ADVANTEST

# FY2019 1Q
## (Three months ended June 30th, 2019)
# Information Meeting

July 24th, 2019
Advantest Corporation

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# 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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# Financial Results for FY2019 1Q

Atsushi Fujita
Director, Managing Executive Officer (CFO)

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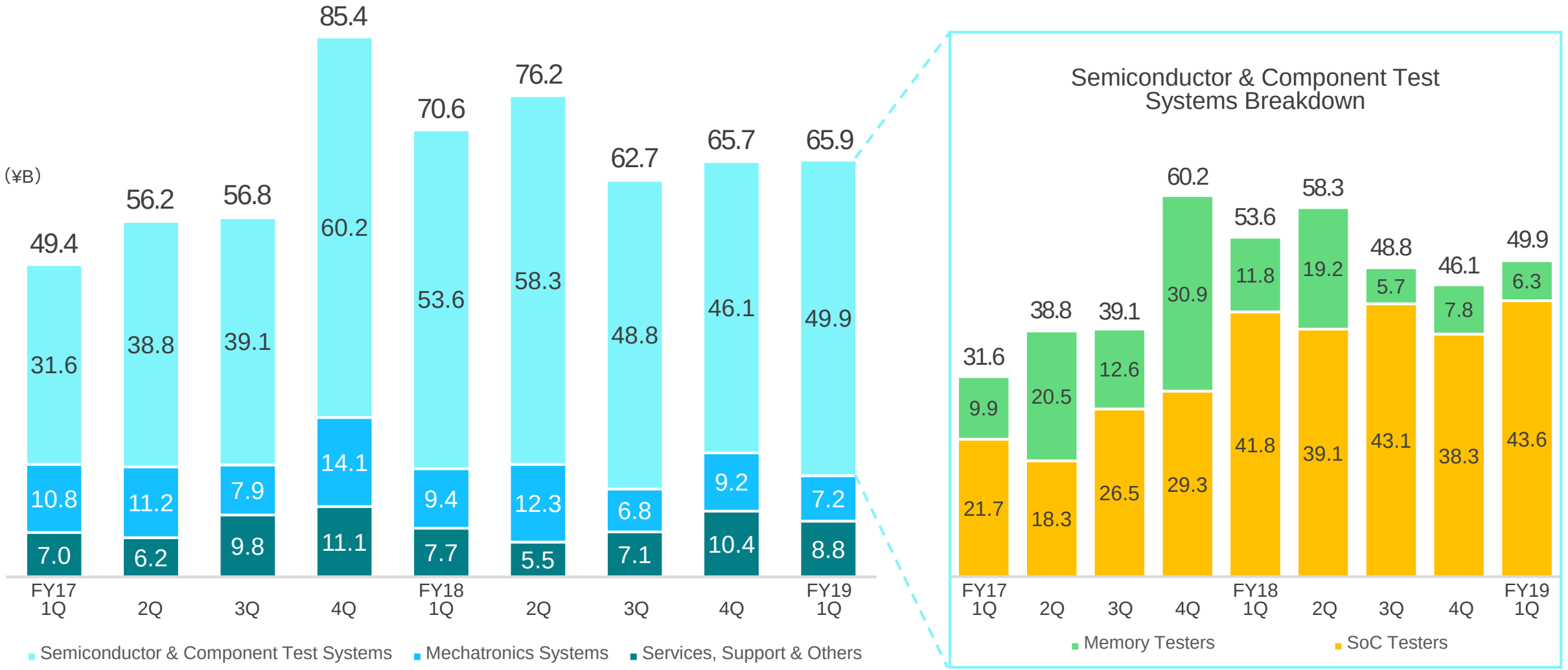
# FY19 1Q Summary of Results

(¥B)

| | | FY18 | | | | FY19 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | QoQ | | YoY | |
| | | | | | | | (Δ) | (%) | (Δ) | (%) |
| Orders | | 70.6 | 76.2 | 62.7 | 65.7 | 65.9 | +0.2 | +0.3% | ▲4.7 | ▲6.7% |
| Sales | | 70.9 | 72.7 | 74.9 | 64.0 | 66.2 | +2.2 | +3.4% | ▲4.8 | ▲6.7% |
| Gross Profit | | 38.2 | 38.9 | 42.5 | 34.4 | 39.4 | +4.9 | +14.4% | +1.2 | +3.0% |
| Gross Margin | | 53.9% | 53.6% | 56.8% | 53.8% | 59.5% | +5.7pts | | +5.6pts | |
| Operating Income | | 15.8 | 18.0 | 20.7 | 10.2 | 15.2 | +5.0 | +48.7% | ▲0.7 | ▲4.2% |
| Operating Margin | | 22.3% | 24.7% | 27.6% | 15.9% | 22.9% | +7.0pts | | +0.6pts | |
| Income Before Tax | | 16.5 | 18.6 | 20.6 | 10.5 | 14.9 | +4.5 | +42.4% | ▲1.6 | ▲9.6% |
| Net Income | | 13.9 | 16.2 | 17.9 | 9.0 | 12.1 | +3.1 | +35.1% | ▲1.8 | ▲13.0% |
| Net Income Margin | | 19.6% | 22.4% | 23.9% | 14.0% | 18.3% | +4.3pts | | ▲1.3pts | |
| IFRS15 Backlog adjustment | | ▲3.0 | | | | | | | | |
| Increase in backlog due to acquisition of Astronics SLT business | | | | | +2.4 | | | | | |
| Backlog | | 79.5 | 83.0 | 70.8 | 74.9 | 74.6 | ▲0.3 | ▲0.4% | ▲4.9 | ▲6.1% |
| Exchange Rate | 1 US$ | ¥108 | ¥111 | ¥113 | ¥111 | ¥111 | - | | ¥3 Depreciation | |
| | 1 Euro | ¥131 | ¥129 | ¥130 | ¥126 | ¥125 | ¥1 Appreciation | | ¥6 Appreciation | |


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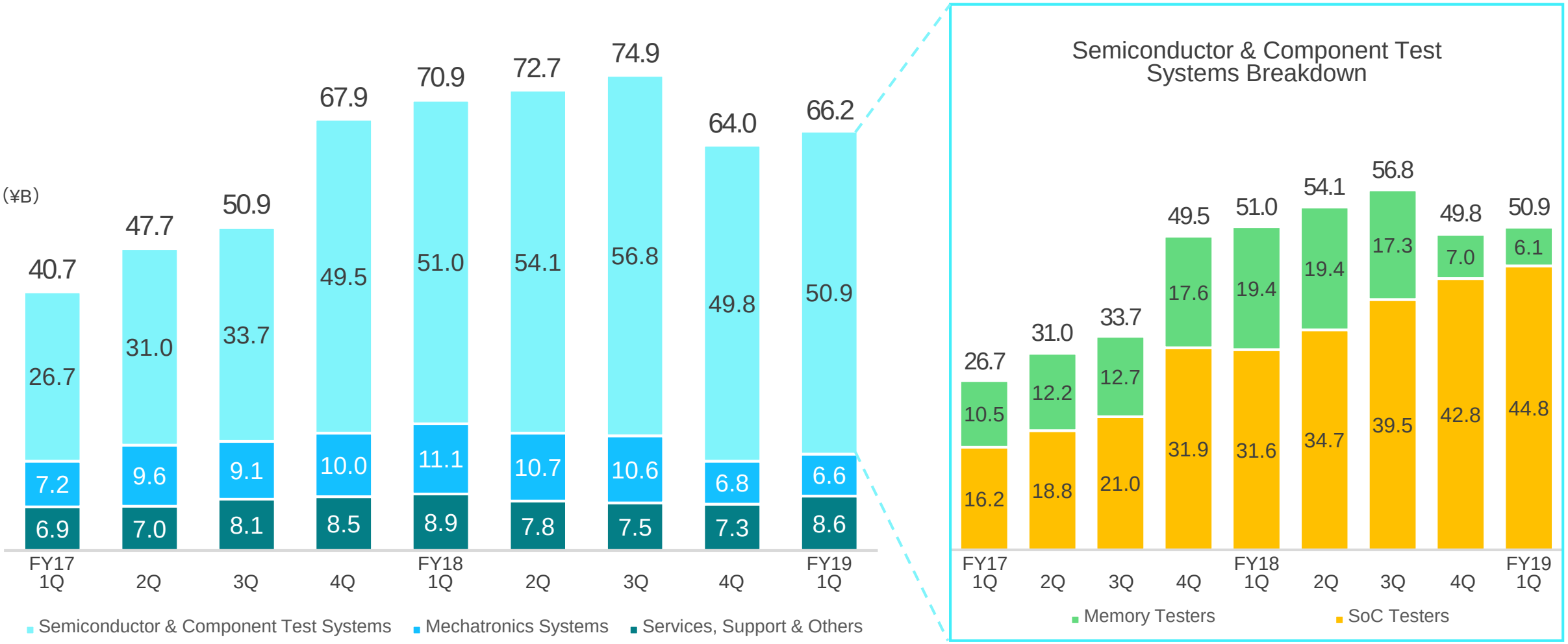
# Quarterly Orders by Segment




Note: Intersegment transactions have been eliminated from totals


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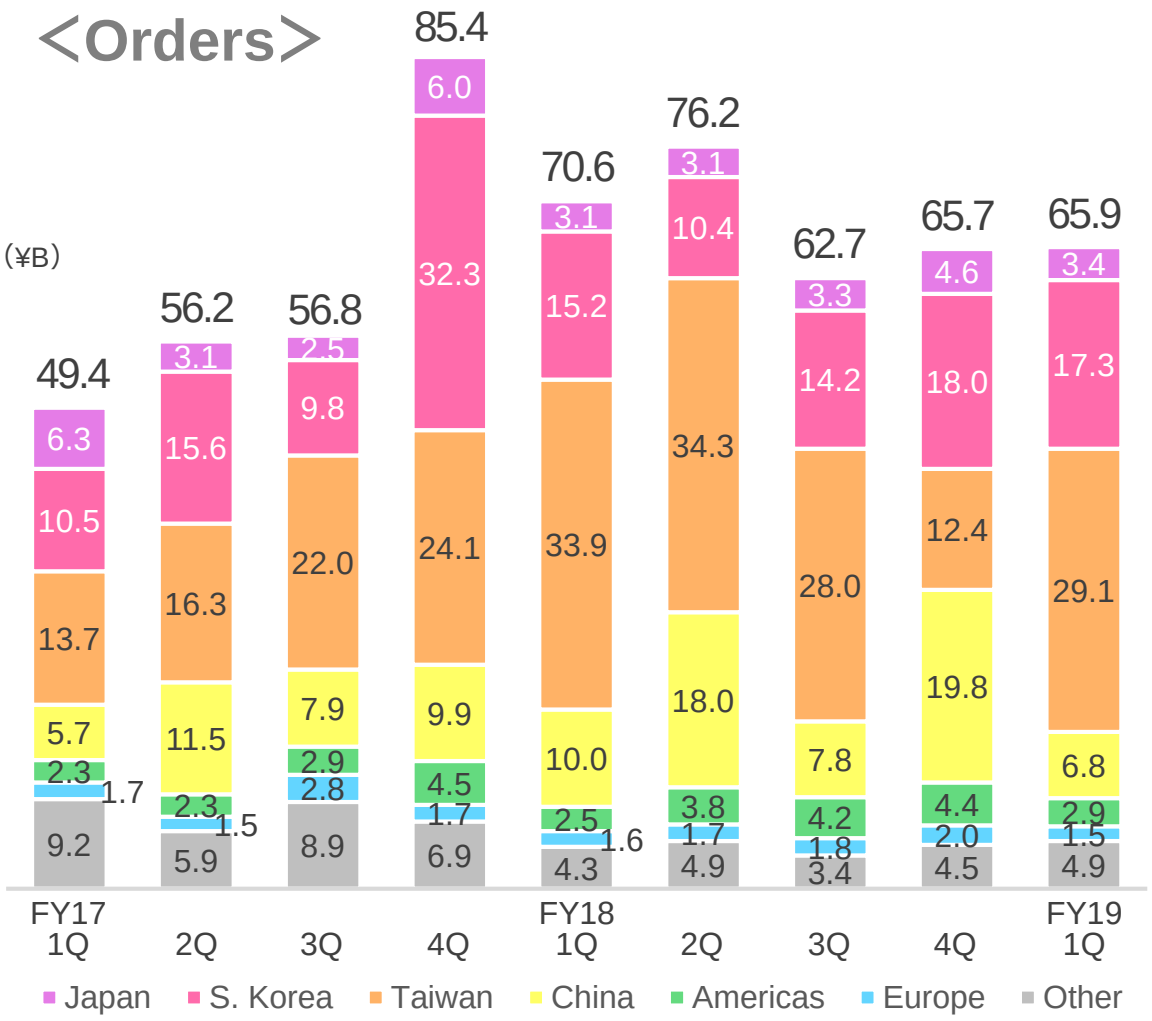
# Quarterly Sales by Segment

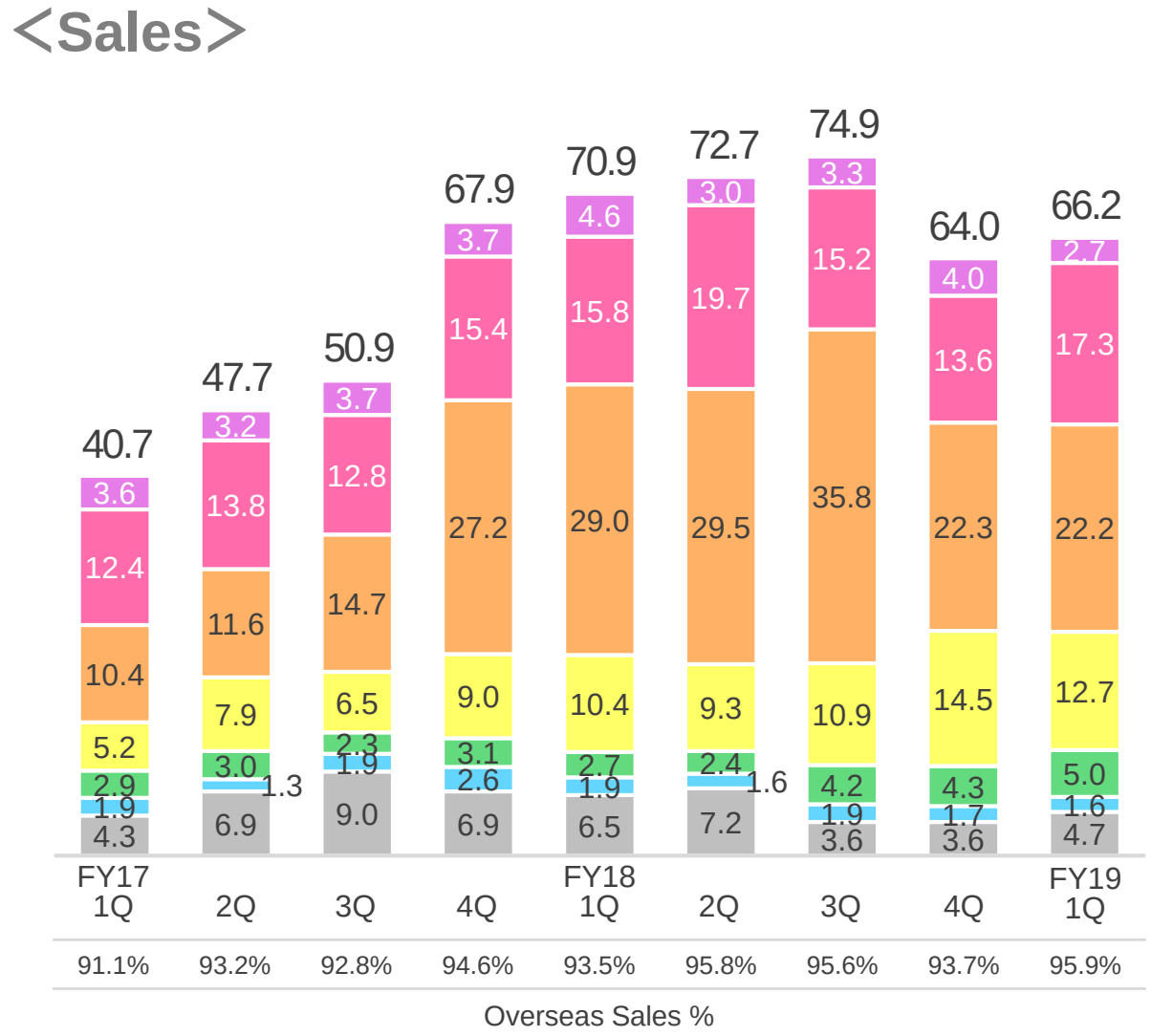



Note: Intersegment transactions have been eliminated from totals


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# Quarterly Orders / Sales by Region

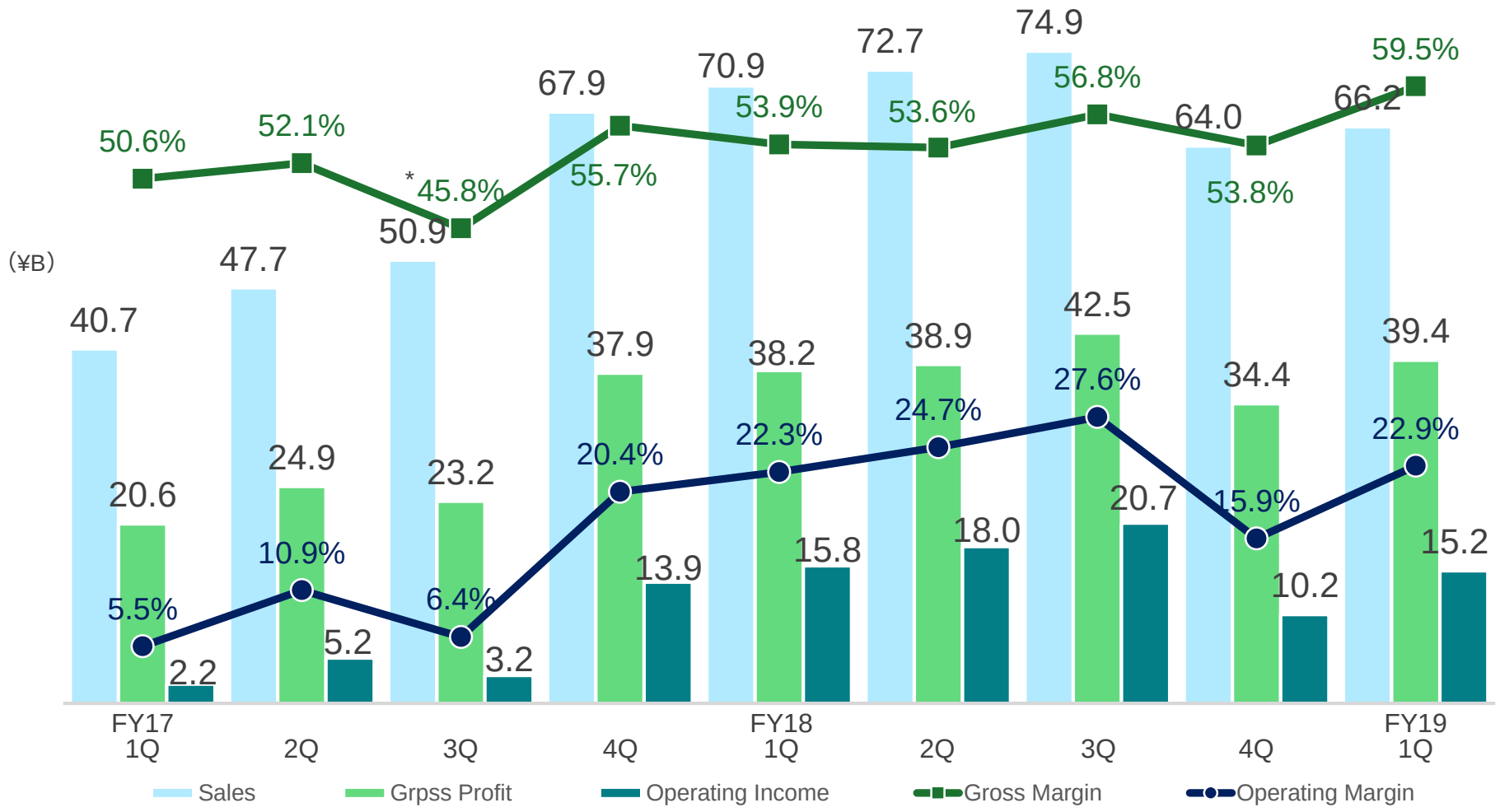





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# Sales / Gross Profit / Operating Income

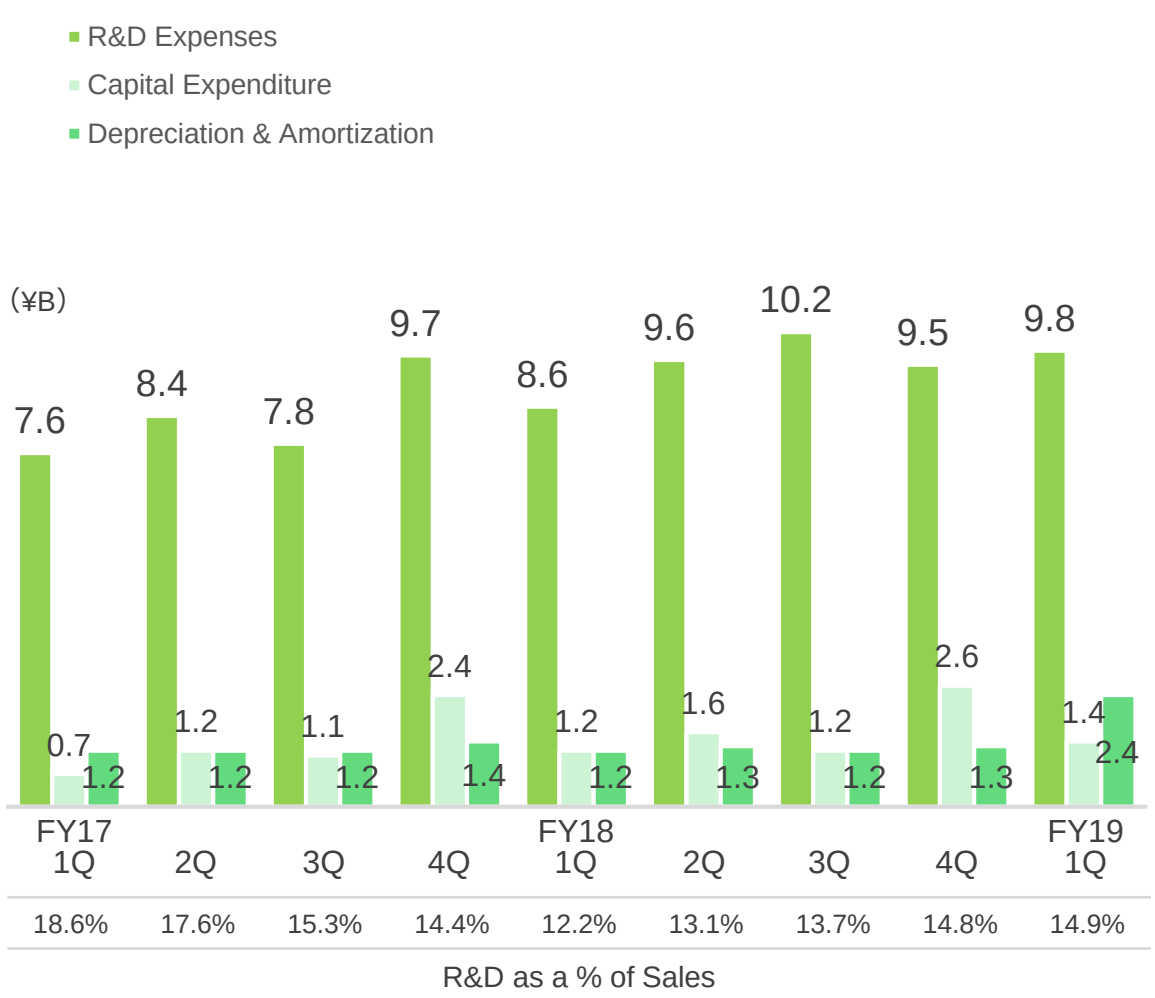



*In FY17 3Q, a ¥3.3 billion write-down of inventories was recorded in our nanotechnology business.
The gross margin in FY17 3Q excluding the effect of the write-down was 52.3%.

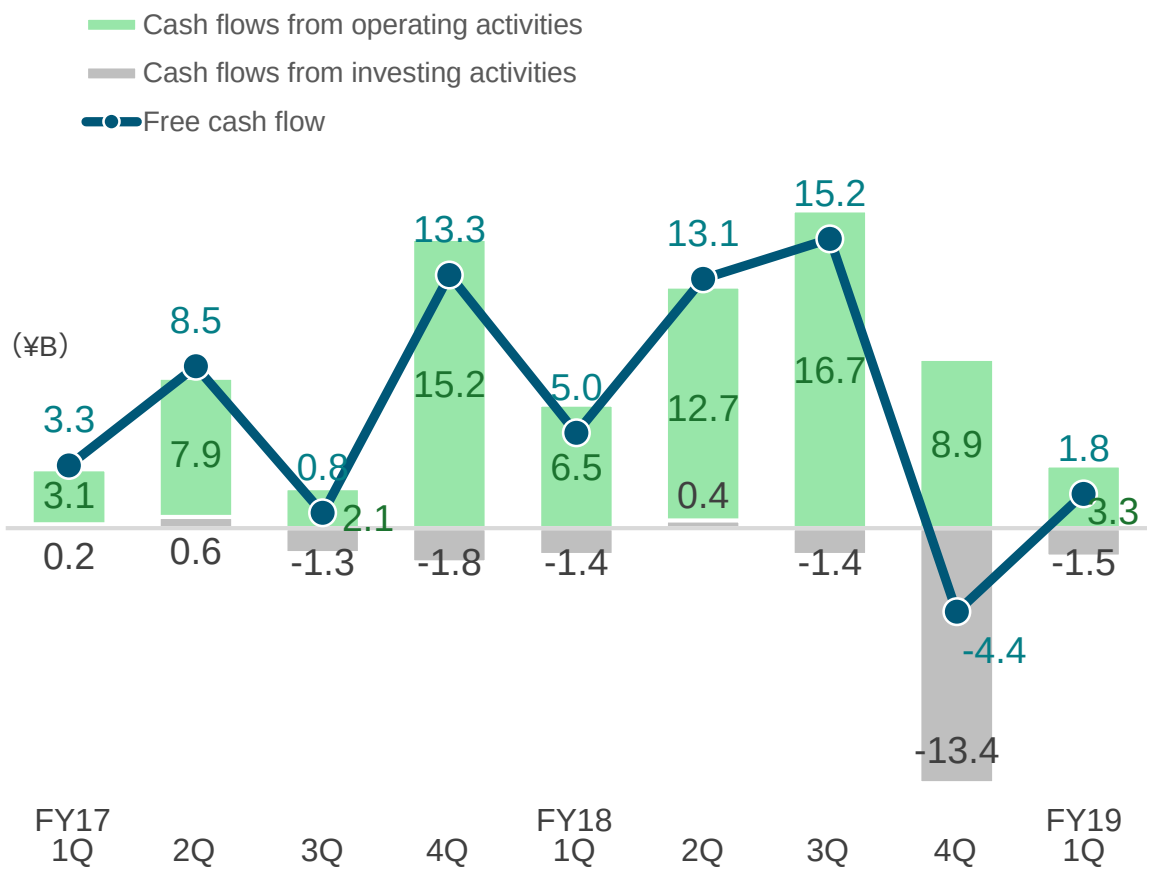

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# Investments / Cash Flow

## <Investments>




## <Cash flow>

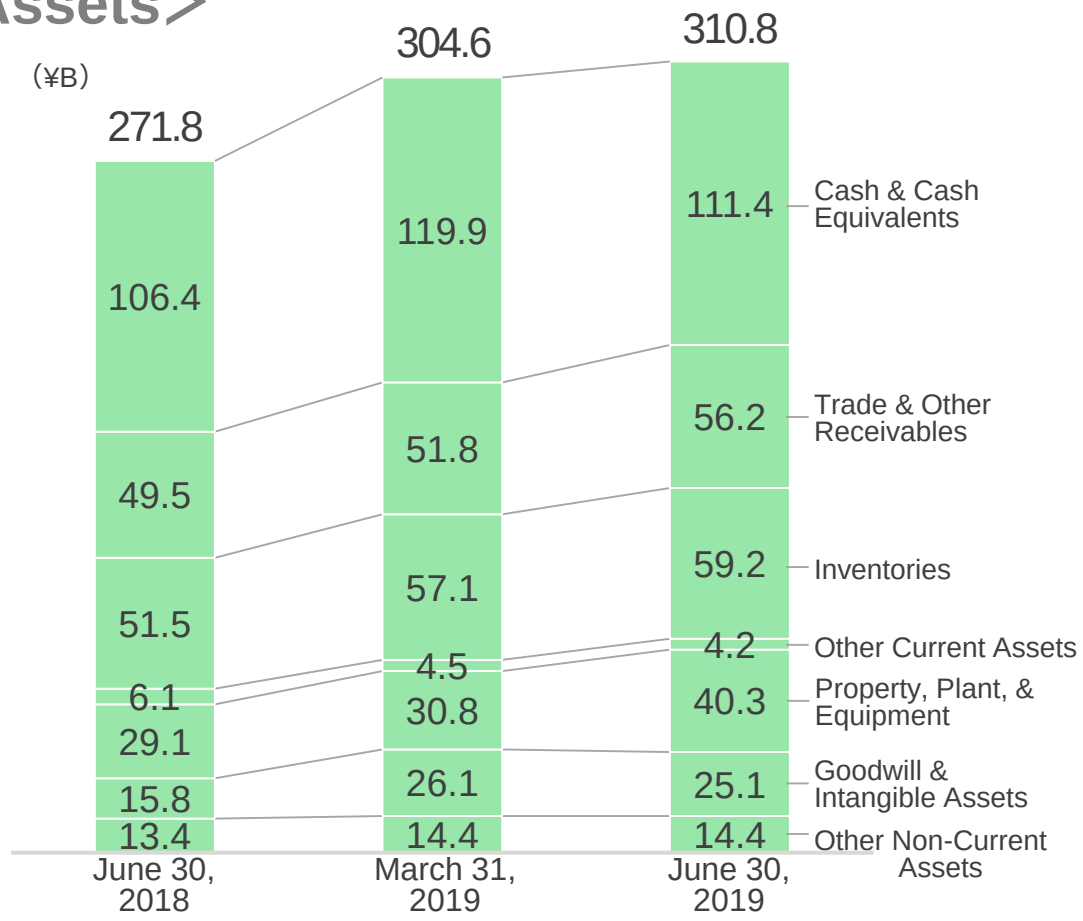



*Free Cash Flow＝Cash flows from operating activities + Cash flows from investing activities

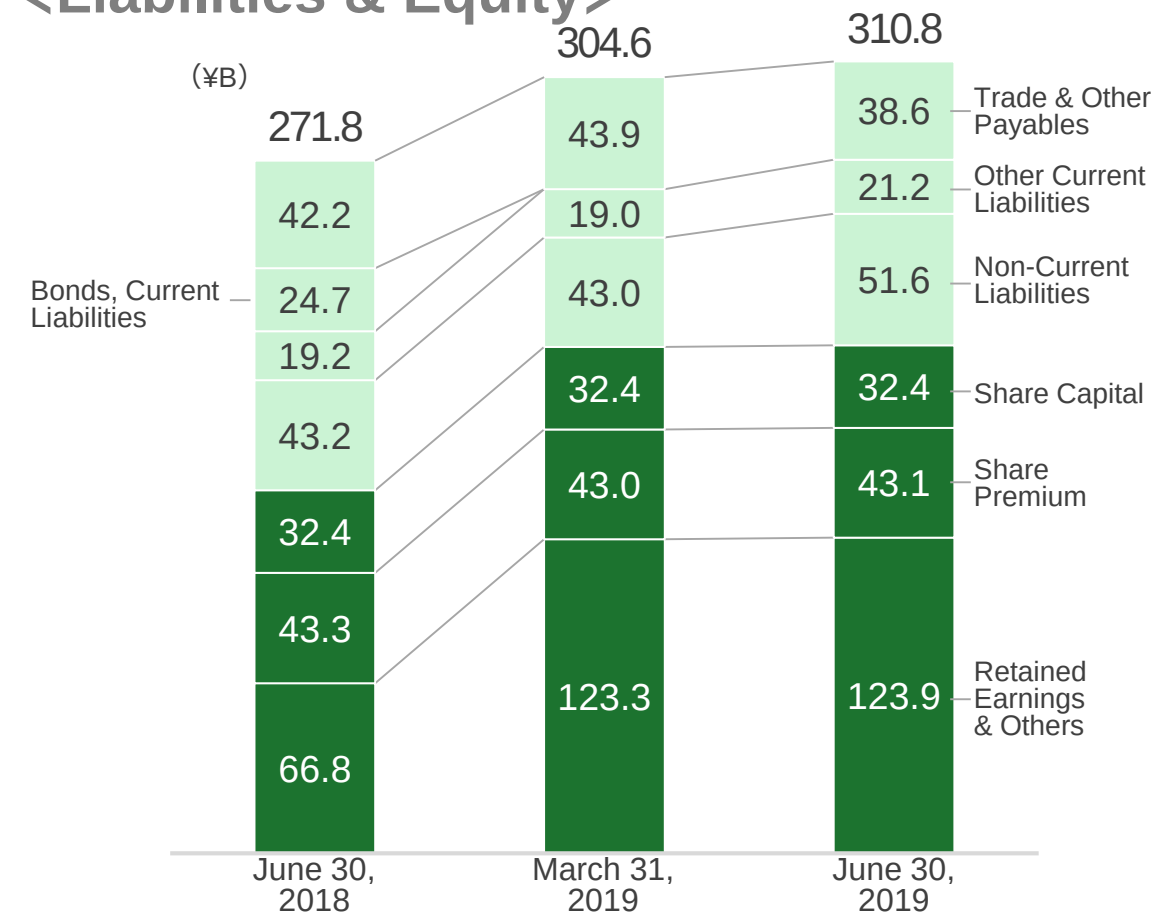

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# Financial Position

## <Assets>




## <Liabilities & Equity>




| | June 30, 2018 | March 31, 2019 | June 30, 2019 |
|---|---|---|---|
| Equity Attributable to Owners of the Parent | 142.5 | 198.7 | 199.4 |
| Ratio of Equity Attributable to Owners of the Parent | 52.4% | 65.2% | 64.2% |


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# FY2019 Outlook

Yoshiaki Yoshida

Representative Director, President & CEO

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# FY19 Forecast (Unchanged from Forecast Announced April 25)

(¥B)

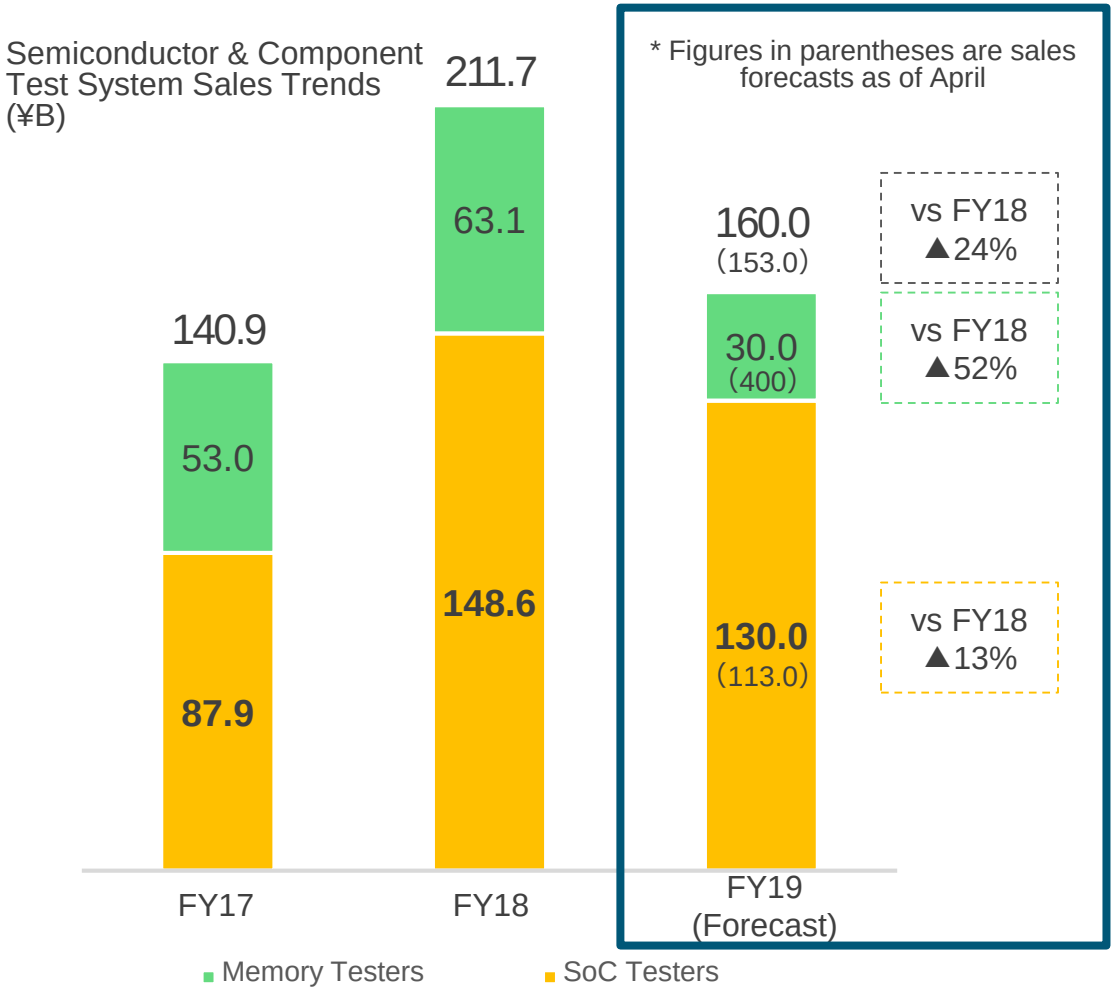
| | | FY18 Results | FY19 Forecast | vs. FY18 (Δ) | vs. FY18 (%) |
|---|---|---|---|---|---|
| Orders | | 275.2 | 230.0 | ▲45.2 | ▲16.4% |
| Sales | | 282.5 | 230.0 | ▲52.5 | ▲18.6% |
| Operating Income | | 64.7 | 30.0 | ▲34.7 | ▲53.6% |
| Operating Margin | | 22.9% | 13.0% | ▲9.9pts | |
| Income Before Tax | | 66.2 | 31.0 | ▲35.2 | ▲53.2% |
| Net Income | | 57.0 | 26.0 | ▲31.0 | ▲54.4% |
| Net Income Margin | | 20.2% | 11.3% | ▲8.9pts | |
| Backlog | | 74.9 | 74.9 | - | - |
| Exchange Rate*1 | 1 US$ | ¥110 | ¥110 | - | |
| | 1 Euro | ¥129 | ¥130 | ¥1 Depreciation | |
| ROE | | 35.3% | 12.6% | ▲22.7pts | |
| Dividend per share*2 | | ¥92 | TBD | - | |

*1: Our latest outlook for the impact of exchange rate fluctuations on FY19 operating income is plus 500 million yen for each 1 yen of yen depreciation vs USD, and minus 100 million yen for each 1 yen of yen depreciation vs the euro.

*2: Our dividends forecast for FY2019 hasn't been decided. We will disclose promptly after considering the results based on the business performance. Dividend payouts are based on semi-annual business performance with a target semi-annual payout ratio of 30%.


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# FY19 Outlook by Segment




## Semiconductor & Component Test Systems

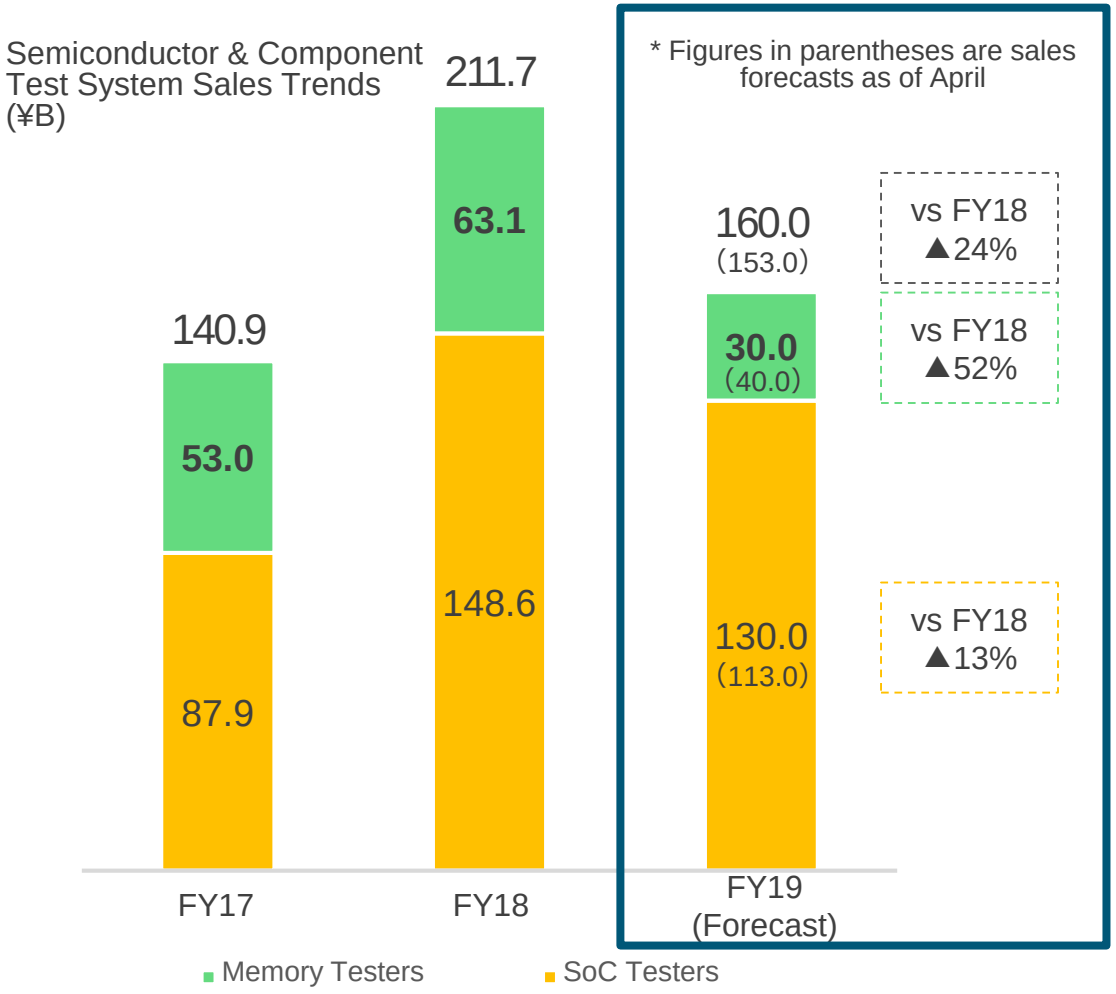
### <SoC Testers>

- Advancing semiconductor performance has underpinned demand for SoC testers, leading to an increase in our sales forecast for the fiscal year
- Customers continue to expand test capacity for semiconductors supporting higher-performance smartphones, such as application processors and image sensors
- 5G-related demand appeared in 1Q. Our original view that this demand will ramp up from CY2020 remains unchanged

| Market forecast | Estimate as of April | View as of July |
|---|---|---|
| Size of SoC tester market in CY19 | Approx. $2,000M | Market size and Advantest's share may be larger than anticipated |


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# FY19 Outlook by Segment




## Semiconductor & Component Test Systems

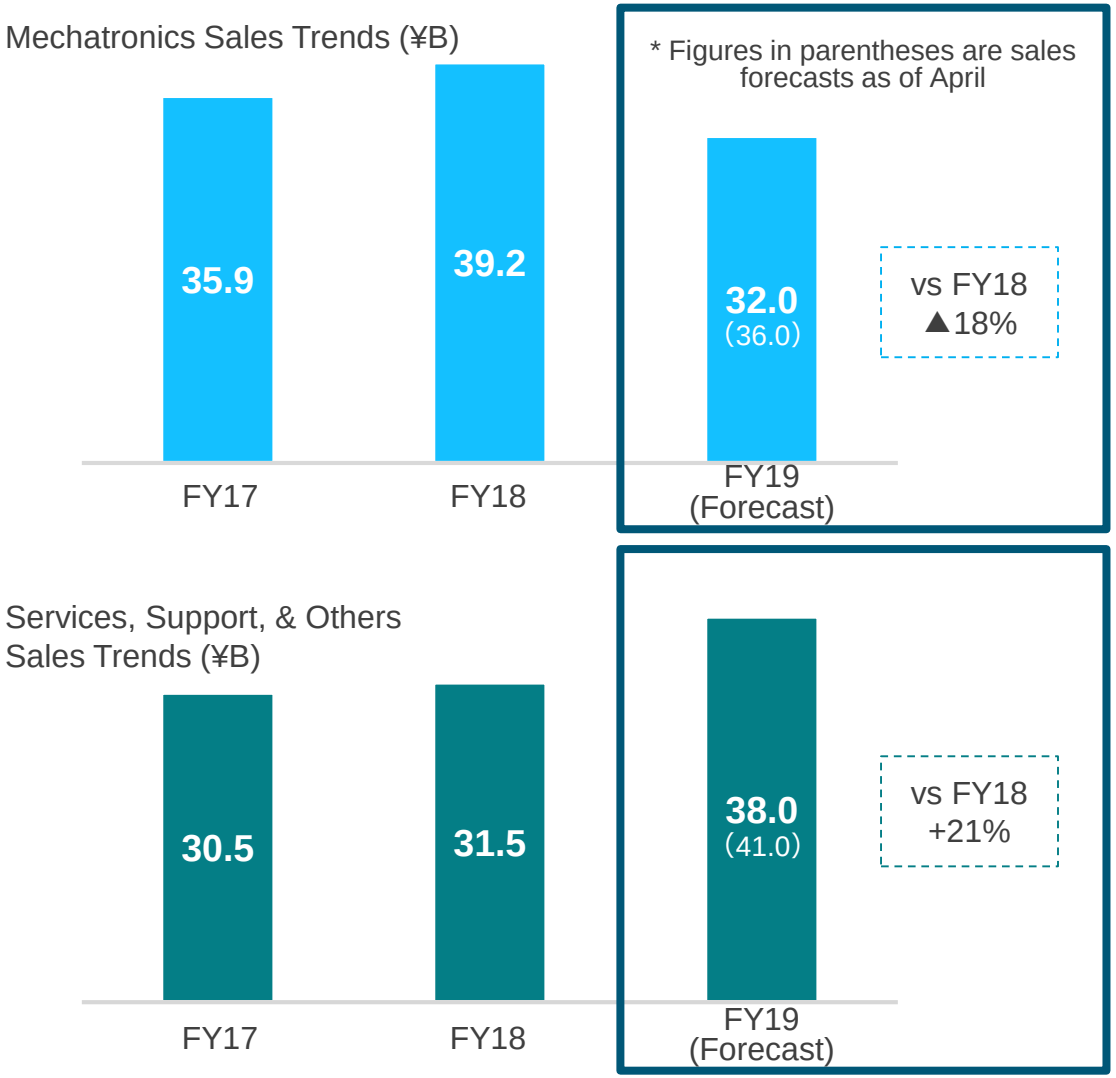
### <Memory Testers>

- Due to adjustments in memory inventory, demand for memory testers is expected to remain weak for longer than expected, reducing our sales forecast for the fiscal year
- Tester demand is expected to recover in FY19 4Q
- There are clear technological drivers in DRAM not easily affected by memory market conditions, such as the shift to DDR5 and an increase in demand for high-speed products for HPC. This will support tester demand

| Market forecast | Estimate as of April | View as of July |
|---|---|---|
| Size of Memory tester market in CY19 | Approx. $550-650M | May fall below the low end of this range |


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# FY19 Outlook by Segment




## Mechatronics Systems

- Due to the delayed recovery in memory tester investment, we have lowered our forecast for this segment, principally due to lower expectations for interface product sales
- Capture of EUV-related demand is expected to boost sales of nanotechnology products

## Services, Support, & Others

- Customers are maintaining a steady level of tester utilization, driving expectations of stable trends in field service income, the core business of this segment
- SSD tester sales are weak, but we are reinforcing our SLT business by targeting SoCs


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# Summary

- There is a growing sense of uncertainty in the semiconductor market and the semiconductor production equipment market, due to the trade dispute between the United States and China, geopolitical risks, and fluctuations in the semiconductor supply chain
- Supported by increases in SoC tester investment, 1Q results exceeded initial expectations
- Although we expect a recovery in 2H, any revision to our forecast will be contingent on confirmation of order trends in 2Q and 3Q
- The tester market has leveled off, but we will strive to achieve our mid-term management targets by capturing demand related to advanced technology and increasing our market share


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