

ADVANTEST®

FY2019 3Q
(Three months ended December 31st, 2019)
Financial Briefing

January 29th, 2020
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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```
mirror_mod.mirror_object = ...
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 ...
obj.select= 1
obj.select=1
context.scene.objects.active
["Selected" + str(modifier ...
mirror_ob.select = 0
bpy.context.selected_ob
```

Financial Results for FY2019 3Q

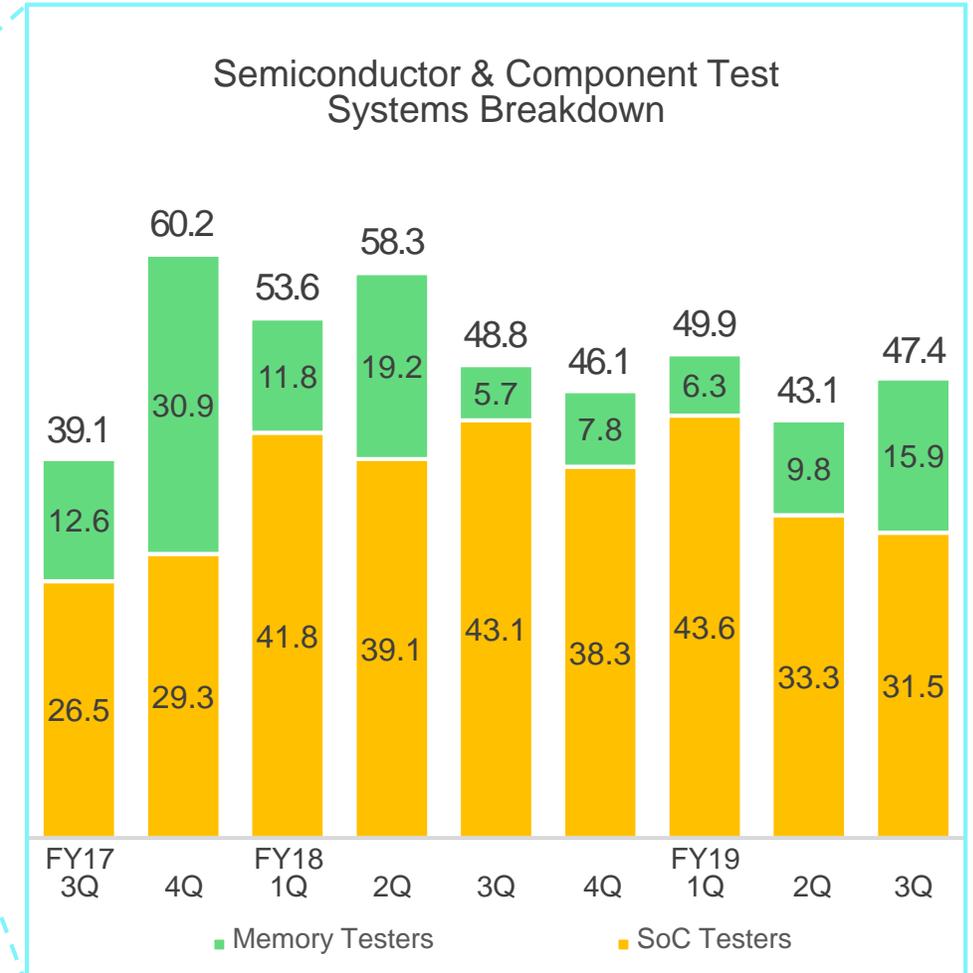
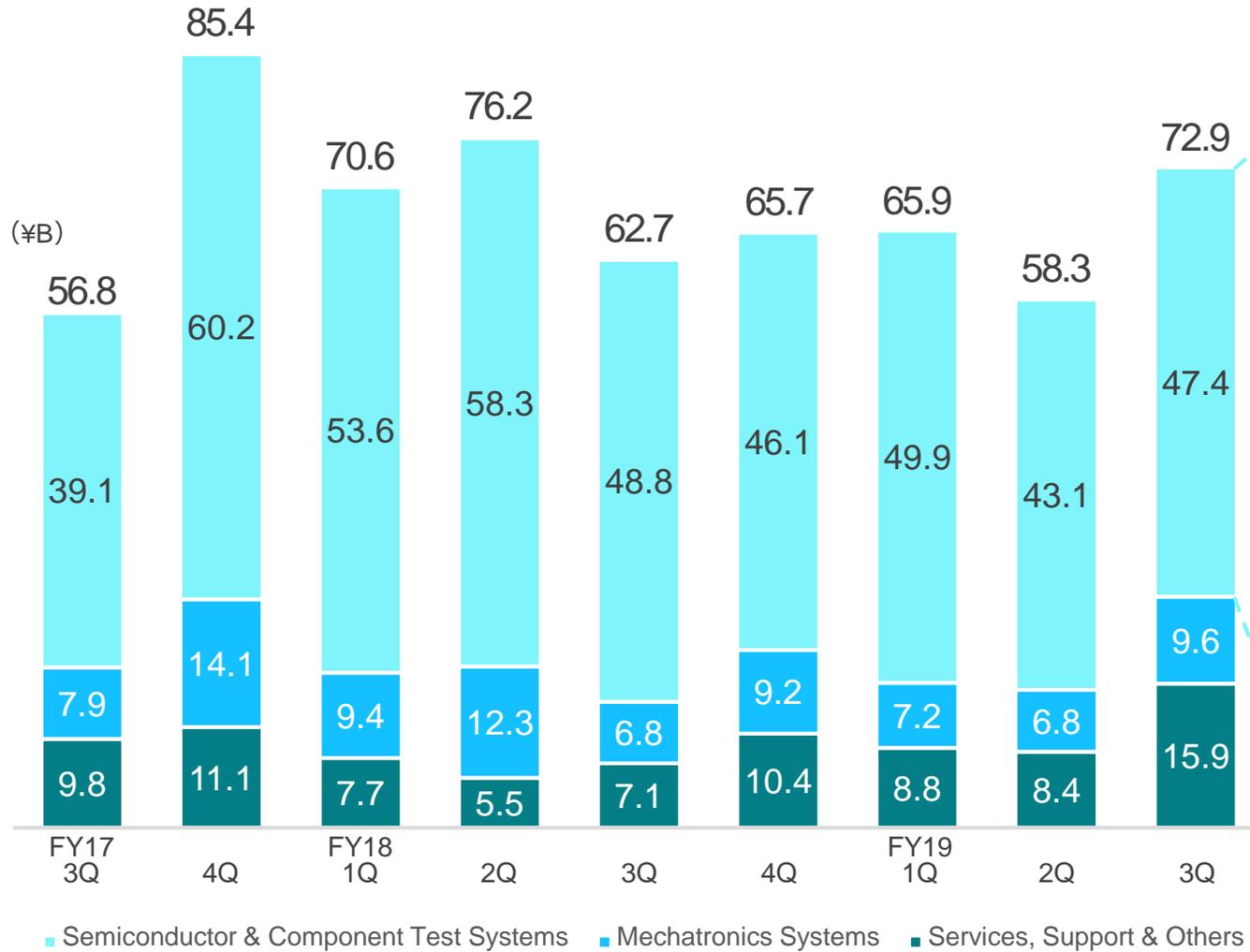
Atsushi Fujita
Director, Managing Executive Officer (CFO)

FY19 3Q Summary of Results

(¥B)

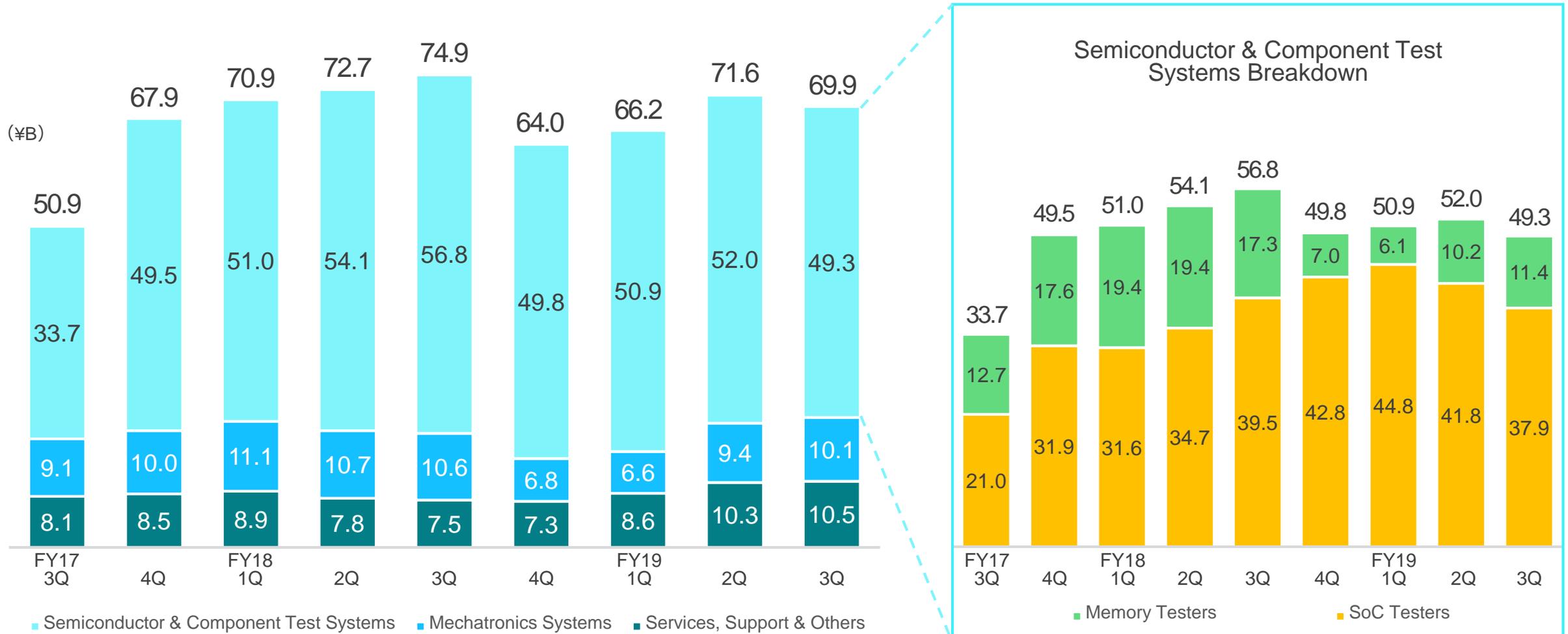
| | FY18 | | | | FY19 | | | FY19 | | | |
|------------------------------------------------------------------|--------|-------|-------|-------|-------|-------|-------|-----------------|--------|------------------|--------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | QoQ | | YoY | |
| | | | | | | | | (Δ) | (%) | (Δ) | (%) |
| Orders | 70.6 | 76.2 | 62.7 | 65.7 | 65.9 | 58.3 | 72.9 | +14.6 | +25.1% | +10.2 | +16.2% |
| Sales | 70.9 | 72.7 | 74.9 | 64.0 | 66.2 | 71.6 | 69.9 | -1.7 | -2.3% | -5.0 | -6.7% |
| Gross Profit | 38.2 | 38.9 | 42.5 | 34.4 | 39.4 | 41.0 | 39.4 | -1.6 | -3.9% | -3.1 | -7.3% |
| Gross Margin | 53.9% | 53.6% | 56.8% | 53.8% | 59.5% | 57.3% | 56.4% | -0.9pts | | -0.4pts | |
| Operating Income | 15.8 | 18.0 | 20.7 | 10.2 | 15.2 | 17.7 | 14.2 | -3.5 | -19.6% | -6.5 | -31.2% |
| Operating Margin | 22.3% | 24.7% | 27.6% | 15.9% | 22.9% | 24.8% | 20.4% | -4.4pts | | -7.2pts | |
| Income Before Tax | 16.5 | 18.6 | 20.6 | 10.5 | 14.9 | 18.4 | 14.5 | -3.9 | -21.0% | -6.1 | -29.8% |
| Net Income | 13.9 | 16.2 | 17.9 | 9.0 | 12.1 | 14.7 | 11.9 | -2.7 | -18.7% | -6.0 | -33.3% |
| Net Income Margin | 19.6% | 22.4% | 23.9% | 14.0% | 18.3% | 20.5% | 17.1% | -3.4pts | | -6.8pts | |
| 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 | 64.3 | +3.0 | +4.9% | -6.5 | -9.2% |
| Exchange Rate | 1 US\$ | ¥108 | ¥111 | ¥113 | ¥111 | ¥108 | ¥108 | - | | ¥5 Appreciation | |
| | 1 Euro | ¥131 | ¥129 | ¥130 | ¥126 | ¥125 | ¥121 | ¥2 Appreciation | | ¥11 Appreciation | |

Quarterly Orders by Segment



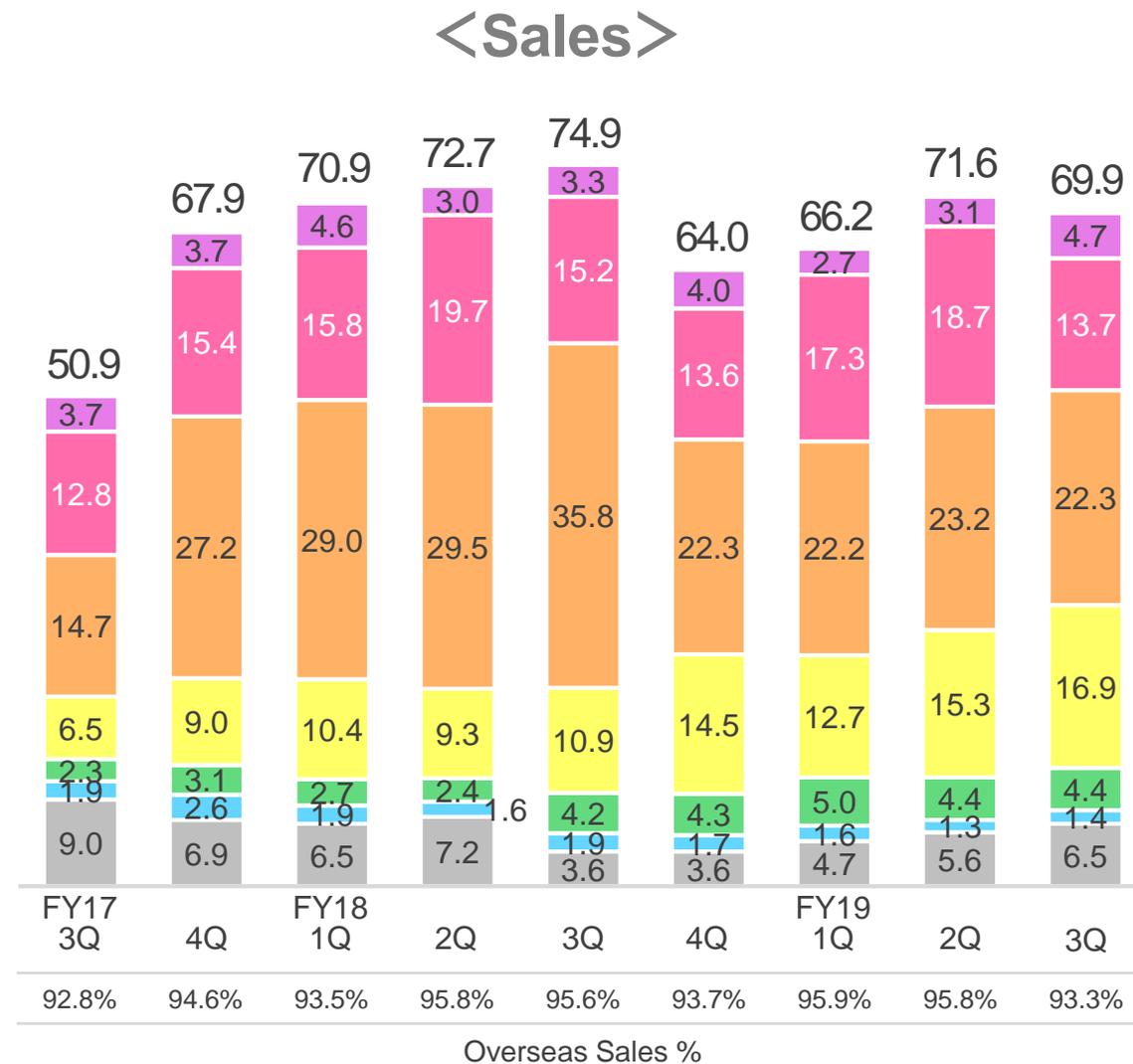
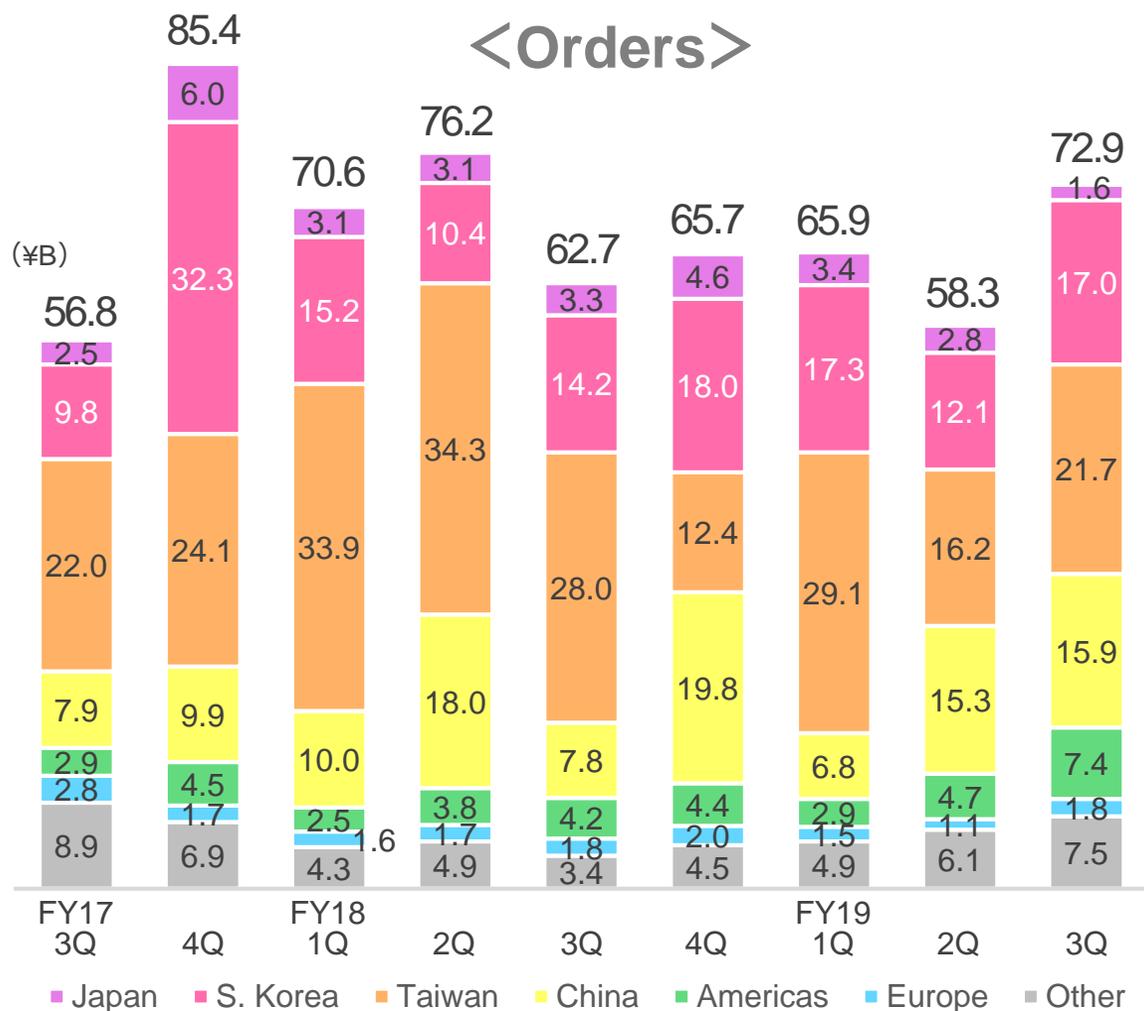
Note: Intersegment transactions have been eliminated from totals

Quarterly Sales by Segment

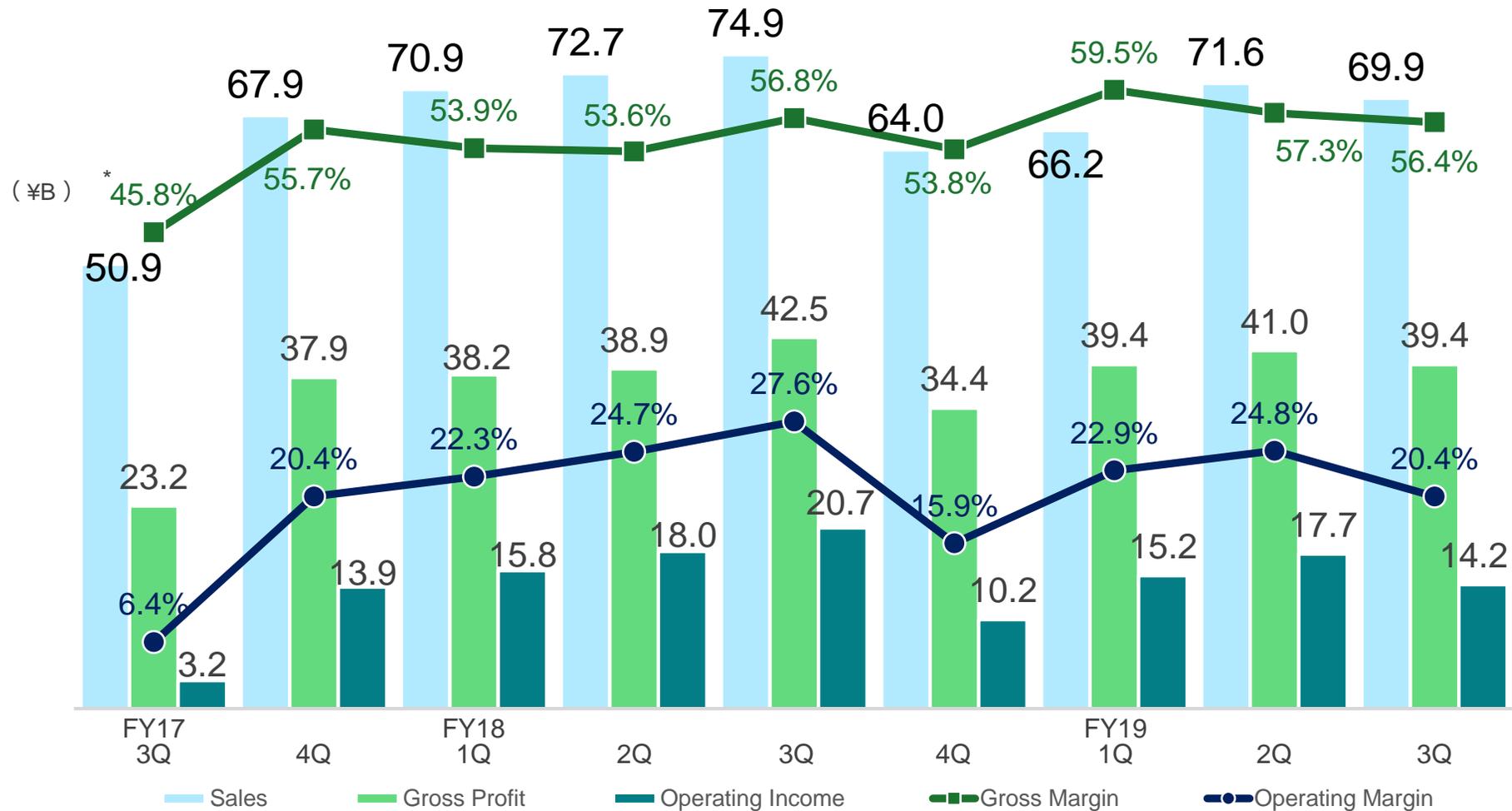


Note: Intersegment transactions have been eliminated from totals

Quarterly Orders / Sales by Region



Sales / Gross Profit / Operating Income

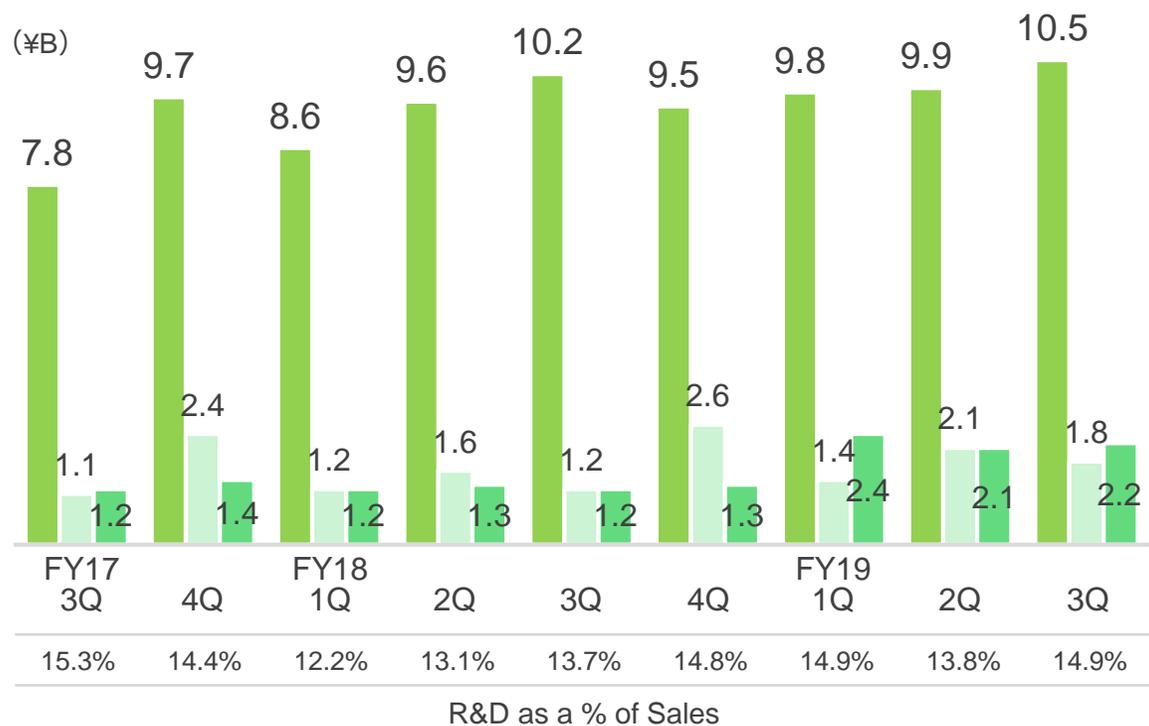


*In FY17 3Q, a ¥3.3 billion write-down of inventories was recorded in our nanotechnology business.
The gross margin in FY17 3Q excluding the effect of the write-down was 52.3%.

Investments / Cash Flow

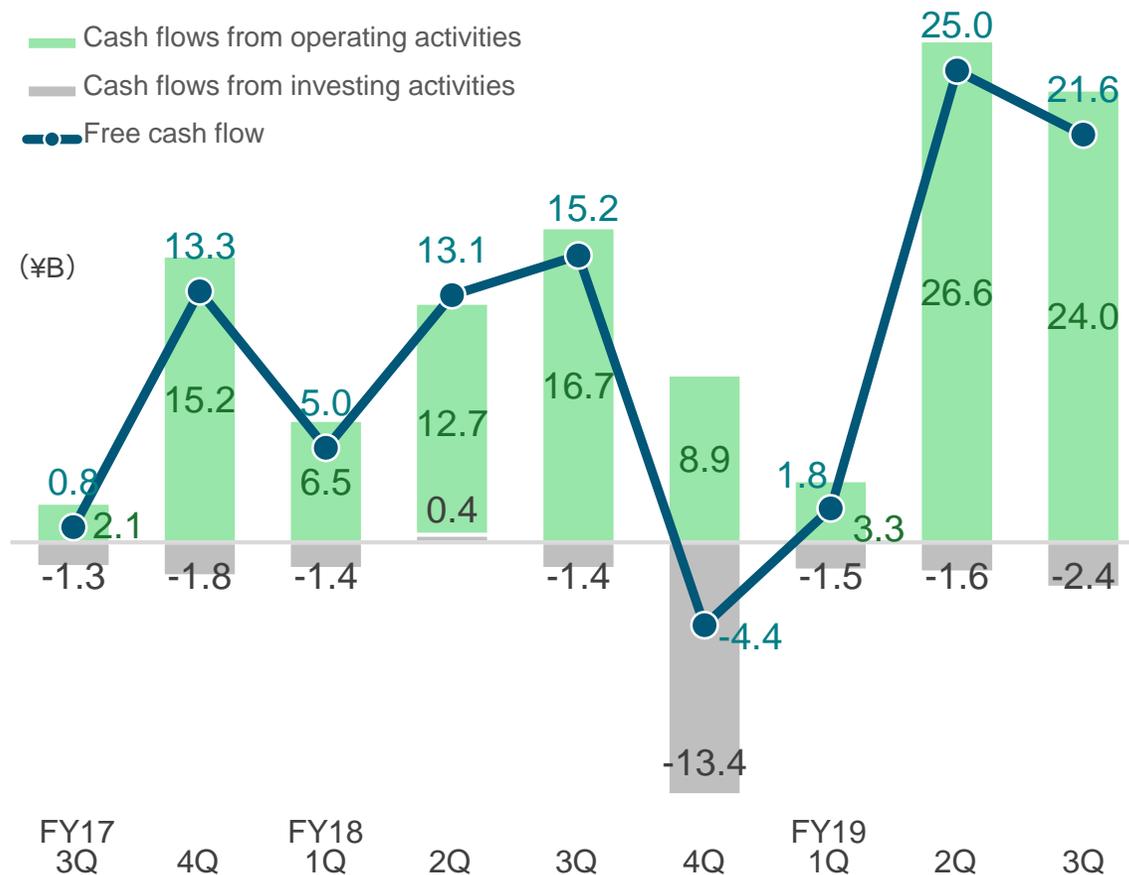
<Investments>

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



<Cash flow>

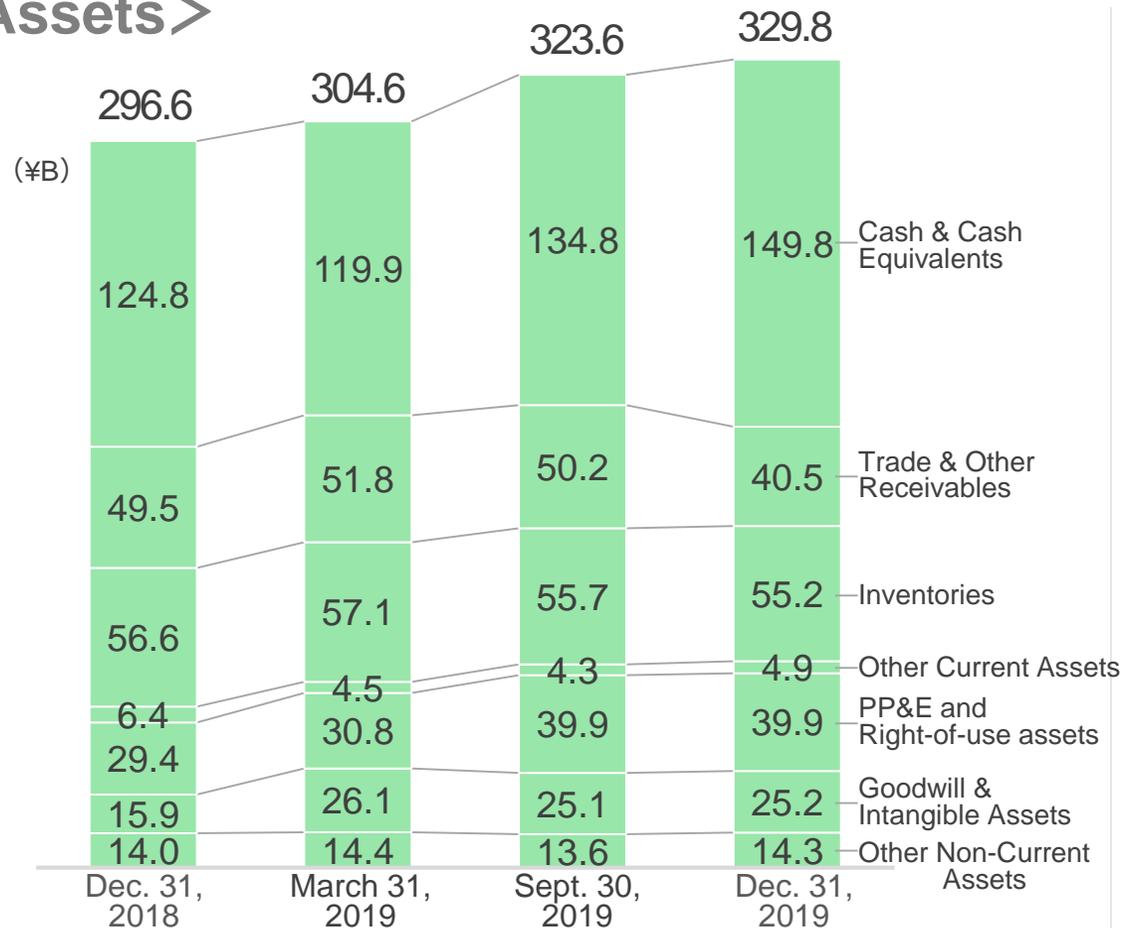
- Cash flows from operating activities
- Cash flows from investing activities
- Free cash flow



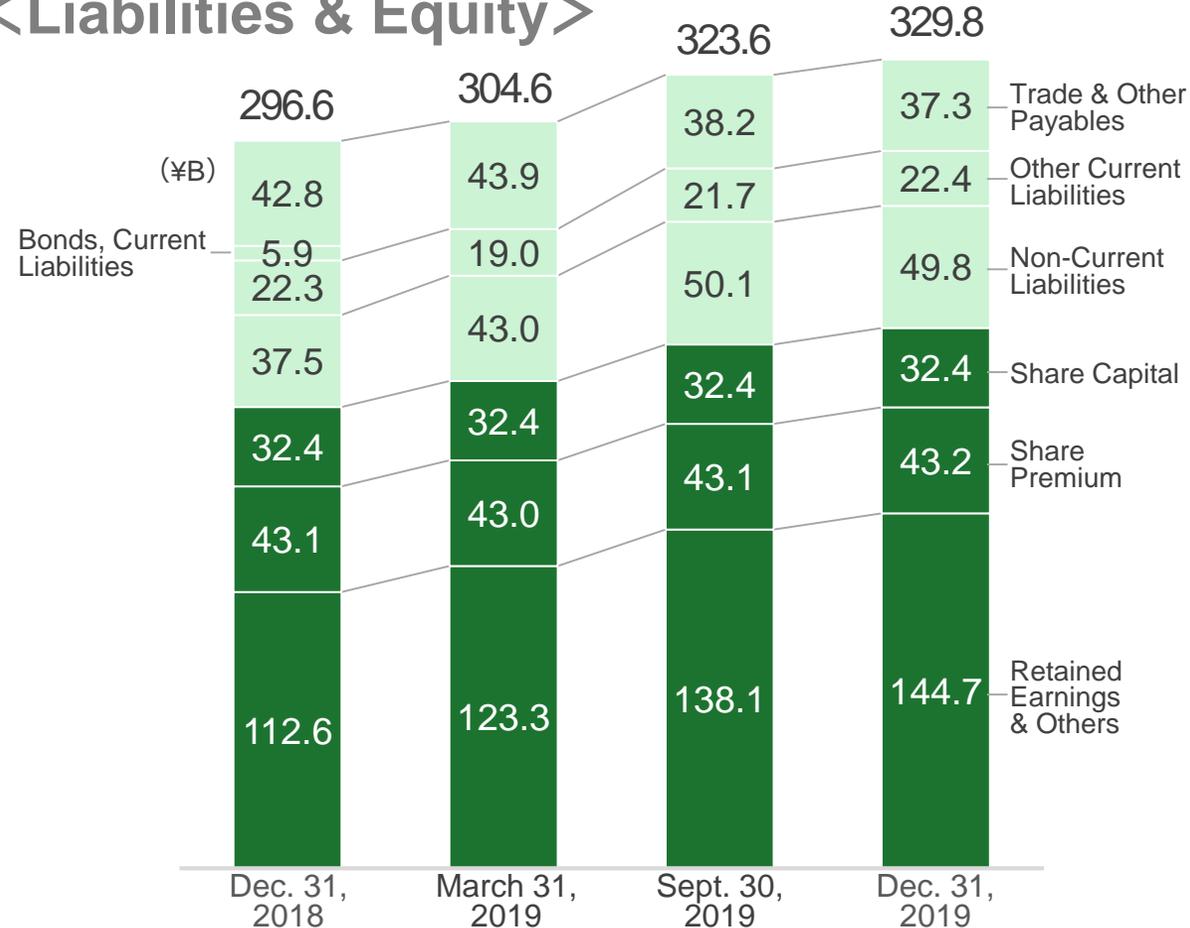
*Free Cash Flow = Cash flows from operating activities + Cash flows from investing activities

Financial Position

<Assets>



<Liabilities & Equity>



| | | | | |
|------------------------------------------------------|-------|-------|-------|-------|
| Equity Attributable to Owners of the Parent | 188.1 | 198.7 | 213.6 | 220.3 |
| Ratio of Equity Attributable to Owners of the Parent | 63.4% | 65.2% | 66.0% | 66.8% |

FY2019 Outlook

Yoshiaki Yoshida

Representative Director, President & CEO

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ADVANTEST[®]

Semiconductor Tester Market Trends (Outlook as of Jan. 2020)

CY19 Actual (Provisional)

- Demand for testers for the development and production of high-end SoCs, mainly for 5G, grew. The SoC tester market expanded YoY
- The memory tester market also picked up, supported by higher-performance memory device and volume production ramps by Chinese memory companies

CY20 Estimate

- Given the greater-than-expected growth of the SoC tester market in CY19, it is presently expected to be flat in CY20, but the market's structure is unchanged, with semiconductor evolution driving investments in test capacity enhancement and stimulating further growth
- The memory tester market is recovering. There is a possibility of further demand increases, depending on the rate of DRAM market improvement

| | CY18 Actual | CY19 Actual (Provisional) | CY20 Estimate |
|----------------------|-----------------|------------------------------------------------------|-----------------|
| SoC Tester Market | Approx \$2,550M | Approx \$2,700M (Est. as of Oct: Approx \$2,600M) | Approx \$2,700M |
| Memory Tester Market | Approx \$1,150M | Approx \$650M (Est. as of Oct: Approx \$550M) | Approx \$800M |

FY19 Forecast

(¥B)

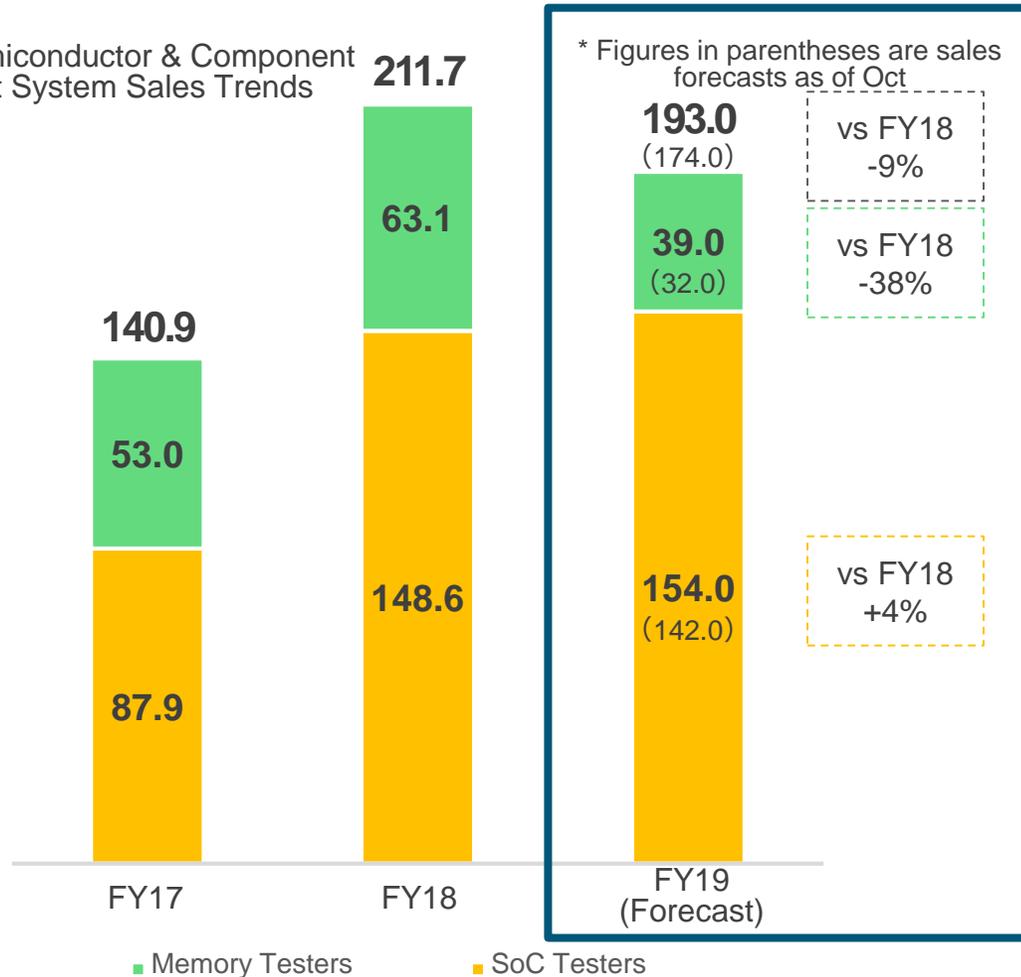
| | FY18 Results | FY19 | | | | | vs. New Full-Year Forecast | |
|----------------------|-----------------|---------------|----------------|-----------------------|----------|-----------------|----------------------------|---------|
| | | 1H Results | 2H Forecast | Full-Year Forecast | vs. FY18 | | FY19 Forecast as of Oct | (Δ) |
| | | | | | (Δ) | (%) | | |
| Orders | 275.2 | 124.2 | 145.8 | 270.0 | -5.2 | -1.9% | 235.0 | +35.0 |
| Sales | 282.5 | 137.8 | 132.2 | 270.0 | -12.5 | -4.4% | 247.0 | +23.0 |
| Operating Income | 64.7 | 32.9 | 23.1 | 56.0 | -8.7 | -13.4% | 45.0 | +11.0 |
| Operating Margin | 22.9% | 23.9% | 17.5% | 20.7% | -2.2pts | | 18.2% | +2.5pts |
| Income Before Tax | 66.2 | 33.3 | 23.4 | 56.7 | -9.5 | -14.4% | 45.8 | +10.9 |
| Net Income | 57.0 | 26.8 | 22.2 | 49.0 | -8.0 | -14.0% | 36.5 | +12.5 |
| Net Income Margin | 20.2% | 19.4% | 16.8% | 18.1% | -2.1pts | | 14.8% | +3.3pts |
| Backlog | 74.9 | 61.3 | 74.9 | 74.9 | - | - | 62.9 | +12.0 |
| Exchange Rate*1 | 1 US\$ | ¥110 | ¥109 | ¥107 | ¥108 | ¥2 Appreciation | ¥107 | - |
| | 1 Euro | ¥129 | ¥123 | ¥120 | ¥121 | ¥8 Appreciation | ¥121 | - |
| ROE | 35.3% | - | - | 22.8% | -12.5pts | | 17.6% | +5.2pts |
| Dividend per share*2 | ¥92 | ¥41 | ¥34 | ¥75 | - | | TBD | - |

*1: Our latest outlook for the impact of exchange rate fluctuations on FY19 operating income is minus 600 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>

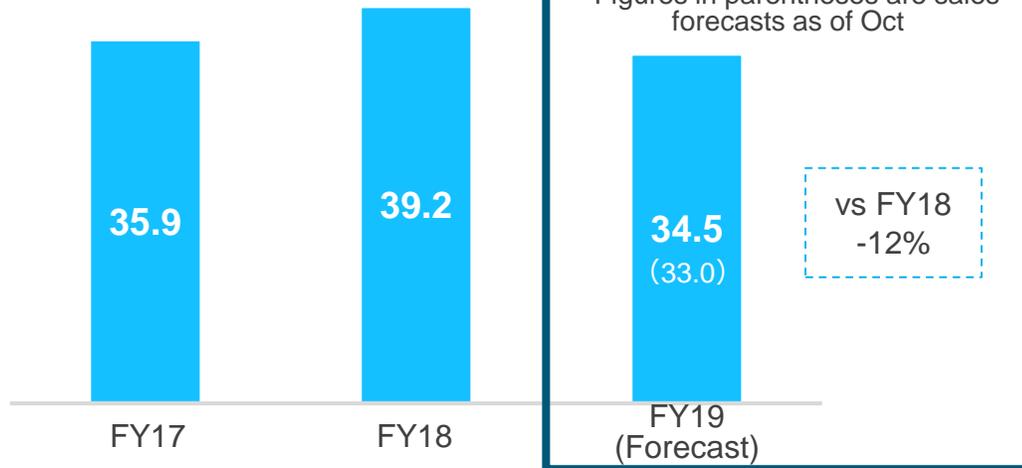
- In high-end SoCs for e.g. 5G, demand has not slowed as much as expected three months ago, despite having fallen in comparison to 1H. We have revised our full-year sales forecast upwards
- We expect to set a new SoC tester sales record, further exceeding the record set in FY18

<Memory Testers>

- We sense further improvement in the market environment
- 4Q should also see demand for flash and high-speed DRAM test

FY19 Outlook by Segment

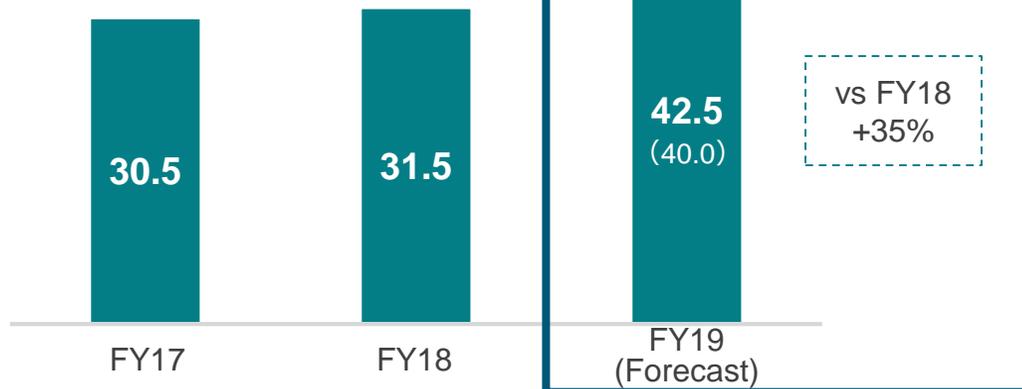
Mechatronics Sales Trends (¥B)



Mechatronics Systems

- Demand for interface products has improved slightly since memory tester investment rebounded

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



Services, Support, & Others

- Field service sales, the core business of this segment, remained strong
- System-level test demand was also strong for both SSDs and SoCs

Measures for Medium- to Long-Term Growth

Grand Design (Mid- to 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 |

Mid-Term Management Plan (FY18-20) Investment Policies

<R&D>

- ✓ Continuously invest 30.0 billion yen or more annually

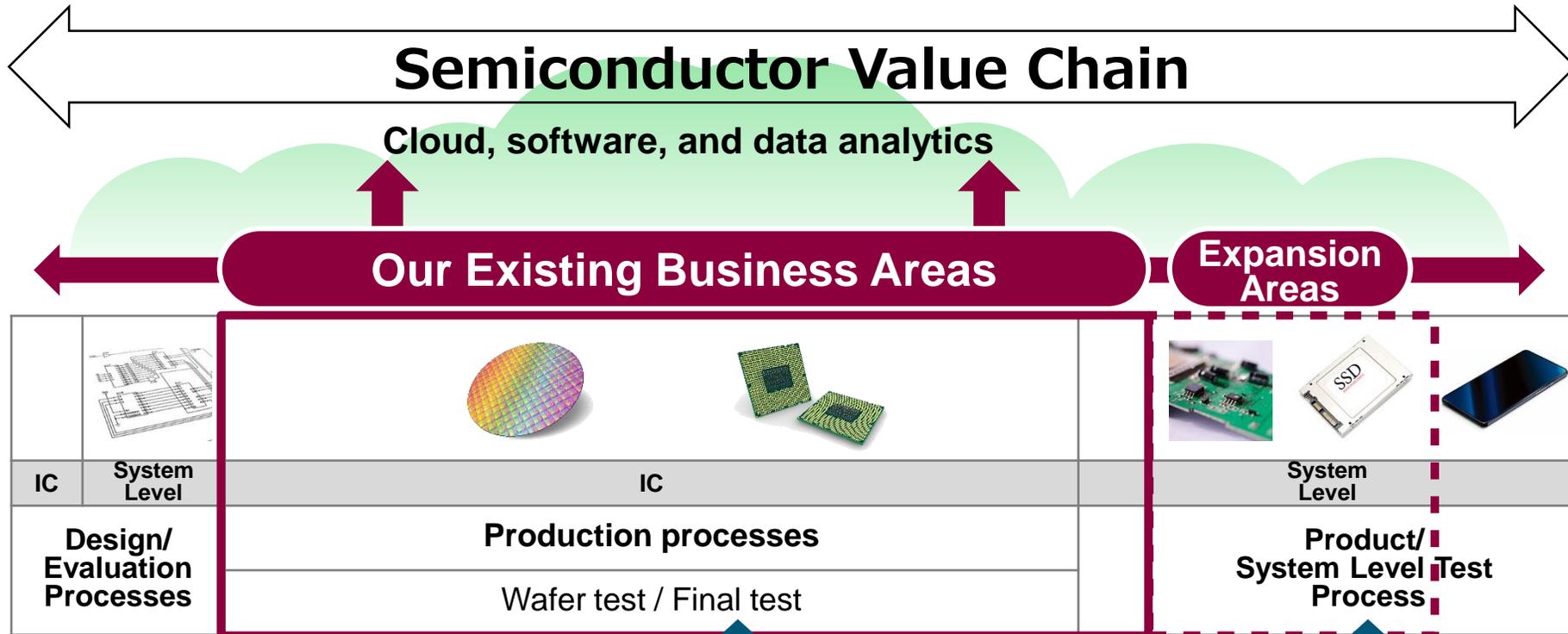
<M&A>

- ✓ Mid-term management plan cumulative M&A investment framework is 100.0 billion yen
- ✓ Targets will expand our solutions portfolio across the semiconductor value chain

<FY19 R&D / Capital Investment Outlook>

| | FY18 actual | FY19 forecast |
|--------------|-------------|---------------|
| R&D Expenses | 37.9B | 40.0B |
| Capex | 6.6B | 10.0B |
| D&A | 5.0B | 9.5B |

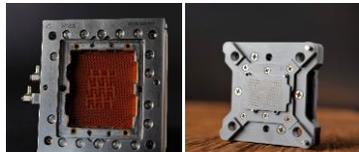
Acquisition of Essai, Inc.



Strategic Significance of the Acquisition

- By expanding our technology portfolio, the acquisition expands our business domain and strengthens competitiveness
- By strengthening recurring business, it will also diversify and stabilize our earnings base

Advantest and Essai's high-precision solutions deliver new value to customers



High-precision IC test sockets

- ✓ Meets the need for better test accuracy of large-scale, high-performance devices related to multi-pin, miniaturization, and advanced package technology
- ✓ Best fit for the emerging system-level test market



Thermal control unit

Summary

- Full-year forecast revised upwards again, based on robust demand for SoC testers and signs of recovery in the memory tester market
- The market in FY19 has been better than expected, but this is still a year of market adjustments. FY20 promises to be a year of recovery
- Advantest will continue to improve our business performance by combining organic efforts with resources acquired through M&A
- Despite risks such as US-China trade friction, geopolitical issues, and the Wuhan coronavirus, Advantest aims to exceed the results of FY18 in our next fiscal year