Advantest Announces Second Mid-Term Management Plan (FY2021-FY2023)

Tokyo – May 21, 2021 – Advantest Corporation has announced its newly formulated Second Mid-Term Management Plan (FY2021-FY2023).

In FY2018, Advantest formulated a 10-year mid- to long-term management policy, its “Grand Design,” which defines the commitments and strategies needed for Advantest to continue to be a company that embodies its corporate mission of “enabling leading-edge technology.” At the same time as the Grand Design, the company formulated its first three-year mid-term management plan (FY2018-FY2020) (MTP1) to achieve the goals of the Grand Design, and has since executed the strategies MPT1 called for.

MTP1 was successfully completed in FY2020 with results exceeding all management targets. Based on these achievements, Advantest has now updated its Grand Design and newly formulated its second mid-term management plan (FY2021-FY2023) (MTP2). Under MTP2, Advantest aims to make a further leap forward in order to secure its progress toward achieving the goals of the Grand Design.

1. Grand Design (10 years) (FY2018-FY2027)

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

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

Previously, Advantest set the final goal of the Grand Design at ¥300B - ¥400B in annual sales, but the company has now revised this target upward, as the lower limit of the target range was already reached in FY2020. In addition, Advantest originally planned to achieve this goal in FY2027, but will now aim for it to be achieved earlier, based on the progress of the company’s business performance and future business outlook.

<Strategy>
Advantest is expanding its business domains beyond the development and sales of semiconductor volume production test systems to also include adjacent markets such as semiconductor design / evaluation processes and product / system level test processes, which are performed before and after semiconductor volume production processes, with the aim of expanding and growing corporate value.

To achieve the above, Advantest will engage with five strategic issues: reinforce core businesses, invest strategically; seek operational excellence; explore value to reach a higher level; pioneer new business fields; and further promote ESG initiatives.
2. Summary of First Mid-Term Management Plan (MTP1, FY2018-FY2020)

<Status of targeted management metrics>

<table>
<thead>
<tr>
<th></th>
<th>FY2018-FY2020 average</th>
<th>FY2018-FY2020 average</th>
<th>FY2018-FY2020 (Results)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Conservative case</td>
<td>Base scenario</td>
<td></td>
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<tr>
<td>Sales</td>
<td>¥230.0B</td>
<td>¥250.0B</td>
<td>¥290.4B</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>15%</td>
<td>17%</td>
<td>22%</td>
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<tr>
<td>Return on Equity (ROE)</td>
<td>15%</td>
<td>18%</td>
<td>29%</td>
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<tr>
<td>Earnings per share (EPS)</td>
<td>¥135</td>
<td>¥170</td>
<td>¥309</td>
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Amid the expansion of the semiconductor market and the semiconductor tester market spurred by the progress of the digital revolution, Advantest’s market share expanded faster than expected (overall market share in 2017 was about 36%, while average overall market share from 2018 to 2020 was about 50%), and businesses acquired through M&A made rapid contributions to business performance. As a result, all metrics exceeded the targets set under the base scenario of MPT1.

3. Outline of Second Mid-Term Management Plan (MTP2, FY2021-FY2023)

<Targeted management metrics>
Under MTP2, Advantest will promote efforts to strengthen its business for further growth, expand growth investment as well as shareholder returns, and strive to increase corporate value. Given this framework, the management metrics that are emphasized in MTP2 are sales, operating margin, net income, return on equity attributable to owners of the parent (ROE), and earnings per share (EPS). Advantest will endeavor to grow all these numbers. In order to evaluate the progress of the plan from a mid/long-term perspective, the company will use three-year averages so as to minimize the impact of single-year performance fluctuations.

The numerical targets for MTP2 are as follows:

<table>
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<tr>
<th></th>
<th>FY2021-FY2023 average</th>
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<tbody>
<tr>
<td>Sales</td>
<td>¥350-380B</td>
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<tr>
<td>Operating Margin</td>
<td>23-25%</td>
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<tr>
<td>Net Income</td>
<td>¥62-70B</td>
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<tr>
<td>Return on Equity (ROE)</td>
<td>20% or more</td>
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<tr>
<td>Earnings per share (EPS)</td>
<td>¥320-370</td>
</tr>
</tbody>
</table>

※ These predictions assume an exchange rate of 1 USD = 105 JPY.

<Key Measures>
- Semiconductor & Component Test System Business Segment
  - Capture the expanding demand for test equipment for smartphone-related SoC semiconductors and HPC (high performance computing) devices by leveraging the strengths of the new V93000 EXA Scale
  - Establish a leading position in test for millimeter-wave related devices, a sector that will enter full-scale growth from 2022 onwards
  - Maintain a strong business foundation for DRAM and non-volatile memory device test
- Mechatronics Business Segment
  - Expand sales opportunities by providing test cell environments that deliver better test quality
- Services & Other Business Segment
  - As demand for system level testing (SLT) increases, win more customers in mobile, HPC, memory / storage, etc. In addition, expand recurring business for SLT consumables
  - Promote the search for an innovative business model in the data analytics field, one of Advantest’s new business areas

<Cost / profit structure>
As part of Advantest’s quest to increase corporate value, the company will maintain its high level of R&D investment, which is the source of its growth. At the same time, it will improve SG&A efficiency and profitability by seeking operational efficiency gains.

<Capital policy, capital allocation, shareholder returns>
Advantest’s capital policy under MTP2 will prioritize business investments for growth while flexibly utilizing liabilities (debt) from a balance sheet management perspective that considers both capital efficiency and cost of capital. Furthermore, the company’s policy is to maintain financial soundness and establish an appropriate capital structure to strengthen the foundations of its business and create sustainable corporate value. As a measure of financial soundness, Advantest seeks a shareholders’ equity ratio of 50% or more, and for capital efficiency, ROE of 20% or more.

In terms of resources for growth investment and shareholder returns, Advantest anticipates a cumulative operating cash flow of ¥220 billion yen or more during the MTP2 period, and expects to utilize the excess after periodic reviews of cash on hand levels. The company’s growth investment target will be ¥100 billion for strategic investments such as M&A, and ¥40 billion for capital investments, to be spent cumulatively over the MTP2 period. Regarding shareholder returns, Advantest will change its dividend policy from a semi-annual dividend payout ratio of 30% to a minimum semi-annual dividend of ¥50 per share and a minimum annual dividend of ¥100 yen per share. The company has set the target to achieve a total annual return ratio of 50% or more, enhance shareholder returns through dividends and share repurchases, and improve capital efficiency.

<Further promotion of ESG initiatives>
Advantest will commit to helping to solve social issues and contributing to humanity’s sustainable future through its business activities. In this context, with respect to corporate governance, which is the basis for its own sustainability, the company will strengthen earning power through the enhancement of management and execution systems as well as establishment and operation of succession plans. At the same time, Advantest will work on sustainability factors related to human capital, such as respect for human rights and human resource development and education, and strengthen its response to climate change.

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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