipment, including Essai's product, contributing to a significant increase in sales.

Services, Support, and Others Segment



As a result, orders received for this segment were (Y) 62.5 billion (a 5.8% increase from the previous fiscal year), net sales were (Y) 66.8 billion (a 57.0% increase from the previous fiscal year), and segment income was (Y) 10.4 billion (3.5 times segment income in the previous fiscal year).

Consolidated Statements of Financial Position

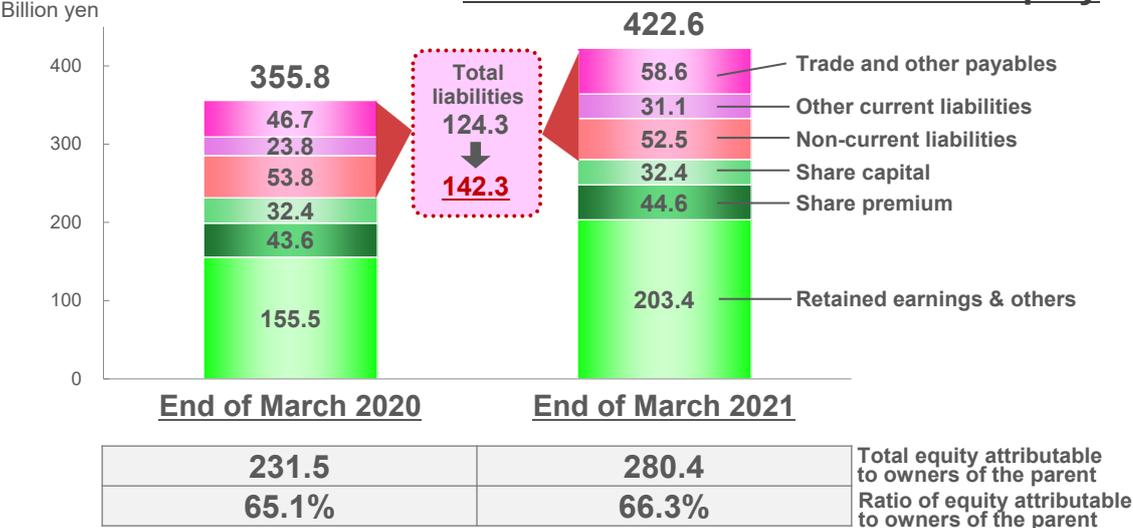


Next, I will present our consolidated statements of financial position, which are shown on page 54 of the Convocation Notice.

Total assets at the end of fiscal 2020 were (Y) 422.6 billion, an increase of (Y) 66.9 billion from the previous fiscal year. Advantest repurchased about (Y) 14 billion worth of shares in FY2020, but due to growth in business performance, cash and cash equivalents nevertheless increased by (Y) 21.5 billion. Moreover, we also posted increases of (Y) 10.6 billion in trade and other receivables, (Y) 9.9 billion in deferred tax assets, (Y) 7.3 billion in other financial assets, and (Y) 6.5 billion in property, plant, and equipment.

Consolidated Statements of Financial Position

Liabilities and Stockholders' Equity



Total liabilities were (Y) 142.3 billion, an increase of (Y) 17.9 billion from the end of the previous fiscal year, primarily due to an increase of (Y) 11.9 billion in trade and other payables. Total equity was (Y) 280.4 billion. The ratio of equity attributable to owners of the parent was 66.3%, an increase of 1.2 percentage points from the end of the previous fiscal year.

Shareholder Returns for 79th Term

Interim dividend ¥38 per share

Year-end dividend ¥80 per share
(Ordinary dividend ¥70)
(Commemorative dividend ¥10)

Annual dividend ¥118 per share

At the Board of Directors meeting held on May 21, 2021, a dividend of 80 yen per share, including a commemorative dividend of 10 yen, was approved as the year-end dividend for the 79th term. Dividend-related documents were sent out together with the convocation notice for this meeting.

Together with the interim dividend, the total annual dividend will be 118 yen per share.

This completes the overview of the matters to be reported.



Future Challenges & Opportunities

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Now that we have reviewed the matters to be reported, I would like to explain the challenges and opportunities that lie ahead for Advantest.

Results of Mid-Term Management Plan "MTP1" (FY2018-2020)

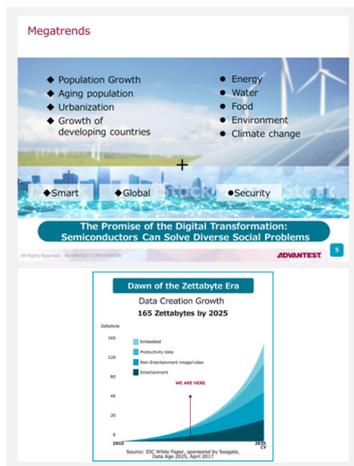
Results significantly exceeded all MTP1 numerical key management metrics

	FY2015-17 Average	MTP1 Numerical Targets		MTP1 Results			
		Targets (FY2018-20 Average) Conservative	Base	FY2018 Results	FY2019 Results	FY2020 Results	FY2018-20 Average
Sales	¥175.1B	¥230.0B	¥250.0B	¥282.5B	¥275.9B	¥312.8B	¥290.4B
Operating Margin	9%	15%	17%	22.9%	21.3%	22.6%	22.3%
ROE	12%	15%	18%	35.3%	24.9%	27.3%	29.1%
EPS	¥74	¥135	¥170	¥302	¥270	¥354	¥309

Regarding our first three-year mid-term management plan, MTP1 (FY2018-FY2020), we were able to achieve results that far exceeded the targets set forth in the plan's base scenario three years ago, across all metrics.

External Environment and Socioeconomic Megatrends

View at the time of MTP1 announcement (Apr. 2018)



View at present (May 2021)

- I Overall, these megatrends are continuing**
 - Population growth is slowing
 - Environmental and climate change are accelerating, while responses are being strengthened
- I Smart, Global, Security**
 - Reactions against globalization: Geopolitical risks
Decoupling, Economic nationalism
 - Post-COVID transformation of society: Increasing security risks
- I Explosive growth in data volumes is continuing and accelerating**
- I Progress and acceleration of the digital transformation, solving diverse problems using semiconductors**
- I Critiques of capitalism are gaining momentum**
 - Stakeholder capitalism
 - Influence of millennials/Gen Z and their focus on environmental issues

Three years ago, when formulating our Grand Design mid/long term management plan, we examined socioeconomic megatrends and their potential impact on our business, and considered mid- to long-term strategies based on them.

Three years have passed, and since then, these megatrends have developed more or less as expected overall, but major changes, such as sharpening friction between the United States and China, and the impact of the global COVID-19 response, which were not initially expected, have also occurred, causing uncertainty to increase and risks to diversify.

We have also seen movements such as the reaction against globalism and the push for stakeholder capitalism, which call for a reexamination of values previously thought to be unquestionable.

Grand Design Update

Corporate Purpose & Mission

Enabling Leading-Edge Technologies

Vision Statement

Adding Customer Value in an Evolving Semiconductor Value Chain

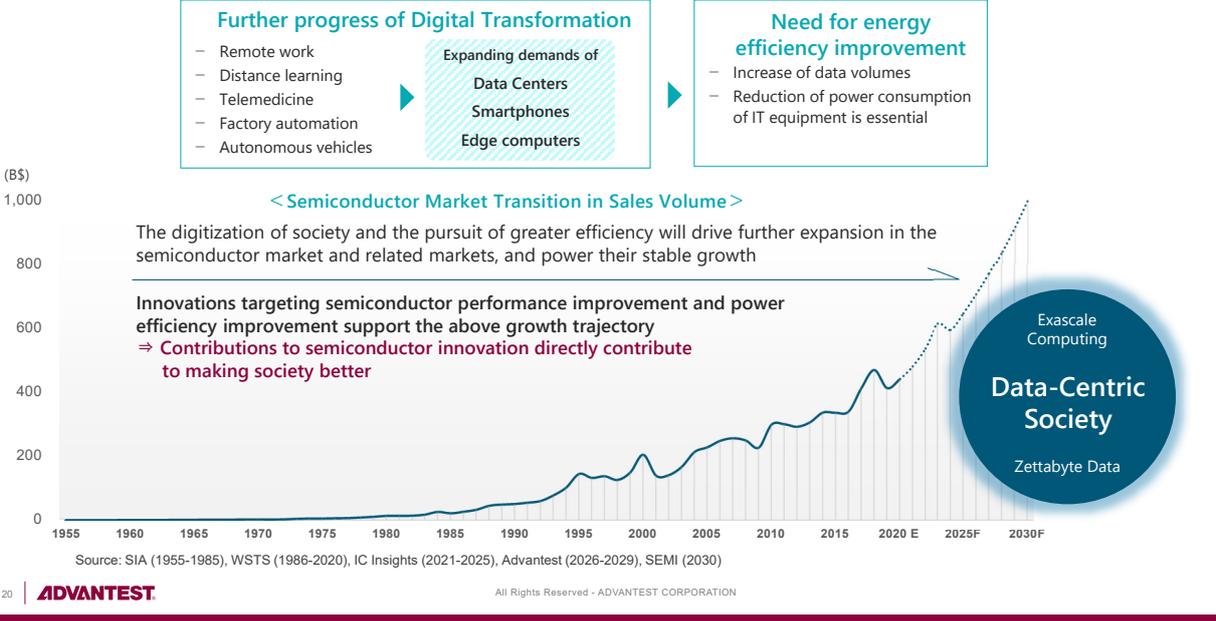
Strategies

- 1 Reinforce Core Businesses, Invest Strategically
- 2 Seek Operational Excellence
- 3 Explore Value to Reach a Higher Level
- 4 Pioneer New Business Fields
- 5 Enhance ESG initiatives

**Based on our external environment outlook, we have added a fifth strategic issue, while adhering to our existing basic policy
Contributing to humanity's sustainable future through our business activities**

As a result of reexamining our Grand Design in light of these megatrends, social conditions, and forecasts for the external environment surrounding the company, we have decided to add "Further enhancement our ESG initiatives" as the fifth strategy while maintaining the existing basic policy.

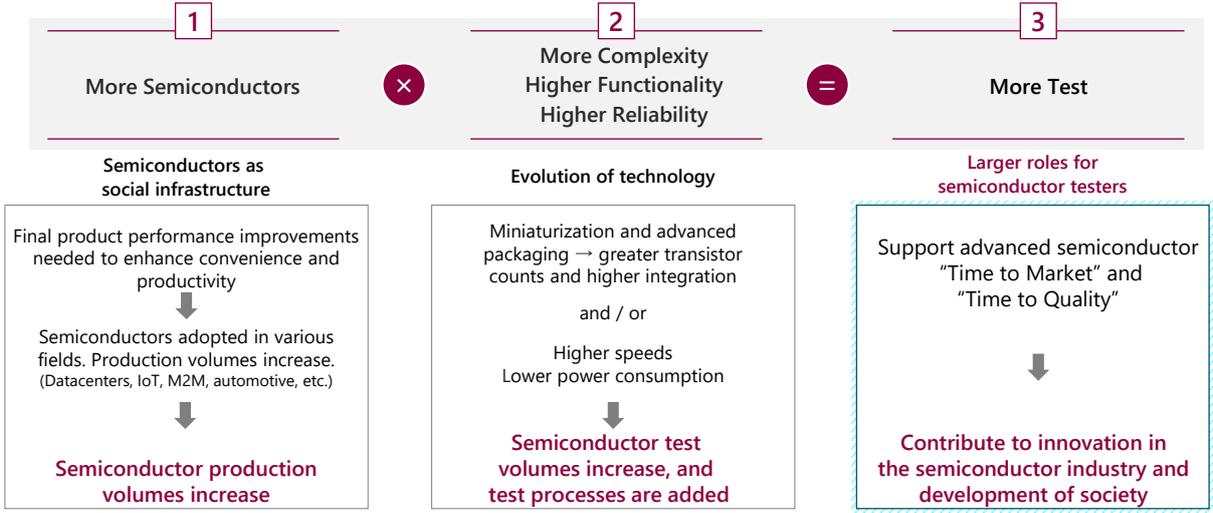
The Future Importance of Semiconductors



I will now explain our second Mid-Term Management Plan (FY2021-FY2023).

In the future, as the digital transformation progresses, the semiconductor market will grow further over the medium- to long-term as a result of significantly increasing data traffic, and technological evolution further improving the performance of individual semiconductors.

Semiconductor Testers and Their Role



As you can see, semiconductor production volumes will continue to increase as the semiconductor market continues to grow.

In addition, technological evolution of semiconductors will generate increasing complexity that drives needs for more test and stronger quality assurance.

The synergistic effects of increasing semiconductor unit volumes and greater per-chip test needs will boost demand for semiconductor test.

Second Mid-Term Management Plan

Newly-set MTP2 targets are based on MTP1 progress and our mid-term tester market forecast

Our Grand Design goal of ¥400B in sales will remain, but we aim for early achievement

	MTP1		MTP2		Grand Design Goal
	1USD=109JPY		Exchange rate assumption: 1USD=105JPY		
	FY2017 Actual	FY2018-20	FY2021-23 (Forecast)		FY2027 or earlier
		Tester market CAGR: 9% (vs CY17)	CAGR 7% Case (vs MTP1 Avg.)	CAGR 8% Case (vs MTP1 Avg.)	
Tester Market	Approx. \$ 3.0B CY17	Approx. \$ 3.8B (CY basis, 3-year Avg.)	Approx. \$ 4.6B (CY basis, 3-year Avg.)	Approx. \$ 4.8B (CY basis, 3-year Avg.)	> \$ 5.0B
Advantest Share	36% CY17	50% (CY basis, 3-year Avg.)	> 50% (CY basis, 3-year Avg.)	> 50% (CY basis, 3-year Avg.)	> 50%
Sales	¥207.2B	¥290.4B	¥350B	¥380B	> ¥400B
Core businesses	—	¥272.4B	¥315B	¥340B	> ¥340B
New businesses (e.g. SLT)	—	¥18.0B	¥35B	¥40B	¥60B

The abovementioned expectations and business environment outlook are factored into our second mid-term management plan (MTP2), which aims for a further leap toward achieving the final goal of our Grand Design.

Regarding market share, we have already exceeded our long-term target of 47%, so we will aim for 50% or more in the future.

Mid-Term Plan 2: Financial Targets

	Targets of MTP1 Base Scenario, Avg. of FY2018-20	MTP1 Results Avg. of FY2018-20	Targets of MTP2 ^{*2} Avg. of FY2021-23
Sales	¥250.0B	¥290.4B	¥350-380B
Operating Margin	17%	22.3% ^{*1}	23-25%
Net Income	—	¥60.1B	¥62-70B
ROE	18%	29.1%	20% or more
EPS	¥170	¥309	¥320-370

*1. In MTP1 period, Advantest recorded one-off profit of approximately 12 billion yen

*2. FY2021-23 financial targets are based on exchange rate assumptions of 105 yen to the US dollar

These are the numerical management metrics for MTP2.

Sales: ¥350-380 billion

Operating profit margin: 23-25%

Net income: ¥62-70 billion

ROE: 20% or greater

Earnings per share: ¥320-370

Mid-Term Plan 2: Growth Investments & Shareholder Returns

While prioritizing active investments, expand shareholder returns

Strategic Investment in M&A, etc.

- Search for good targets with potential synergies in areas that will lead to strengthening our end-to-end test solutions
- Additionally, execute initiatives in line with mid/long-term strategy such as ramping up new businesses

Capital Expenditures

- Mainly for improving development & production capabilities and work efficiency to strengthen growth foundation, as well as employee engagement

	FY2018-20 Result	FY2021-23 Investment Targets
Strategic Investments e.g. M&A	¥47.7B	¥100B
Capital Expenditure	¥30.2B	¥40B

Revised Shareholder Return Policy

- Our dividend payout model shall be revised from the performance-linked semi-annual dividend payout ratio of 30% to a minimum amount of ¥50 per share semi-annually and ¥100 per share annually, with the goal of ensuring stable and continuous dividends
- Our target is a total annual return ratio* of 50% or more, including share buybacks.

(However, there is a possibility that we may not be able to disburse the targeted level of shareholder returns due to the occurrence of investment growth opportunities that require more funds than expected, and / or the deterioration of business performance due to changes in our market environment.)



	FY2018-20	FY2021-23 (estimate)
Shareholder Returns (Dividend + Share buybacks)	¥61.7B	¥150B or more

*Total return ratio: (Dividend amount + Share buybacks)/consolidated net income

In terms of growth investments and shareholder returns, we anticipate using the cumulative operating cash flow expected during the MTP2 period, as well as existing excess cash on hand, as sources of funding.

Regarding growth investments, we plan to use ¥100 billion for M&A and other purposes, and ¥40 billion for capital investment during the MTP2 period.

Regarding shareholder returns, on the premise of stable business performance during the MTP2 period, we will change our return policy from the semi-annual dividend payout ratio of 30% to a minimum amount of ¥50 per share semi-annually and ¥100 per share annually.

Our target is a full-year total annual return ratio of 50% or more. We will strive to strengthen shareholder returns through dividends and share repurchases and improve capital efficiency.

Further Enhancement of ESG Initiatives

By balancing our activities along three axes, we enhance each activity and continuously increase future profits (cash flows)

1 Value from Shareholder Perspective

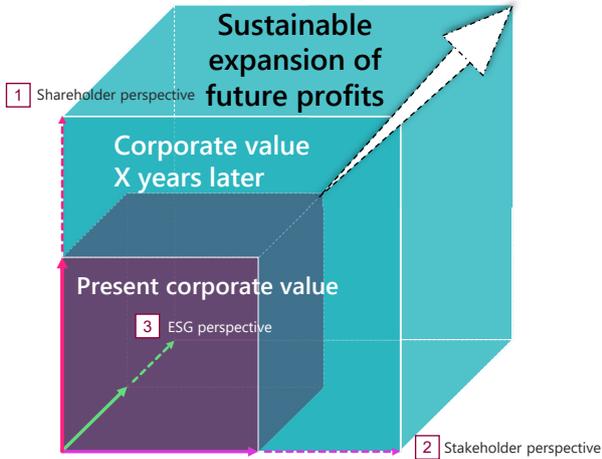
- ROE - EPS
- ROIC

2 Value from Stakeholder Perspective

- Increase customer value
- Partnership with supply chain
- Employee engagement through human resource development & training

3 Value from ESG Perspective

- Response to climate change
- Diversity and inclusion
- Protection and respect for human rights
- Fair trade
- Relevance to future generations



Finally, I would like to explain our plans for further enhancement of ESG initiatives.

First of all, as shown in the graph, we believe it is necessary to pursue the three axes of shareholder value, stakeholder value, and ESG value in a well-balanced manner so as to improve corporate value.

We believe that further enhancement of ESG initiatives in pursuit of ESG value, which is one of these three axes, will give important support to the sustainable growth of future profits.

To that end, we will also strengthen the sustainability element of our human capital policy by, for instance, promoting respect for human rights and strengthening the development and enrichment of our human resources, in parallel with strengthening our climate change response.

Please refer to our website for further details of the second Mid-Term Management Plan.

I would like to close by asking for the continued understanding and support of our shareholders as we tackle these future challenges and opportunities, with a view to further increasing corporate value.

NOTE

Accounting Standards

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

Cautionary Statement with Respect to Forward-Looking Statements

– This presentation 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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