

ADVANTEST CORPORATION

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Advantest Announces Formulation of the Third Mid-term Management Plan (FY2024-FY2026)

Tokyo – June 25, 2024 – Advantest Corporation has announced its refreshed “Grand Design” and the newly formulated third mid-term management plan (FY2024-FY2026).

In FY2018, Advantest formulated a 10-year medium- to long-term management policy (FY2018-FY2027), the “Grand Design,” which defined the commitments and strategies needed for Advantest to fully strive as a company that embodies its corporate mission & purpose of “Enabling Leading-edge Technologies.” Since then, in order to embody the vision described in the “Grand Design”, Advantest has executed on two mid-term management plans: the first mid-term management plan (MTP1, FY2018-FY2020), and the second mid-term management plan (MTP2, FY2021-FY2023), under which Advantest has successfully enhanced its business volume.

The semiconductor market and the semiconductor test market are generally moving in the direction Advantest anticipated in 2018, when the “Grand Design” was formulated. However, if we look to the future, as reflected by the current rapid spread of generative AI, the semiconductor and electronics-related industries continue to evolve dynamically. In addition, the sustainability-related issues to which Advantest must respond will require additional focus and effort at a more rapid pace than Advantest has assumed in the past. Accordingly, Advantest has determined that our management policy based on a longer-term perspective is necessary to achieve further growth in the future. For this reason, Advantest has extended the time frame of the “Grand Design” and updated it to reflect the changes in our management structure and business initiatives to date, and the latest long-term business environment outlook.

In addition, we have formulated the third mid-term management plan (FY2024-FY2026) based on the refreshed Grand Design.

1. Grand Design (Refreshed in FY2024)

Advantest has reviewed how we can continue to be of greatest value to our customers and society, based on our latest long-term business environment forecast. As a result of this review, Advantest has renewed its vision statement, which describes what Advantest wants to be in the future. In addition, Advantest has further defined the economic and social values that it should represent to its major stakeholders, and has decided to pursue enhancing those values as its long-term management goal.

[Vision Statement]

Be the most trusted and valued test solution company in the semiconductor value chain

By expanding the economic and social benefits it provides, Advantest aims to become the most trusted and valued test solution company in the semiconductor value chain for all its stakeholders.

[Long-term management goals]

Semiconductors will be essential for the realization of a sustainable society and the development of various industries. In fact, almost all of Advantest’s businesses are related to the realization and diffusion of semiconductors with superior performance. Therefore, Advantest believes that developing business activities based on its purpose & mission and contributing to the development and diffusion of semiconductors with superior performance will continue to directly contribute to a “safer, more secure and more comfortable” society while realizing its own sustainable growth.

Reflecting these ideas and based on the medium- to long-term management policy of the “Grand Design,” Advantest will strive to expand its economic and social value by promoting initiatives that lead to a sustainable society while focusing on solving customer issues including the increasing

complexity in semiconductor testing. Through these efforts, Advantest aims to expand the economic and social value it provides to each stakeholders in a multifaceted and well-balanced manner.

2. Outline of the Third Mid-term Management Plan (MTP3, FY2024-FY2026)

Advantest expects that the semiconductor test-related market to continue to grow in the medium- to long-term, while factoring in short-term down cycles, and its cyclical growth structure will persist during MTP3 period. Although the current adjustment in the semiconductor test-related market is not yet complete, Advantest expects that the market to return to a “cyclically-up” trend from FY2024 onwards. In addition, Advantest believes that its business opportunities will expand over the medium- to long-term as the semiconductor market expands and the industry faces the structural challenges of dealing with the complexity of semiconductors. In such an industry landscape, Advantest will strive to expand the value it provides to stakeholders over the medium- to long-term by pursuing the following four strategies in line with the updated vision statement.

[Strategies]

1. Outpace the growth in our core market

In line with its growth strategy, Advantest has expanded its business domains year by year. As a result, in the past, the semiconductor tester (ATE) market has overwhelmingly been the main market that Advantest focused on. However, from MTP3 onwards, while ATE will remain the central axis, Advantest will aim for further growth based on a larger footprint enabled by past efforts it has made related to that axis. In this expanded core market, Advantest expects future growth opportunities to arise from increased semiconductor production volume, higher performance semiconductors, and the increasing complexity of semiconductors. To address these opportunities, Advantest will not only improve the performance of individual test solutions, but also create new value for its customers through “Automation of Test,” – specifically, by improving the efficiency of semiconductor testing, by organically integrating its diverse portfolio of products and solutions, and by collaborating with external partners. Through these efforts, Advantest will continue to grow faster than its core market.

2. Expand adjacently / new businesses

As semiconductors continue to become more high-performance and complex, there is a demand for broader and more integrated test solutions. Advantest has been expanding its business into system level test and test peripherals, and will continue this initiative to further increase the value it provides to customers. More specifically, Advantest will work to leverage its installed base of products to promote its field services and Advantest Cloud Solutions™ and Applied Research & Venture Team to create business opportunities.

3. Drive operational excellence

Advantest has already transitioned to a CxO structure in which the CxOs, including the Chief Technology Officer, are in charge of all operations in the entire group. Advantest will continue to solve testing issues in the semiconductor industry by leveraging in-house technology on a cross-functional basis under the strong ownership of each CxO. In addition to the above, to become a company that is valuable to all of the stakeholders, Advantest believes that it needs to improve not only the excellence of its products and technologies, but also the efficiency and effectiveness of all of its operations. To this end, Advantest is committed to accelerating internal operation and streamlining manpower by using DX (digital transformation), building a resilient supply chain, strengthening our human capital through recruiting competent talents and expanding employee training, and improving internal productivity through the use of AI and data analytics.

4. Enhance Sustainability

Advantest's long-term management goal is to enhance the value it provides to its stakeholders in a well-balanced and multifaceted manner. Advantest will further strengthen its foundation for enhancing corporate value through proactive and positive action on sustainability issues such as climate change and human rights, the execution of responsible business activities, including legal compliance and adherence to ethical business practices, and the reinforcement of risk management and enhancement of corporate governance, to earn greater trust from each stakeholder. Ultimately, Advantest hope to contribute to sustainability, i.e., to meet the needs of the present without compromising the ability of future generations to meet their own needs. Advantest will also strive to cultivate and instill a common culture and shared values within the company, as these are the starting point for promoting initiatives

related to sustainability.

[Targeted management metrics]

In MTP3, Advantest will strive to enhance its corporate value by increasing sales, improving profitability, and improving capital efficiency through the above four strategies. Given this framework, the management metrics that are emphasized in MTP3 are sales, operating profit margin, net income, return on invested capital (ROIC), and EPS. Advantest has been endeavoring to grow all these numbers. In order to evaluate the progress of the plan from a medium- to long-term perspective, Advantest uses three-year averages to level the impact of industry cycles.

	MTP2 results (FY2021-23 Avg.)	MTP3 targets* ¹ (FY2024-26 Avg.)
Sales	¥487.9B	¥560-700B
Operating profit margin	24.7%	22-28%
Net income	¥93.3B	¥93-147B
Return on Invested Capital* ² (ROIC)	21.2%	18-28%
EPS	¥124	¥127-202

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

*2 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.

[Cost / Profit Structure]

Advantest will work to improve its gross profit margin through measures such as increasing sales and development of superior test solutions as well as optimizing supply chain management and manufacturing operations. Advantest will also actively invest in areas that will be the source of sustainable value creation, for instance by means of R&D investment and investment in human capital. At the same time, we will strive to continuously improve our profit structure by implementing measures to increase management efficiency and operational productivity, such as DX. On the other hand, there is a high degree of future uncertainties in the global economy and market conditions. Advantest will strive to achieve these management goals by carrying out flexible financial management in line with changes in the business environment.

[Capital Policy & Shareholder Returns]

Advantest has set its capital policy to prioritize business investment for growth such as R&D, facility enhancements, and M&A. In order to strengthen the company's ability to generate cash in the future in line with the long-term semiconductor market expansion and further semiconductor performance gains, Advantest will allocate cumulative operating cash flow (before deducting R&D expenses) of ¥600 billion or more, expected during MTP3 period, to investments in organic and non-organic growth in its core businesses and the acceleration of business expansion into adjacent markets. Advantest will also be flexible in utilization of liabilities (debt) from the viewpoint of balance sheet management that considers both capital efficiency and capital cost. In addition, Advantest ensures an appropriate capital structure with maintaining financial soundness in order to strengthen its business position and enhance its corporate value.

The shareholder return that is in congruence with MTP3 for the three years starting from April 1, 2024, under the premise of stable business environment, is set to make stable and continuous dividend with a minimum amount of ¥30 per share for annual. In addition to dividends, Advantest has set a target to achieve a cumulative total return ratio* of 50% or more, including share repurchase, over the three years of MTP3.

Advantest estimates that its cash on hand will range between ¥100-120 billion in normal times. When surplus cash arises beyond that which is needed for investments and cash for working capital, Advantest will return it to shareholders via dividend and share repurchase.

*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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