



FY2019 2Q **(Three months ended September 30th, 2019)** **Financial Briefing**

October 30th, 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.

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```
mod.mirror_object = MirrorObject()
operation == "MIRROR_X":
    mirror_mod.use_x = True
    mirror_mod.use_y = False
    mirror_mod.use_z = False
operation == "MIRROR_Y":
    mirror_mod.use_x = False
    mirror_mod.use_y = True
    mirror_mod.use_z = False
operation == "MIRROR_Z":
    mirror_mod.use_x = False
    mirror_mod.use_y = False
    mirror_mod.use_z = True

#selection at the end -add link
mirror_ob.select= 1
modifier_ob.select=1
context.scene.objects.active = modifier_ob
bpy.context.selected_objects[0].modifiers[0].mirror_ob.select = 0
bpy.context.selected_objects[0].modifiers[0].mirror_ob.select = 1

def operator_classes(cls):
    """Operator classes"""
    pass
```

Financial Results for FY2019 2Q

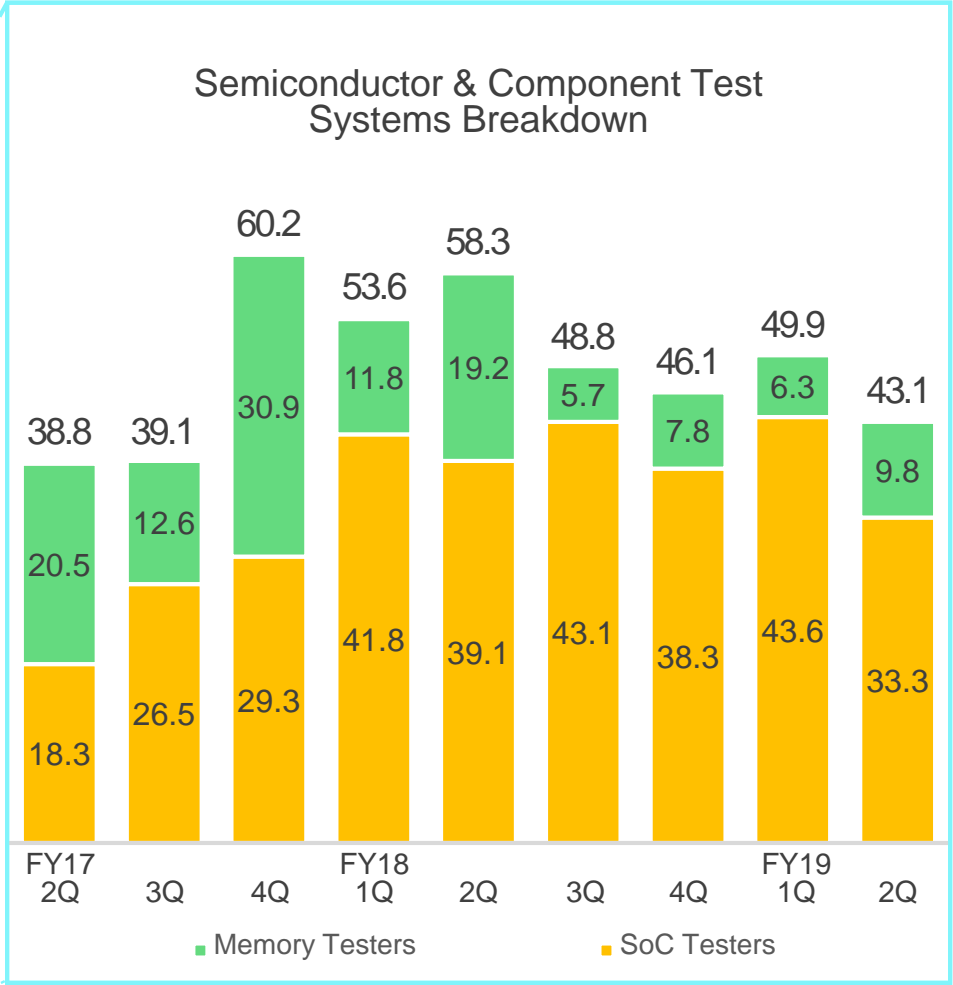
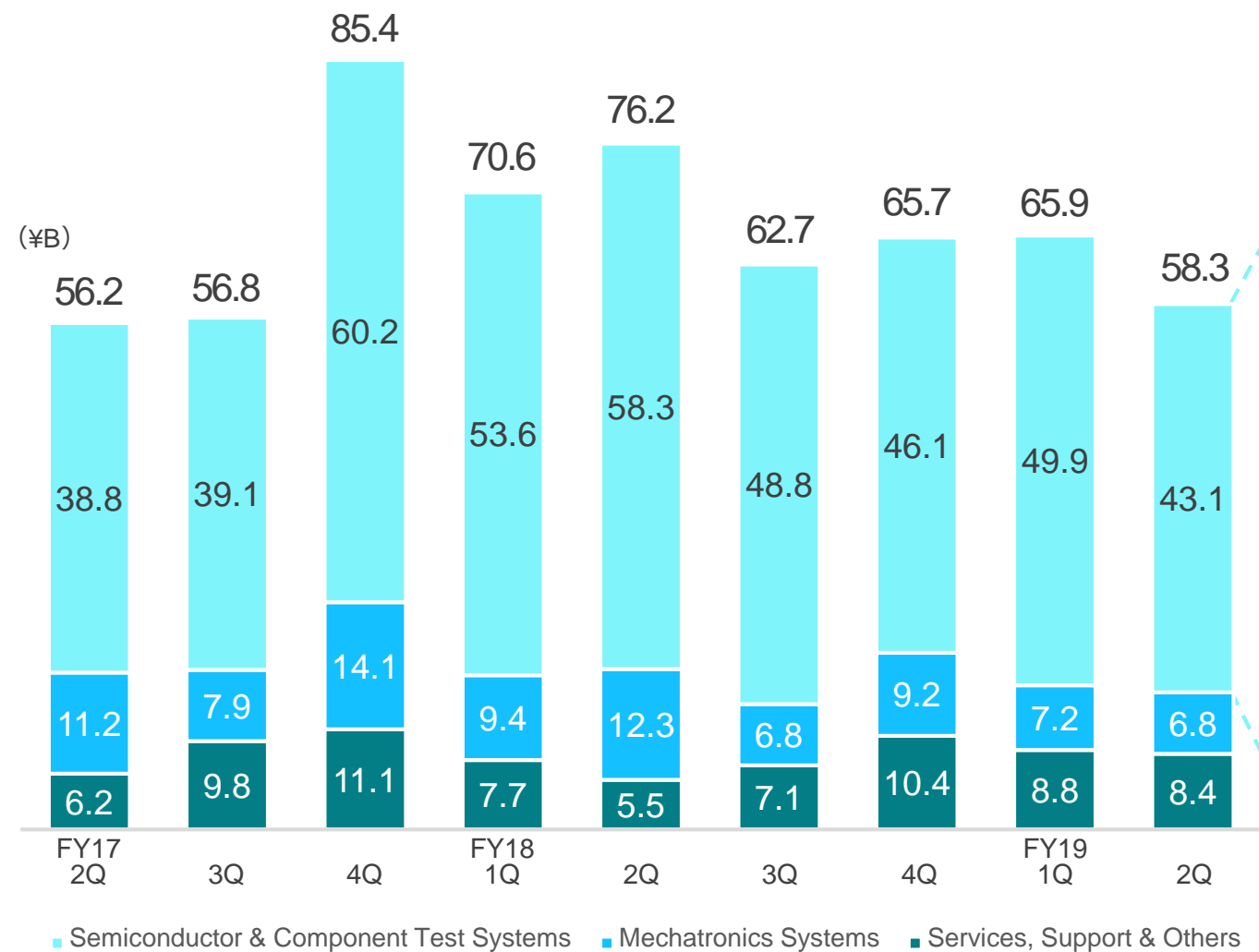
Atsushi Fujita
Director, Managing Executive Officer (CFO)

FY19 2Q Summary of Results

(¥B)

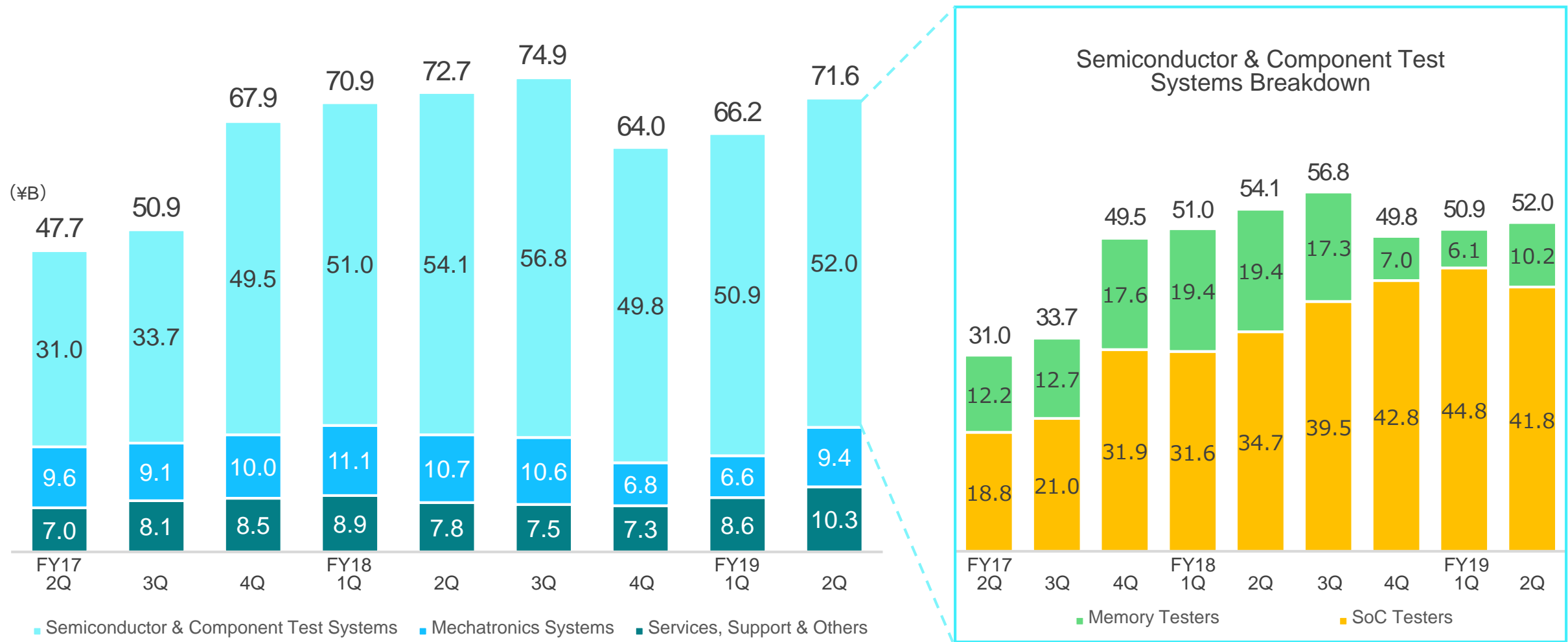
		FY18				FY19					
		1Q	2Q	3Q	4Q	1Q	2Q	QoQ		YoY	
								(Δ)	(%)	(Δ)	(%)
Orders		70.6	76.2	62.7	65.7	65.9	58.3	-7.6	-11.5%	-17.9	-23.5%
Sales		70.9	72.7	74.9	64.0	66.2	71.6	+5.4	+8.2%	-1.1	-1.5%
Gross Profit		38.2	38.9	42.5	34.4	39.4	41.0	+1.7	+4.2%	+2.1	+5.4%
Gross Margin		53.9%	53.6%	56.8%	53.8%	59.5%	57.3%	-2.2pts		+3.7pts	
Operating Income		15.8	18.0	20.7	10.2	15.2	17.7	+2.6	+16.9%	-0.2	-1.3%
Operating Margin		22.3%	24.7%	27.6%	15.9%	22.9%	24.8%	+1.9pts		+0.1pts	
Income Before Tax		16.5	18.6	20.6	10.5	14.9	18.4	+3.4	+22.6%	-0.2	-1.2%
Net Income		13.9	16.2	17.9	9.0	12.1	14.7	+2.6	+21.5%	-1.6	-9.7%
Net Income Margin		19.6%	22.4%	23.9%	14.0%	18.3%	20.5%	+2.2pts		-1.9pts	
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	61.3	-13.3	-17.8%	-21.7	-26.1%
Exchange Rate	1 US\$	¥108	¥111	¥113	¥111	¥111	¥108	¥3 Appreciation		¥3 Appreciation	
	1 Euro	¥131	¥129	¥130	¥126	¥125	¥121	¥4 Appreciation		¥8 Appreciation	

Quarterly Orders by Segment



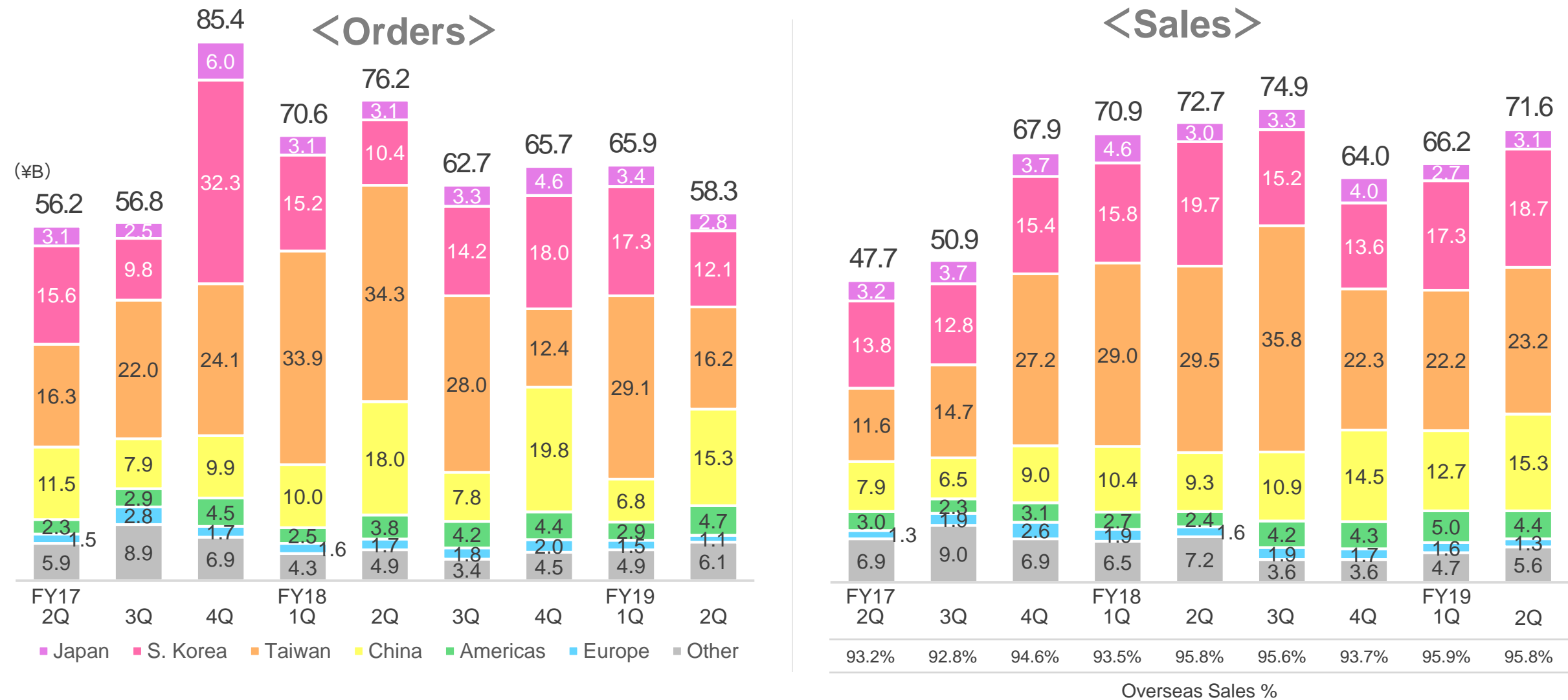
Note: Intersegment transactions have been eliminated from totals

Quarterly Sales by Segment

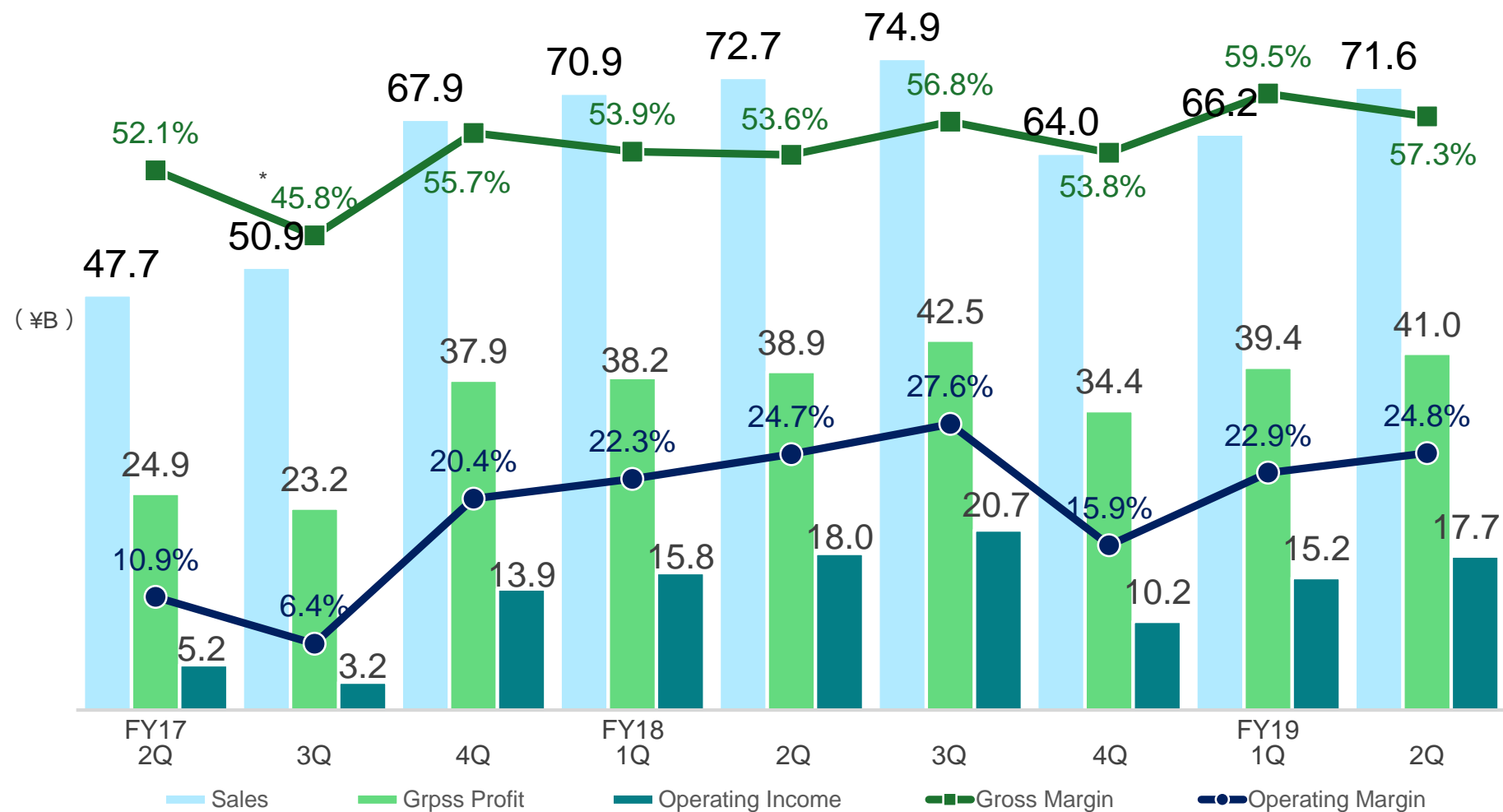


Note: Intersegment transactions have been eliminated from totals

Quarterly Orders / Sales by Region



Sales / Gross Profit / Operating Income

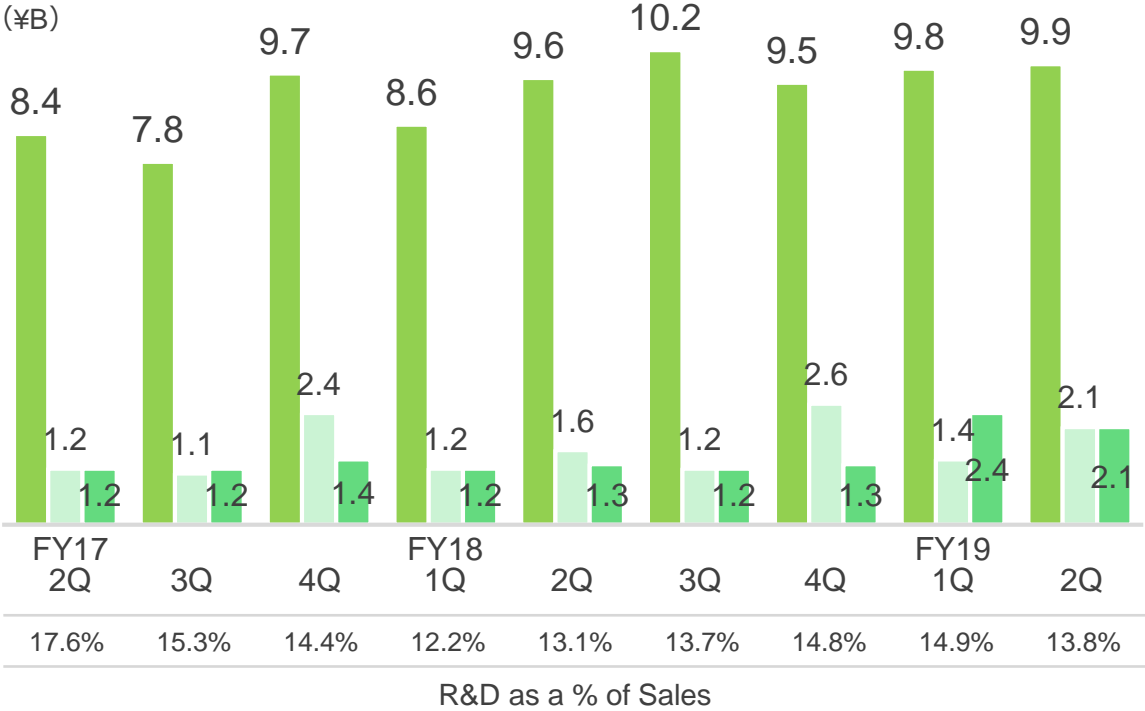


*In FY17 3Q, a ¥3.3 billion write-down of inventories was recorded in our nanotechnology business.
The gross margin in FY17 3Q excluding the effect of the write-down was 52.3%.

Investments / Cash Flow

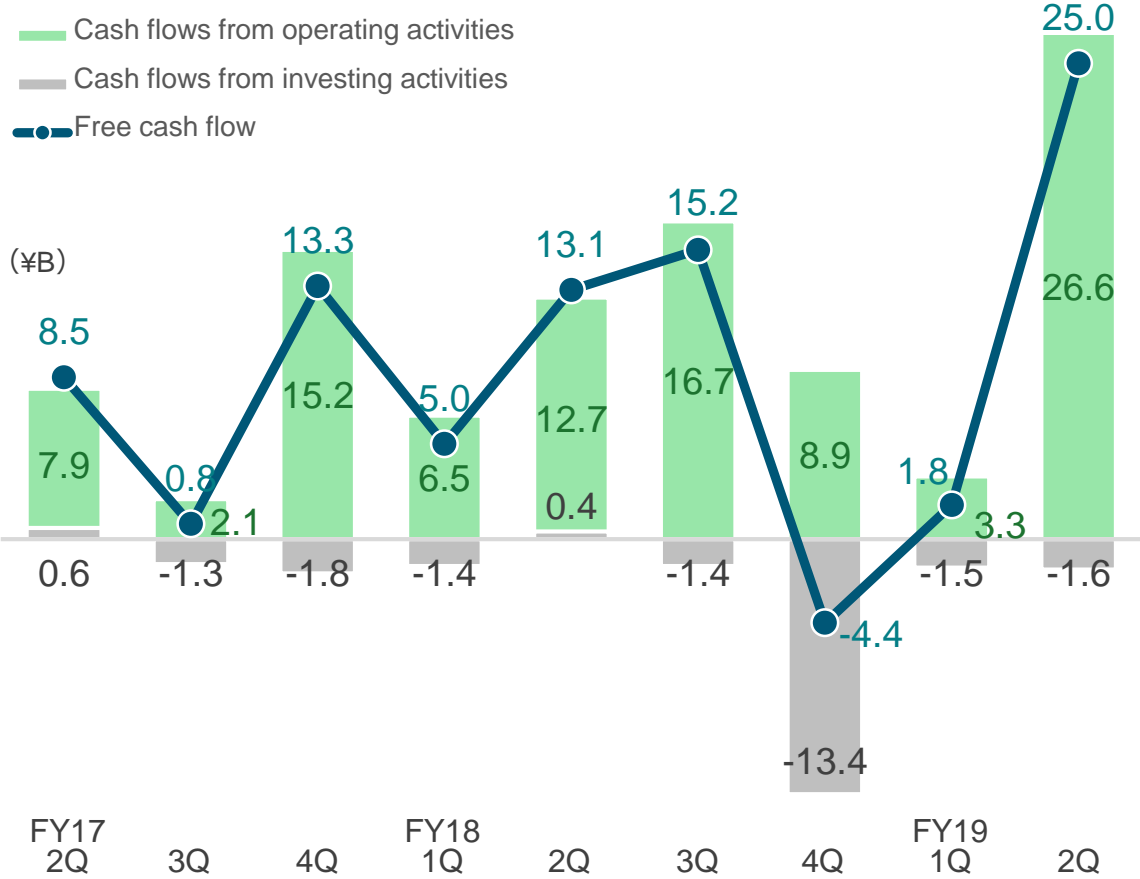
<Investments>

- R&D Expenses
- Capital Expenditure
- Depreciation & Amortization



<Cash flow>

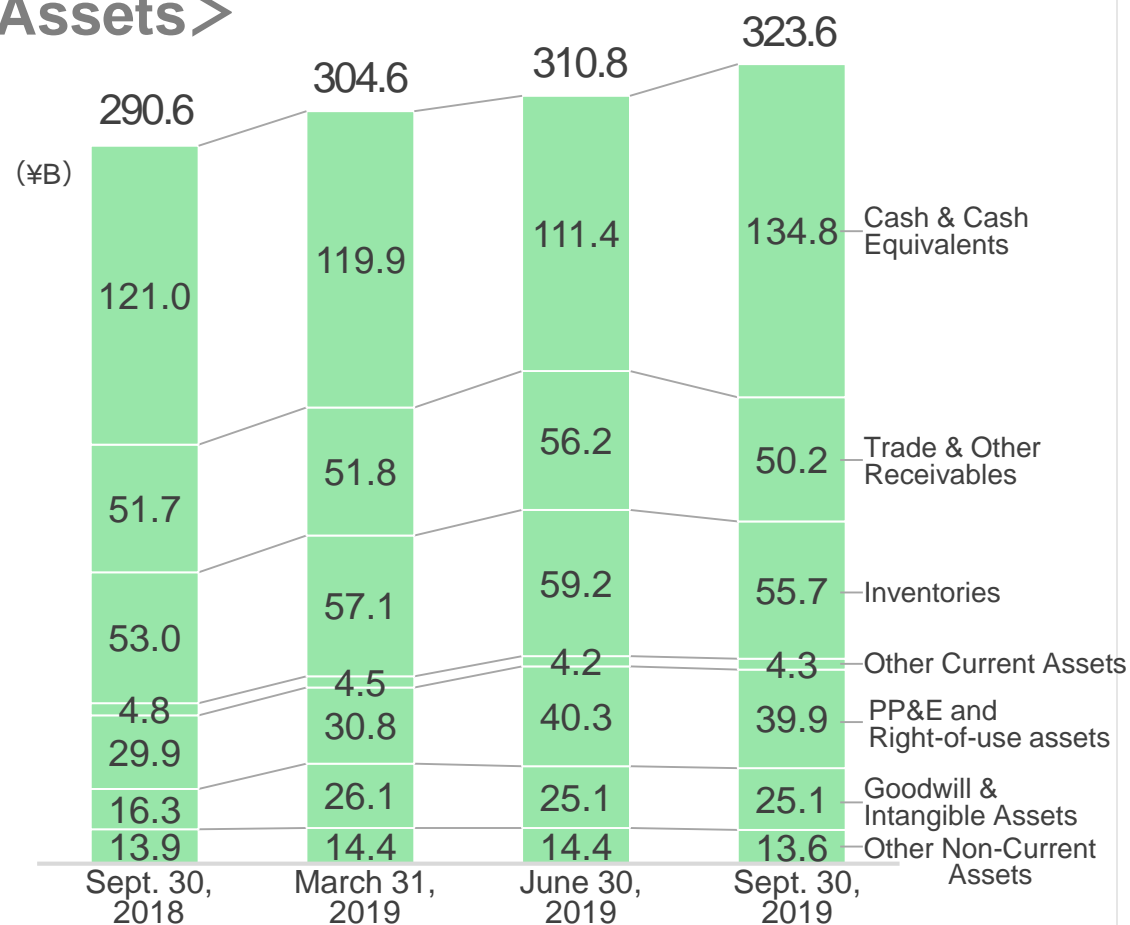
- Cash flows from operating activities
- Cash flows from investing activities
- Free cash flow



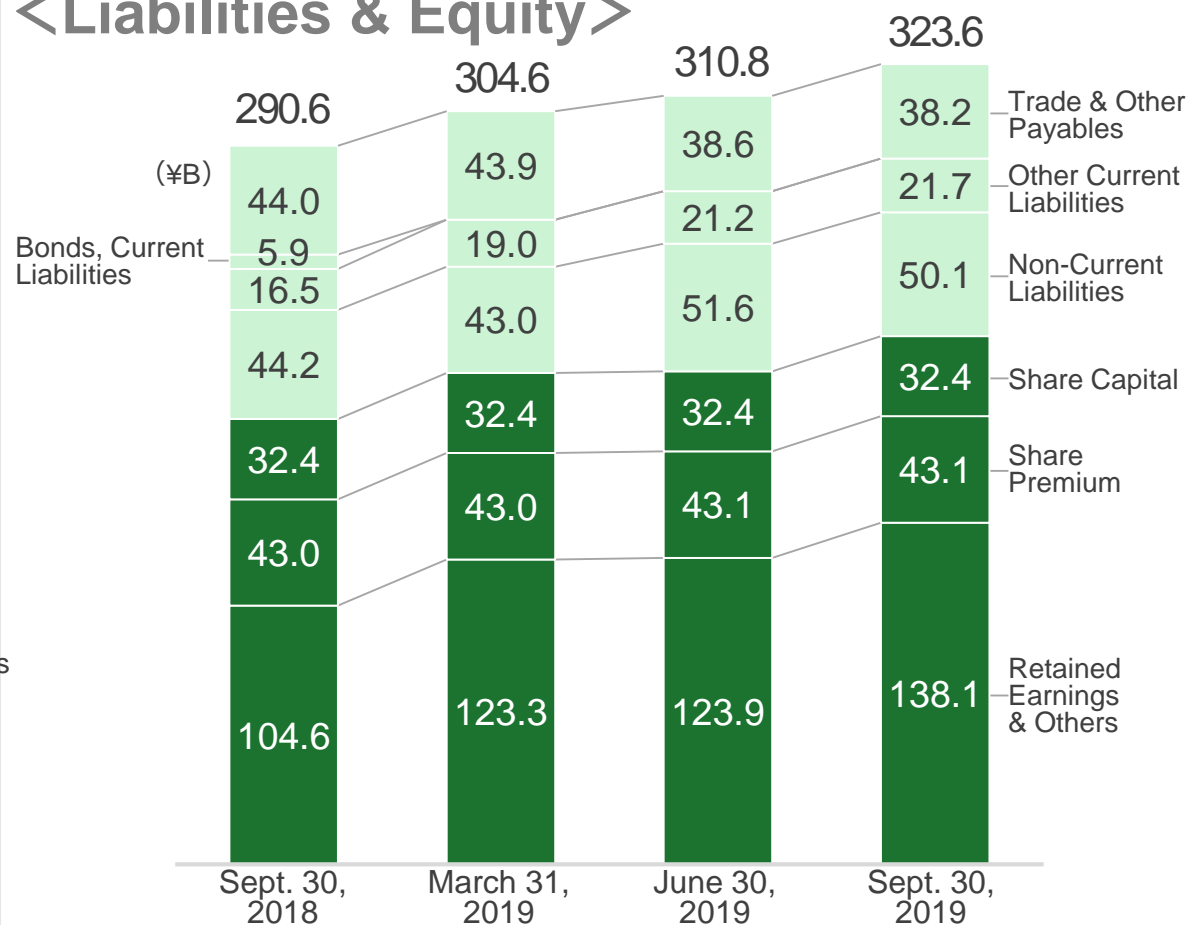
*Free Cash Flow = Cash flows from operating activities + Cash flows from investing activities

Financial Position

<Assets>



<Liabilities & Equity>



Equity Attributable to Owners of the Parent	180.0	198.7	199.4	213.6
Ratio of Equity Attributable to Owners of the Parent	61.9%	65.2%	64.2%	66.0%



FY2019 Outlook

Yoshiaki Yoshida

Representative Director, President & CEO

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Semiconductor Tester Market Trends (Outlook as of Oct. 2019)

CY18 Actual

- Many semiconductor manufacturers maintained active tester investment throughout the year in response to demand for higher device performance and reliability

CY19 Estimate

- With uncertainty in the global economy growing, demand for testers is slowing across many device types.
- Advanced process chips and 5G-related SoC semiconductors are exceptions, showing strength. We have revised our SoC tester market outlook.
- Demand for memory testers is also showing signs of picking up compared with our estimate three months ago.
- Test capacity investment for high-end semiconductors continues to drive the market. Positive events are expected to continue in CY20.

	CY18 Actual	CY19 Estimate
SoC Tester Market	Approx \$2,550M	Approx \$2,600M (Guidance in July: \$2,000M or greater)
Memory Tester Market	Approx \$1,150M	Approx \$550M (Guidance in July: May fall below the \$550M level)

FY19 Forecast

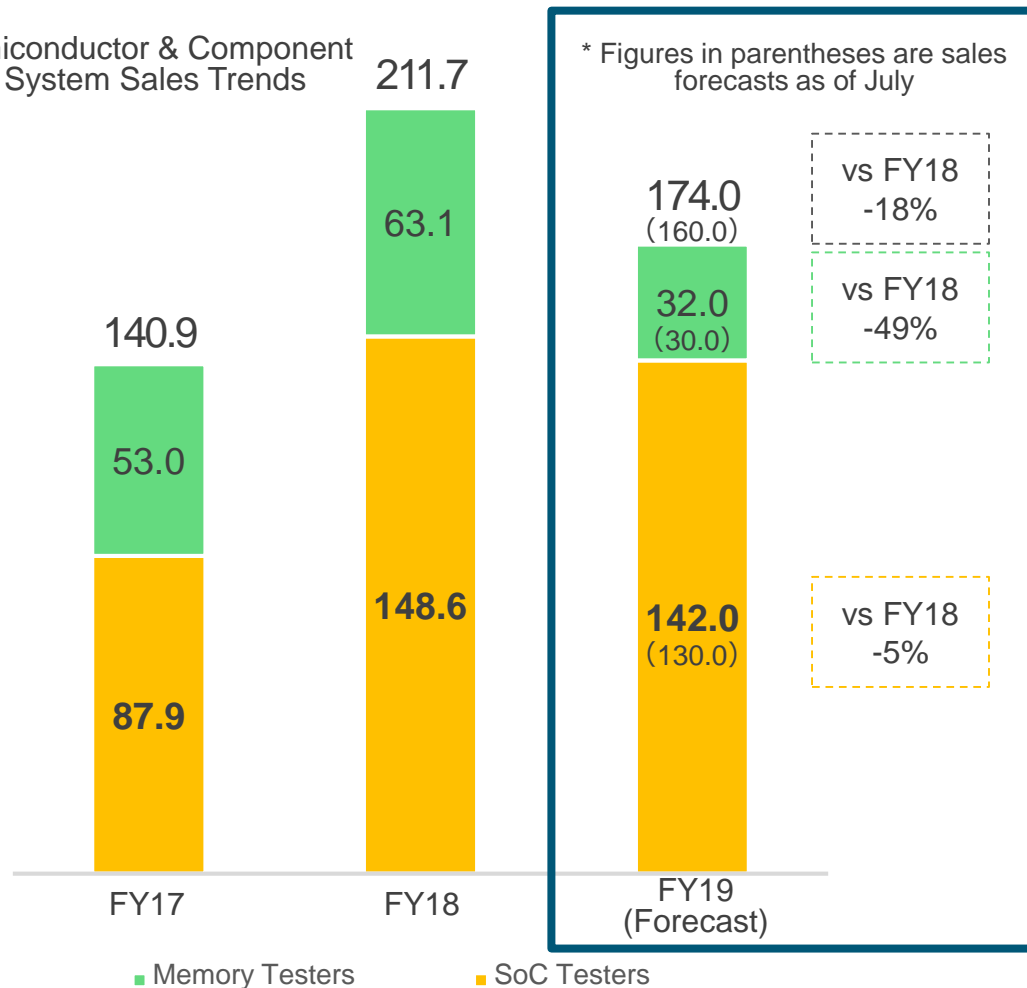
	FY18 Results	FY19					(¥B)	
		1H Results	2H Forecast	Full-Year Forecast	vs. FY18		Vs. New Full-Year Forecast	
					(Δ)	(%)	FY19 Forecast as of July	(Δ)
Orders	275.2	124.2	110.8	235.0	-40.2	-14.6%	230.0	+5.0
Sales	282.5	137.8	109.2	247.0	-35.5	-12.6%	230.0	+17.0
Operating Income	64.7	32.9	12.1	45.0	-19.7	-30.4%	30.0	+15.0
Operating Margin	22.9%	23.9%	11.1%	18.2%	-4.7pts		13.0%	+5.2pts
Income Before Tax	66.2	33.3	12.5	45.8	-20.4	-30.8%	31.0	+14.8
Net Income	57.0	26.8	9.7	36.5	-20.5	-36.0%	26.0	+10.5
Net Income Margin	20.2%	19.4%	8.9%	14.8%	-5.4pts		11.3%	+3.5pts
Backlog	74.9	61.3	62.9	62.9	-12.0	-16.0%	74.9	-12.0
Exchange Rate*1	¥110	¥109	¥105	¥107	¥3 Appreciation		¥110	¥3 Appreciation
	¥129	¥123	¥120	¥121	¥8 Appreciation		¥130	¥9 Appreciation
ROE	35.3%	-	-	17.6%	-17.7pts		12.6%	+5.0pts
Dividend per share*2	¥92	¥41	TBD	TBD	-		TBD	-

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

*2: FY18 dividend per share: 50 yen in 1H, 42 yen in 2H.

FY19 Outlook by Segment

Semiconductor & Component
Test System Sales Trends
(¥B)



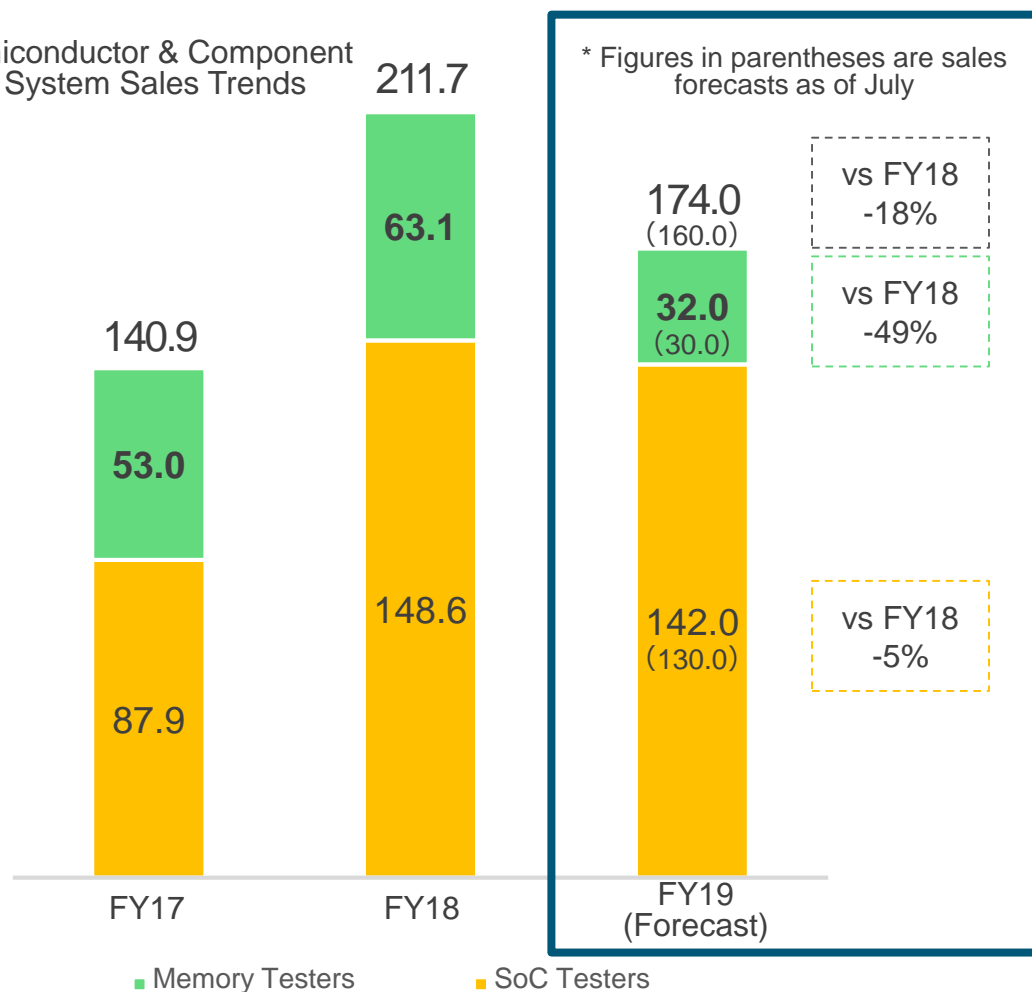
Semiconductor & Component Test Systems

<SoC Testers>

- Advances in semiconductor performance underpin SoC tester demand. We have increased our full-year sales forecast.
- Representative higher-performance devices are application processors and baseband processors to be used for future 5G handsets, as well as image sensors.
- 5G-related orders may slow down temporarily in the second half, but the trend of semiconductor test capacity enhancement for SoCs is expected to continue for several years.

FY19 Outlook by Segment

Semiconductor & Component
Test System Sales Trends
(¥B)



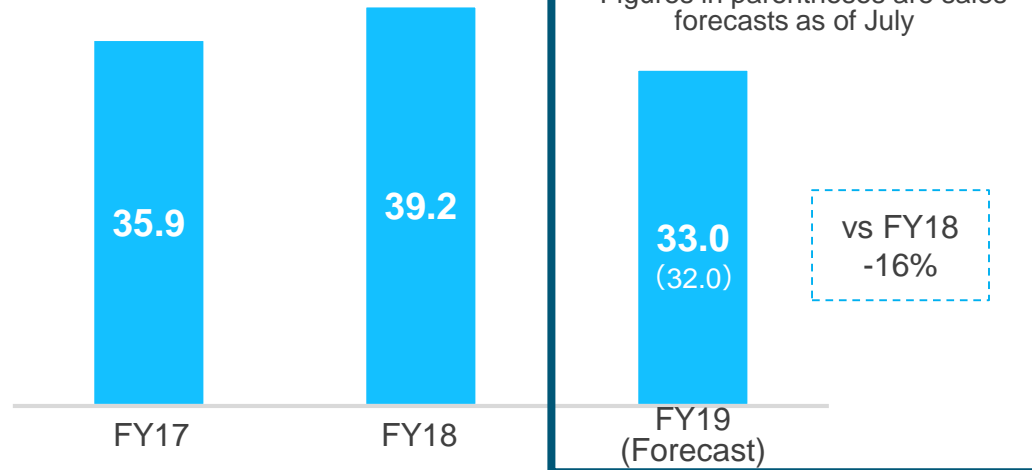
Semiconductor & Component Test Systems

<Memory Testers>

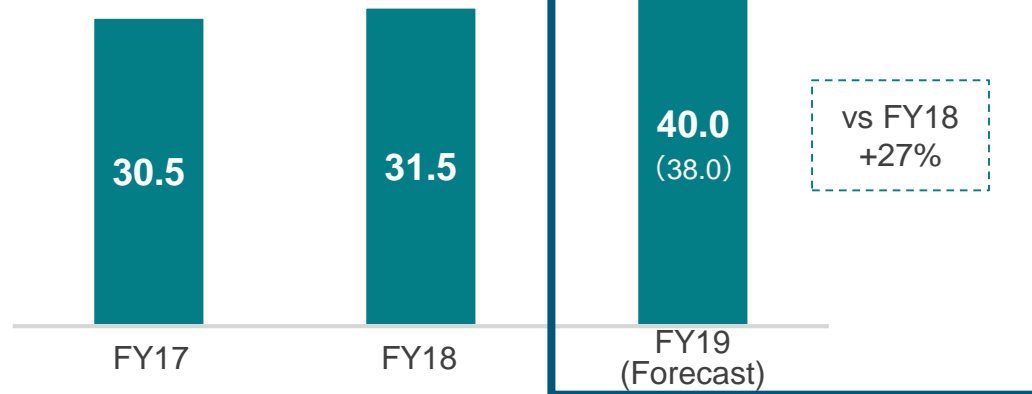
- Despite prolonged inventory adjustments, the environment is improving slightly.
- We see signs of growing demand in areas that are less susceptible to memory supply and demand issues, such as the DRAM shift to DDR5, and high-speed products for HPC.
- We expect a recovery in tester demand following bit demand recovery.

FY19 Outlook by Segment

Mechatronics Sales Trends (¥B)



Services, Support, & Others Sales Trends (¥B)



Mechatronics Systems

- Although the impact of the decrease in memory customers' tester investments is large, device interface sales are growing slightly in step with memory tester sales.
- Nanotech product sales are expected to increase due to capture of EUV-related demand.

Services, Support, & Others

- Customer tester utilization ratios are holding steady, and we expect a solid trend in field service sales, which are the core business of this segment.
- SSD and SoC system-level tester sales are healthy.

Measures for Medium- to Long-Term Growth

Grand Design (Long-Term Management Policy・FY18-27)

<Vision statement>

Adding Customer Value in an Evolving Semiconductor Value Chain

<Management Goals>

¥300B - ¥400B in annual sales

- Improve market share by 1% a year by focusing on growth areas and strengthening partnerships with customers (CY17 results: 36% → CY27 target: 46%)
- Develop new business around our core business area

Mid-Term Plan (FY18-20 Average)

	Conservative	Base
Yearly market growth rate	0%	4%
Sales	¥230.0B	¥250.0B
Operating Margin	15%	17%
ROE	15%	18%
EPS	¥135	¥170

Important Measures for FY19

- Enhance engagement with most important industry-leading customers
- Maintain and expand market share
- Reinforce personnel and develop human resources for medium-to long-term growth
 - Reinforce R&D engineering staff and marketing / sales / SE / service staff in priority regions
- Improve business efficiency for operational excellence
- Maximize utilization of ROIC in business operations

R&D / Capital Investment Outlook

	FY18 actual	FY19 forecast
R&D Expenses	37.9	39.0
Capex	6.6	10.0
D&A	5.0	9.5

Summary

- Supported by increased SoC tester investment, performance has so far exceeded our initial forecast for FY19
- In light of this favorable progress, we have revised our full-year results forecast upward.
- In the second half of the fiscal year, we foresee a temporary slowdown in orders, but the trend of increasing demand for testers over the medium to long term remains unchanged.
- We will work to further reinforce customer support in line with our vision of Adding Customer Value in an Evolving Semiconductor Value Chain.