

**ADVANTEST®**

# **81<sup>st</sup> Ordinary General Meeting of Shareholders**

June 27, 2023

**ADVANTEST CORPORATION**

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I would like to start by giving a business report for this past fiscal year.

# Global Economic Overview FY2022



**Rising global  
inflation**

**Deepening  
concerns about  
global recession**



First, an overview of our business environment.

In fiscal 2022, the global economy suffered from worldwide inflation due to higher resource prices driven by heightened geopolitical risks as well as supply chain disruptions caused by COVID-19 restrictions.

Mainly in Western countries, policymakers responded with interest rate hikes, and as 2023 opened, news of financial instability emerged from the United States, further heightening recessionary concerns.

## The Semiconductor Market in FY2022

- Demand for semiconductors for cornerstone consumer electronics such as smartphones, personal computers, and TVs declined
- Related semiconductor manufacturers adjusted their inventories and revised their CapEx plans
- Semiconductors for automotive and industrial equipment continued to be in short supply
- Overall, existing trends continued, but with a stronger sense of deceleration



The semiconductor market saw a decline in demand for chips used in cornerstone consumer electronics products such as smartphones, personal computers and televisions, and from mid-2022, semiconductor manufacturers increasingly took steps to adjust inventories and revise their CapEx plans.

On the other hand, shortages of certain automotive and industrial semiconductors continued. Despite this patchy demand picture, the decline of the semiconductor market overall gradually accelerated.

## Our Semiconductor Test Equipment Business in FY2022

- ▶ Despite lagging demand for semiconductors for consumer electronics, increased demand for test spurred by semiconductor performance gains compensated for the decline.
- ▶ Parts procurement difficulties seen in the previous fiscal year continued through the third quarter of FY2022.



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Advantest's semiconductor test equipment sales were also affected by the decline in demand for chips used in consumer electronics. Rising demand for our products against the backdrop of higher semiconductor performance compensated for the demand decline caused by reduced production volumes of consumer devices. However, parts shortages and logistical dislocations affected a wide range of supply chains, and our difficulties in procuring needed parts continued from the previous fiscal year through the third quarter.

Under these circumstances, Advantest responded by reinforcing our strategic procurement capabilities and adjusting our production plans in order to meet customer delivery date requirements as closely as possible, while tailoring our efforts to the relative strength and weakness of test demand for various types of semiconductors, and achieved our sales target through these efforts.

## FY2022 Results Summary

	FY2022 Results	vs. FY2021
<b>Sales</b>	<b>¥560.2B</b>	<b>+34.4%</b>
<b>Operating Income</b>	<b>¥167.7B</b>	<b>+46.2%</b>
<b>Income Before Tax</b>	<b>¥171.3B</b>	<b>+47.2%</b>
<b>Net Income</b>	<b>¥130.4B</b>	<b>+49.4%</b>

**All the above results reached record highs on a consolidated fiscal year basis.**

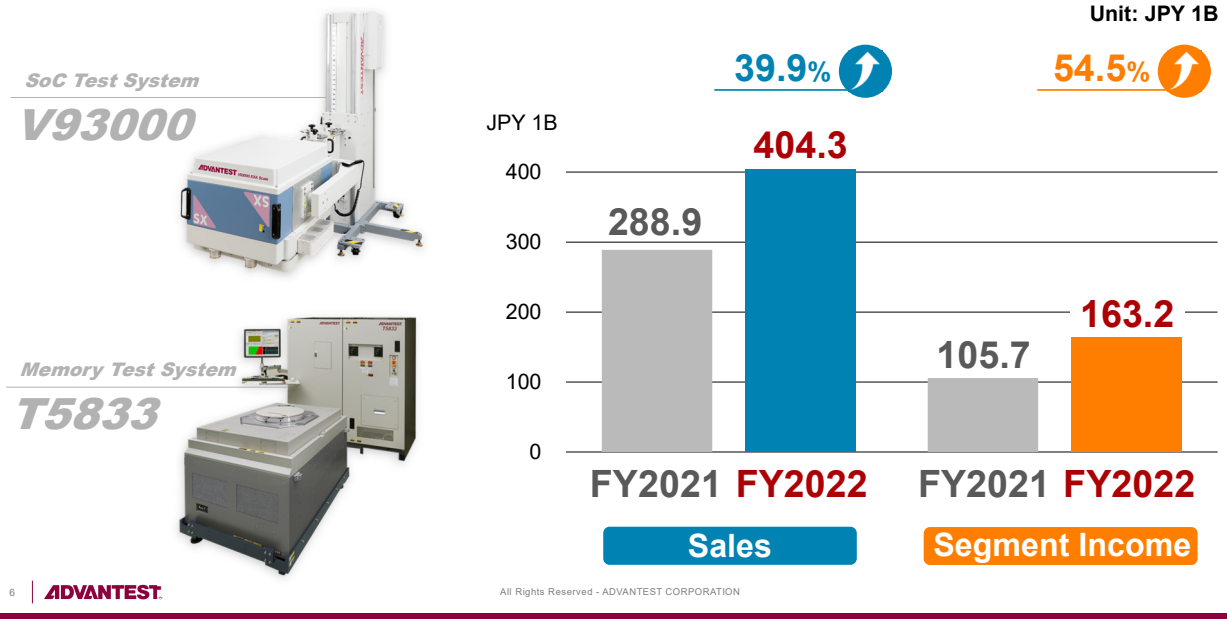
Exchange rate: 1 USD 134 yen, 1 EUR 140 yen

As a result, in the consolidated fiscal year ended March 31, 2023, net sales were 560.2 billion yen (34.4% increase in comparison to the previous fiscal year), operating income was 167.7 billion yen (46.2% increase in comparison to the previous fiscal year), income before income taxes was 171.3 billion yen (47.2% increase in comparison to the previous fiscal year) and net income was 130.4 billion yen (49.4% increase in comparison to the previous fiscal year).

Although procurement costs rose, higher sales and yen depreciation boosted our performance.

As a result, all the above results reached record highs for the consolidated fiscal year.

## Semiconductor and Component Test System Segment



Next, I will break down our results by business segment.

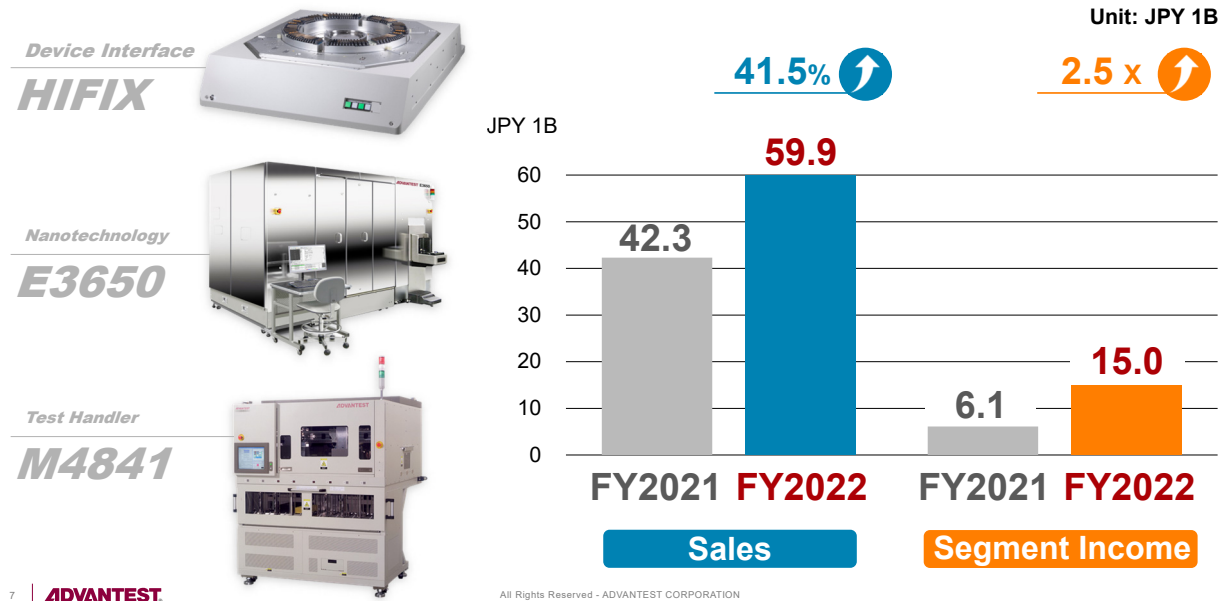
In the Semiconductor and Component Test System Segment, sales of SoC semiconductor test equipment for advanced process devices greatly exceeded results in the previous fiscal year amidst further technological evolution and performance gains in HPC (High Performance Computing) devices and application processors.

Furthermore, sales of test equipment for mature process products such as automotive and industrial devices, which are in great demand, also increased.

Regarding memory semiconductor test equipment, despite a significant slowdown in the memory semiconductor market, customer CapEx executions in high-performance memory semiconductor test equipment continued throughout FY2022, supporting continued strong sales of our products.

As a result of the above, net sales were 404.3 billion yen (39.9% increase in comparison to the previous fiscal year), and segment income was 163.2 billion yen (54.5% increase in comparison to the previous fiscal year).

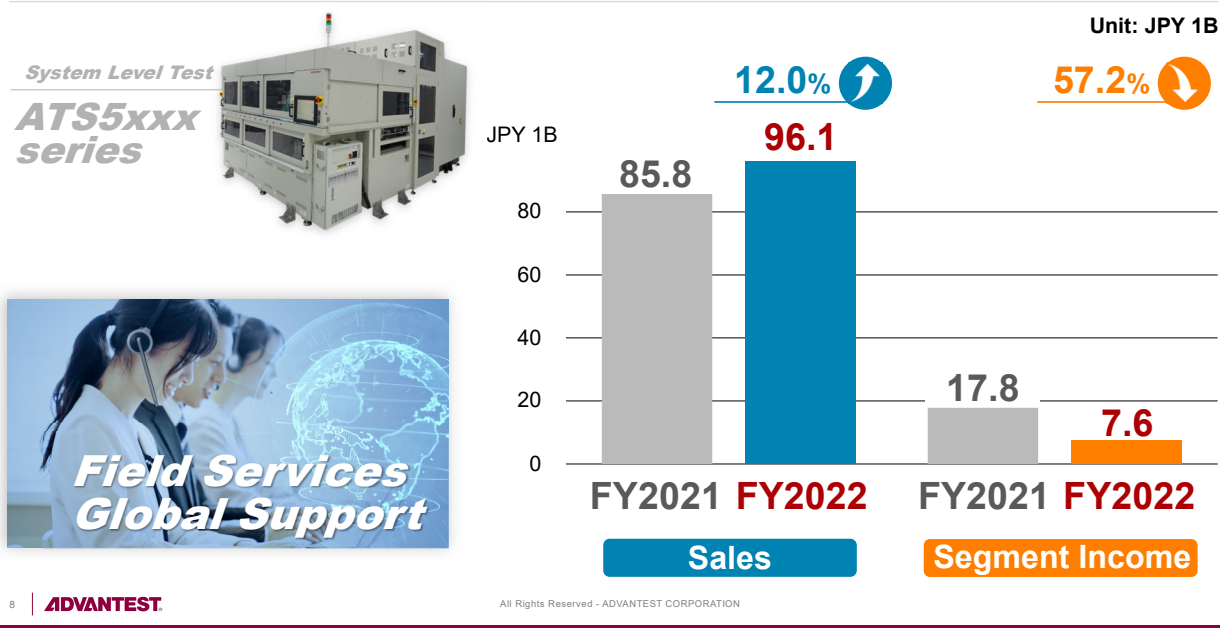
## Mechatronics System Segment



In the Mechatronics System Segment, sales of device interface products and test handlers increased due to strong customer demand for semiconductor test equipment. Sales of SEM metrology products also increased due to the adoption of EUV lithography technology by semiconductor manufacturers and rising demand for mature process photomasks. In terms of profit, increased sales and a more-favorable product mix contributed to higher segment profitability.

As a result of the above, net sales were 59.9 billion yen (41.5% increase in comparison to the previous fiscal year), and segment income was 15.0 billion yen (2.5 times increase in comparison to the previous fiscal year).

## Services, Support, and Others Segment

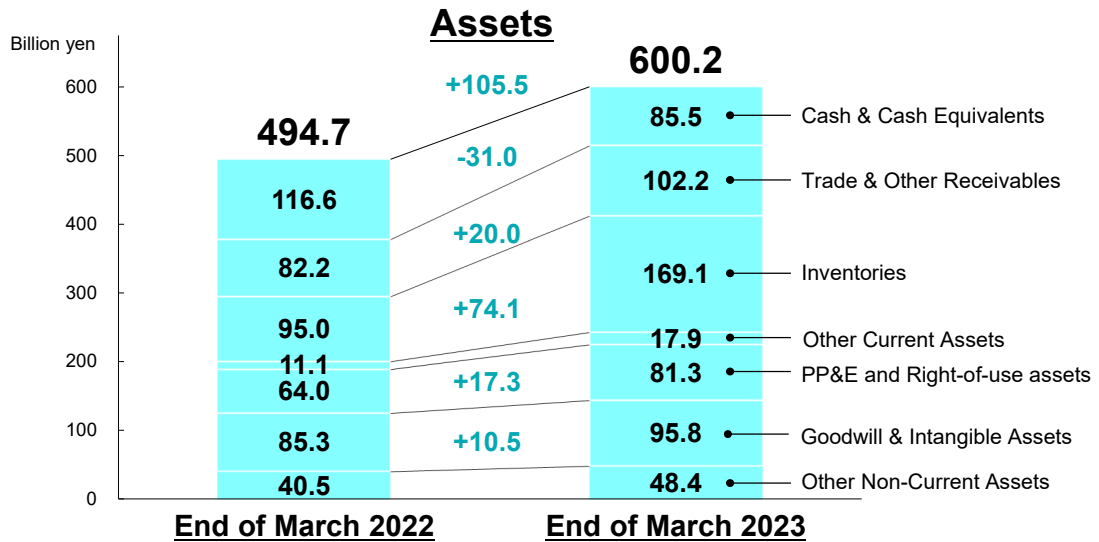


In the Services, Support, and Others Segment, maintenance services delivered strong sales as Advantest's installed base grew. However, in our system-level test (SLT) business, which has high sales exposure to a limited number of customers, sales in the second half contracted rapidly due to a decline in consumer-related demand. Moreover, in addition to Advantest's ongoing investments in reinforcing SLT production and R&D capabilities in anticipation of mid/long-term business growth, which led costs to increase, the recording of inventory valuation losses for some products caused profit in this segment to decline significantly year-on-year.

As a result of the above, net sales were 96.1 billion yen (12.0% increase in comparison to the previous fiscal year), and segment income was 7.6 billion yen (57.2% decrease in comparison to the previous fiscal year).



## Consolidated Statements of Financial Position



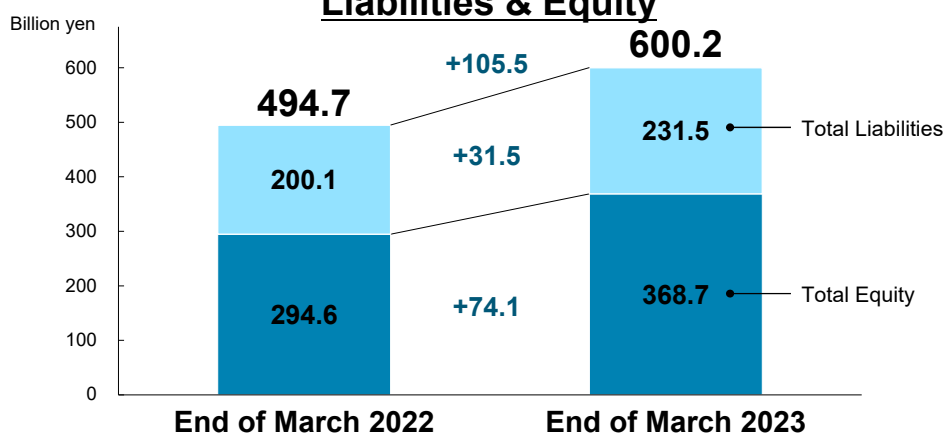
\* Fractional amounts may not sum up precisely to the amount of increase or decrease due to rounding.

Next, I would like to present our consolidated statements of financial position.

Total assets at the end of fiscal year 2022 were 600.2 billion yen, an increase of 105.5 billion yen from the previous fiscal year, primarily due to increases of 74.1 billion yen in inventories, 20.0 billion yen in trade and other receivables, 17.3 billion yen in property, plant and equipment, and right-of-use assets, and 10.5 billion yen in goodwill and intangible assets, despite a decrease of 31.0 billion yen in cash and cash equivalents.

## Consolidated Statements of Financial Position

### Liabilities & Equity



<b>294.6</b>	Equity attributable to owners of the parent	<b>368.7</b>
<b>59.6%</b>	Ratio of equity attributable to owners of the parent	<b>61.4%</b>
<b>30.4%</b>	Return on equity attributable to owners of the parent (ROE)	<b>39.3%</b>

\* Fractional amounts may not sum up precisely to the amount of increase or decrease due to rounding.

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Total liabilities were 231.5 billion yen, an increase of 31.5 billion yen compared to the previous fiscal year.

Total equity was 368.7 billion yen. Ratio of equity attributable to owners of the parent was 61.4%, an increase of 1.8 percentage points from March 31, 2022.

ROE was 39.3%, a record high.

## Shareholder Returns for 81st Term

### Dividend per share

Interim	Year-end	Annual Total
¥65	¥70	¥135

At the board of directors meeting held on May 19, 2023, a year-end dividend for the 81st term of 70 yen per share was approved.

Together with the interim dividend of 65 yen per share, the total annual dividend for fiscal 2022 was 135 yen per share.



**Other business reports, consolidated financial statements and non-consolidated financial statements are available on our website.**

Other information on our business performance, consolidated financial statements, and non-consolidated financial statements is available on our website for your reference.

This completes our business report.



# Future Challenges & Opportunities

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Now I would like to explain the challenges that lie ahead for our company.

## Purpose & Mission



### Enabling Leading-Edge Technologies

We will continuously improve ourselves so that we can offer products and services that will satisfy our customers worldwide, and contribute to the development of our society through the development of the most advanced technologies.

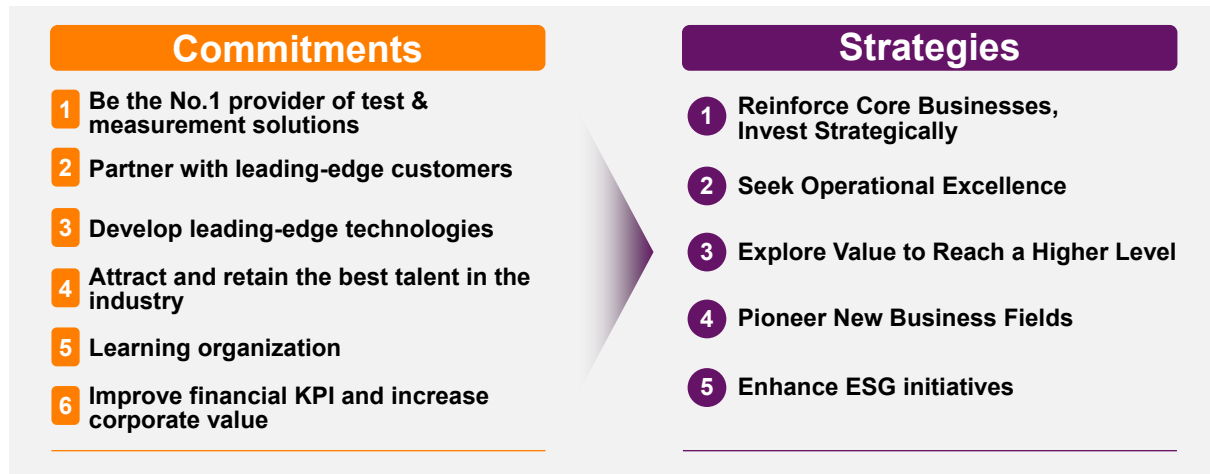
We are in the business of delivering safety, security, and comfort worldwide through semiconductor test solutions, underpinned by our electronic measurement technologies.

Our management goal is to enhance our corporate value over the medium to long term by contributing to the realization of a sustainable society that is "safe, secure, and comfortable" through our business activities.

On this basis, we have defined our purpose and mission as "enabling leading-edge technologies".

## Our Grand Design: Mid/Long-Term Management Policy (FY2018 to FY2027)

### Vision Statement: Adding Customer Value in an Evolving Semiconductor Value Chain



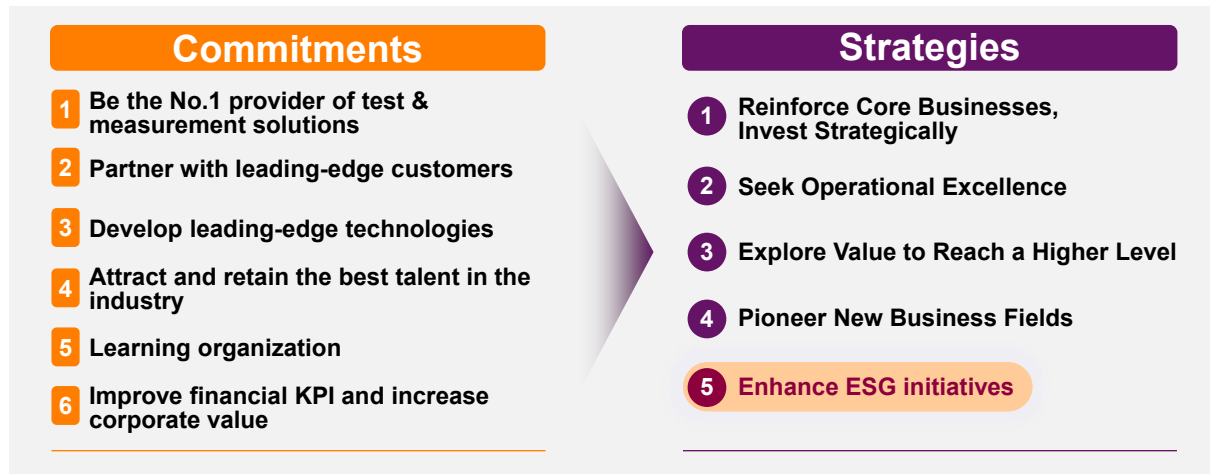
Advantest formulated a mid- to long-term management policy, our "Grand Design," in FY2018, which defines the commitments and strategies needed for Advantest to continue to be a company that embodies its corporate purpose & mission of "Enabling Leading-edge Technologies." Since then, Advantest has been promoting management in line with this Grand Design.

Namely, Advantest defined our corporate vision as "Adding Customer Value in an Evolving Semiconductor Value Chain".

In realizing this vision, Advantest aims to expand our business and ultimately upsurge our corporate value by addressing the following five strategic issues: (1) "reinforce core businesses, (and) invest strategically" in the business for semiconductor volume production testing; (2) "seek operational excellence" as the foundation for strengthening customer relationships and improving financial index; (3) "explore value to reach a higher level" through expansion into adjacent markets such as semiconductor design and evaluation processes, system level test processes, and other areas; (4) "pioneer new business fields" such as the medical device fields; and (5) "further enhancement of ESG initiatives".

## Our Grand Design: Mid/Long-Term Management Policy (FY2018 to FY2027)

### Vision Statement: Adding Customer Value in an Evolving Semiconductor Value Chain



Further enhancement of ESG initiatives will help us to strengthen our ability to respond to risks and opportunities and boost our resilience amidst rapid changes in our business environment, as represented by the spread of the COVID-19 pandemic and the growing complexity of economic and security policies. We added this fifth strategy as a company-wide strategy in FY2021 based on a recognition that enhancement of our ESG initiatives will lead us to a better future.

Among our many activities for the "further enhancement of ESG initiatives", today I would like to introduce our continued initiatives related to human capital and the environment.



## Human Capital Betterment Initiatives



We do business in the global semiconductor supply chain, and more than half of our group's employees are now non-Japanese foreign nationals.

For nearly a decade, we have actively added new human capital through overseas mergers and acquisitions, and have transformed ourselves into an organization composed of diverse personnel.

For employees from a kaleidoscope of cultures, languages, and values to perform at their best as a team, it is essential to build a common global corporate culture and to further enhance employee engagement which is based on that culture.

To this end, we established our core value, "INTEGRITY", in FY2019.

We are currently concentrating our efforts on fostering a corporate culture by instilling these core values among our executives and employees throughout the Group.

In FY2022, we introduced "The INTEGRITY Awards," a peer-to-peer recommendation program that enables Advantest employees to recognize and express their appreciation for colleagues who have demonstrated INTEGRITY in exceptional ways. In addition, to promote the revitalization of our corporate culture, 32 "INTEGRITY Ambassadors" were appointed worldwide, and a "Culture Council" was established to support the Ambassadors, including the Group CEO and senior executive officers who are taking the lead on this project.

Through our commitment, we continue to work on building a common global corporate culture that will ultimately increase employee engagement.

Advantest believes that this will result in a more vibrant company that will foster the development, manufacture, and sales of even better products.

# Our Response to Environmental Issues

## ESG Action Plan 2021-2023

### Climate change countermeasure targets (Scope1+2)

**Reduce GHG emissions from business activities by 60% by 2030 (vs. FY2018)**

**Raise renewable energy usage to 70% by 2030, Group-wide**

» **Achieved 100% renewable energy sourcing in FY2021 at our bases in Europe, the U.S.A, and at Gunma Factory (our domestic production facility)**



Next, I would like to introduce our efforts to address environmental issues.

With the accelerated transition to Net Zero, the importance of reducing CO2 emissions is only increasing.

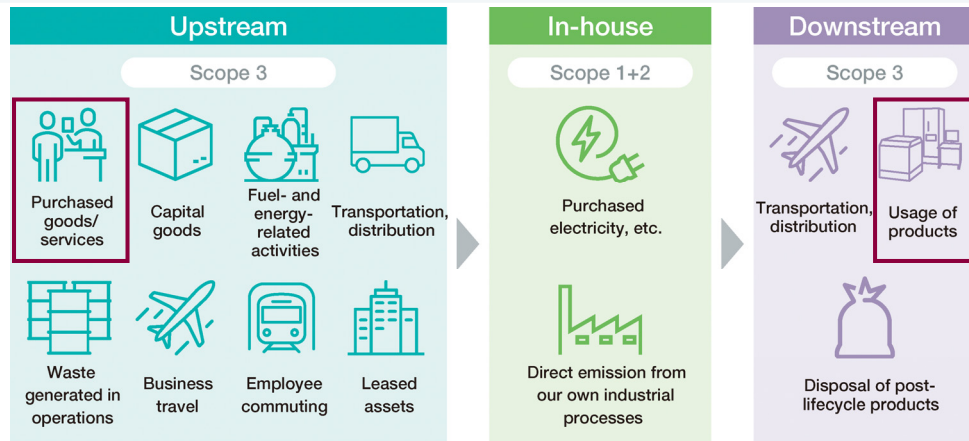
We have set a target for the reduction of greenhouse gas emissions from our business activities by 60% by FY2030 (compared to FY2018).

Regarding renewable energy, we achieved 100% renewable energy sourcing in Europe, the U.S.A. and at Gunma Factory, our production facility in Japan, as of FY2021.

# Our Response to Environmental Issues

## Value Chain (Scope3) target

Reduce CO<sub>2</sub>-equivalent emissions (basic unit) per test by 50% by 2030



We have also set reduction of Scope 3, "Category 1: Purchased goods/services" and "Category 11: Usage of products" emissions, which account for more than 95% of the Group's CO<sub>2</sub> emissions, as priority items for CO<sub>2</sub> emissions reduction. We are working to reduce CO<sub>2</sub> emissions throughout our supply chain by setting targets for reducing CO<sub>2</sub>-equivalent emissions per test and by promoting the use of renewable energy at our parts suppliers and outsourcing partners.

In addition, as a founding member of the SEMI Semiconductor Climate Consortium, which was established by SEMI, a global industry association for semiconductor manufacturing equipment and materials suppliers, in November 2022, we are bolstering our measures to speed industry value chain efforts in reducing green house gas emissions.

Our development of products that both reduce CO<sub>2</sub> emissions in the semiconductor value chain and improve tester performance not only contributes to social issues but is also an important factor in customer decisions to choose Advantest.

Our commitment to "enhancement of ESG initiatives" will help expand our contribution to realizing a sustainable society and will also enhance the sustainability of our company.

# Second Mid-term Management Plan (FY2021-FY2023)



Next, I would like to explain our second mid-term management plan.

We are currently promoting our second mid-term management plan (MTP2), which started in FY2021 and will end in FY2023.

We have positioned this three-year period as a time to strengthen our foundation for the greater growth of Advantest in the semiconductor market, which is expected to expand further in the medium to long term, and as a time to promote initiatives to strengthen our business for further growth while expanding growth investments as well as shareholder returns.

## Second Mid-Term Management Plan (FY2021-FY2023) Targeted Management Metrics

	FY2021-FY2023 Average		FY2021-FY2022 Average <sup>*3</sup>
	Published in May 2021 <sup>*1</sup>	Published in July 2022 <sup>*2</sup>	
<b>Sales</b>	<b>¥350-380B</b>	<b>¥480-520B</b>	<b>¥488.5B</b>
<b>Operating margin</b>	<b>23-25%</b>	<b>27-30%</b>	<b>28.7%</b>
<b>Net income</b>	<b>¥62-70B</b>	<b>¥98-120B</b>	<b>¥108.9B</b>
<b>Return on equity attributable to owners of the parent (ROE)</b>	<b>20% or more</b>	<b>30-35%</b>	<b>34.9%</b>
<b>Earnings per share (EPS)</b>	<b>¥320-370</b>	<b>¥510-630</b>	<b>¥573</b>

\*1 Exchange rate assumptions at the time of announcement (May 2021) were 1 USD = 105 JPY and 1 Euro = 130 JPY.

\*2 Exchange rate assumptions for the revised forecast covering Q2 – Q4 of FY2022 and FY2023 at the time of announcement (July 2022) were 1 USD = 130 JPY and 1 Euro = 140 JPY. (Actual exchange rates for FY2021 were 1 USD = 112 JPY and 1 Euro = 130 JPY. Actual exchange rates for the first quarter of FY2022 were 1 USD = 124 JPY and 1 Euro = 134 JPY.)

\*3 Actual exchange rates for FY2021-FY2022 (average): Actual exchange rates for FY2021 were 1 USD = 112 JPY and 1 Euro = 130 JPY; Actual exchange rates for FY2022 were 1 USD = 134 JPY and 1 Euro = 140 JPY

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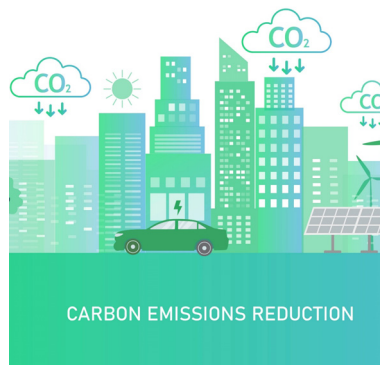
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MTP2 was announced in May 2021, but the management metrics for the plan were revised upward in July 2022 in light of semiconductor-related market performance which exceeded our expectations, and our company's business performance.

The revised three-year average management metrics for FY2021 to FY2023 are net sales: 480 billion yen to 520 billion yen; operating margin: 27% to 30%; net income: 98 billion yen to 120 billion yen, ROE: 30% to 35%; and earnings per share: 510 yen to 630 yen.

Because of the inevitability of performance fluctuations in the industry, the management metrics are based on three-year averages and are set as wide ranges. The two-year average results for FY2021 and FY2022 show that all management metrics are progressing within the target figures.

## Market Outlook



**Demand for semiconductor test equipment will grow in step with the growth of the semiconductor market.**

**In the short term, however, the outlook for our business environment is becoming increasingly uncertain.**

As seen in our upward revision of our mid-term management plan, the semiconductor-related market where we do business is characterized by relentless and dynamic change.

We anticipate that in the medium to long term, semiconductors will need to have even better functionality and reliability as they rise to the challenge of providing infrastructural support for the worldwide digital transformation and carbon-neutral movement. Our expectations of mid/long-term growth remain unchanged. Indeed, the emergence of new AI-based applications has accelerated the digital transformation, while growing demand for Net Zero initiatives has increased the importance of semiconductor technology for better energy efficiency. Customers are also aggressively continuing to develop next-generation devices, including advances in miniaturization. We expect demand for semiconductor test equipment, which ensures that semiconductors support our "safe, secure, and comfortable" environment and society, to grow in step with the growth of the semiconductor market.

In the short term, however, the outlook for our business environment is becoming increasingly uncertain due to global recessionary risks exacerbated by rising inflation and higher interest rates, as well as growing concerns about geopolitical risk factors and pronounced exchange rate fluctuations. As recessionary concerns intensify, semiconductor manufacturers are expected to continue their inventory and production adjustments for the time being. Therefore, we expect the semiconductor tester market to contract year-on-year in CY2023.

## FY2023 Forecast

		<b>FY2022 Results</b>	<b>FY2023 Forecast</b>	<b>vs. FY2022</b>
<b>Sales *1</b>		<b>¥560.2B</b>	<b>¥480.0B</b>	<b>-14.3%</b>
<b>Operating income</b>		<b>¥167.7B</b>	<b>¥105.0B</b>	<b>-37.4%</b>
<b>Income before tax</b>		<b>¥171.3B</b>	<b>¥103.5B</b>	<b>-39.6%</b>
<b>Net income</b>		<b>¥130.4B</b>	<b>¥78.0B</b>	<b>-40.2%</b>
<b>Exchange rate *2</b>	<b>1 US\$</b>	<b>¥134</b>	<b>¥130</b>	<b>¥4 Appreciation</b>
	<b>1 EUR</b>	<b>¥140</b>	<b>¥140</b>	<b>-</b>

\*1 Intersegment transactions have been eliminated from totals

\*2 Our latest forecast for the impact of exchange rate fluctuations on FY2023 operating income is plus ¥1.1 billion per 1 yen of JPY depreciation vs USD, and minus ¥0.3 billion per 1 yen of JPY depreciation vs the euro

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Given the progress of the semiconductor industry adjustments in 2023, our full-year consolidated earnings forecast for FY2023 calls for net sales of 480.0 billion yen, operating income of 105.0 billion yen, income before income taxes of 103.5 billion yen, and net income of 78.0 billion yen.

Our business environment is becoming increasingly uncertain. Advantest will pay close attention to changes in the external environment and respond quickly and flexibly with measures that may include cost controls as necessary.

## Key Measures for FY2023

**We will strive to achieve our MTP2 targets and build a stronger and more resilient management foundation by:**

**Creating added customer value through leading-edge test technology R&D**

**Seeking operational excellence**

**Implementing proactive ESG initiatives, including investment in our human capital from a mid/long-term perspective**

FY2023, the final year of MTP2, will be a year in which we strive to achieve our mid-term management plan targets and prepare for a new wave of demand by building a stronger and more resilient management foundation.

We will strive to create added customer value through the development of leading-edge test technologies, including further expansion of our test solutions for future growth markets such as AI and power semiconductors, and reinforcement of our data analytics business foundation.

In addition, we will seek operational excellence by, among other things, refining our supply chain management for better responsiveness to demand fluctuations, and actively utilizing DX to improve productivity.

We have launched a mid/long-term project to support the sustainable growth of Advantest by introducing ESG initiatives, including investment in our human capital by promoting the enhancement of individual employees' skills and the deployment of a global personnel system.

This concludes an explanation of our company's current initiatives.

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

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## 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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