



ADVANTEST[®]

FY2019
(Period Ended March 31st, 2020)
Financial Briefing

April 24th, 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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Financial Results for FY2019

Atsushi Fujita
Managing Executive Officer (CFO)

FY19 Results Highlights

- Strong demand for high-end SoC testers continued in response to growing demand for higher-performance semiconductors and enhanced reliability assurance. Memory also recovered from 2H
- Advantest's system-level test business, classified as a new business, saw steady order growth
- Despite prolonged inventory adjustments in some semiconductor sectors, Advantest achieved record-high orders for the second year in a row
- Business activities have been restricted since the end of the fiscal year due to the spread of COVID-19, but internal and external efforts enabled Advantest to exceed our most recent sales estimates
- For a second consecutive year, Advantest achieved the numerical targets of the mid-term management plan that started in FY18

FY19 Summary of Results

(¥B)

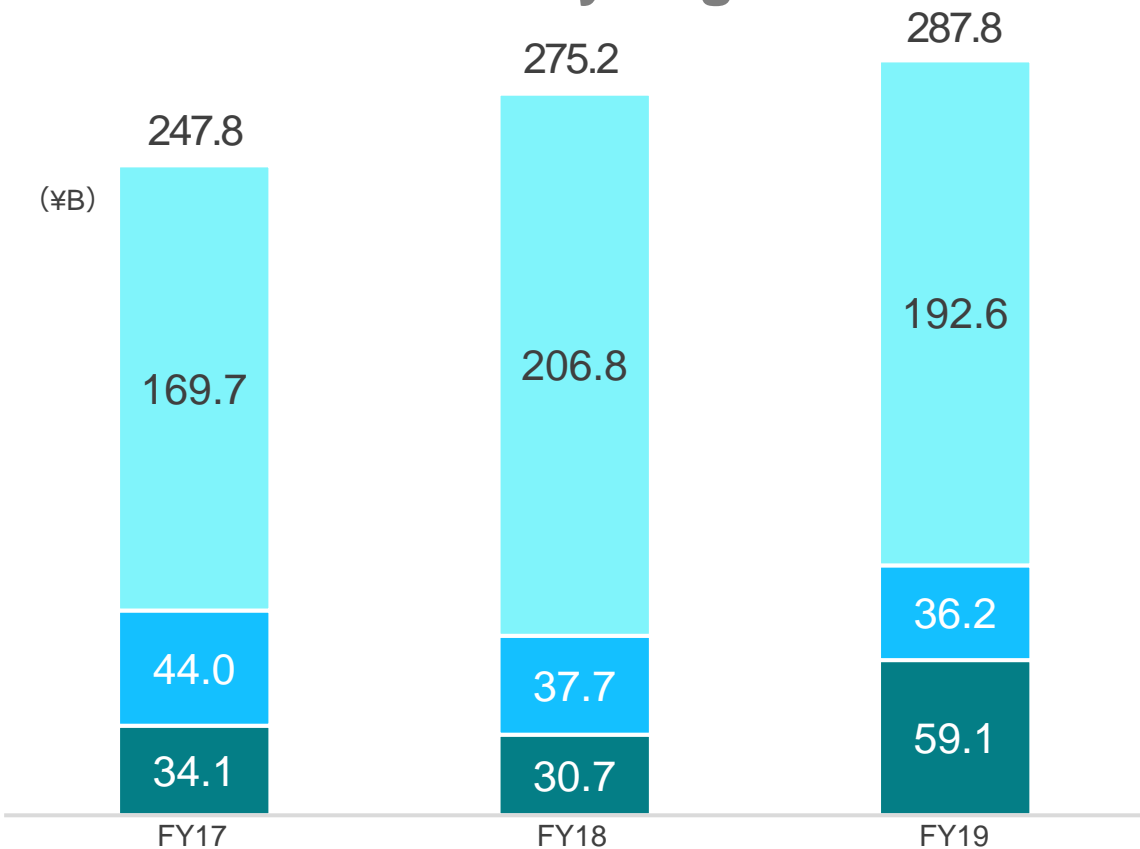
	FY18 Results	FY19			
		Forecast as of Jan. 2020	Results	vs. FY18	
				(Δ)	(%)
Orders	275.2	270.0	287.8	+12.7	+4.6%
Sales	282.5	270.0	275.9	-6.6	-2.3%
Operating Income	64.7	56.0	58.7	-6.0	-9.2%
Operating Margin	22.9%	20.7%	21.3%	-1.6pts	
Income Before Tax	66.2	56.7	58.6	-7.6	-11.5%
Net Income	57.0	49.0	53.5	-3.5	-6.1%
Net Income Margin	20.2%	18.1%	19.4%	-0.8pts	
IFRS15 Backlog adjustment	-3.0				
Backlog increased due to business transfer and M&A	+2.4		+4.2		
Backlog	74.9	74.9	91.0	+16.1	+21.6%
Exchange Rate	1 US\$	¥110	¥108	¥109	¥1 Appreciation
	1 Euro	¥129	¥121	¥121	¥8 Appreciation
Dividend per share	¥92	¥75	¥82	-¥10	

[Payout ratio: 30%]

[Payout ratio: 30%]

FY19 Orders by Segment / Region

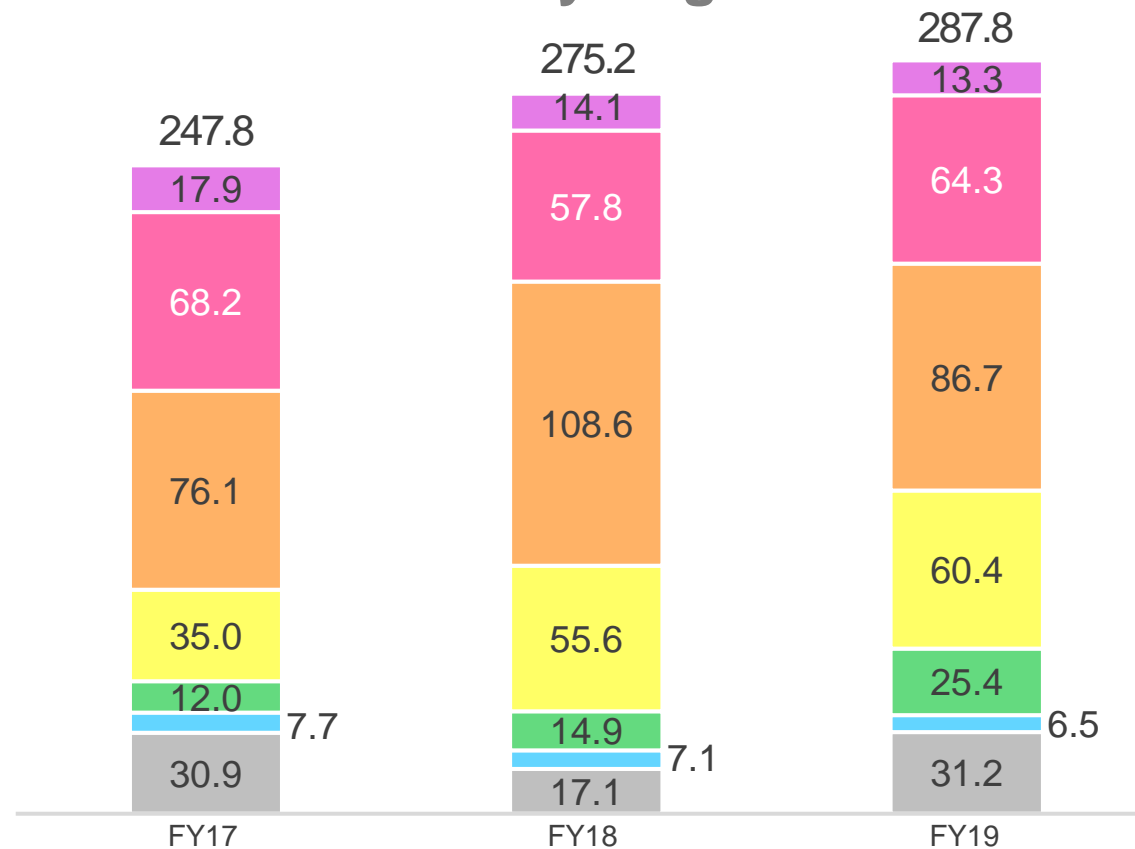
<Orders by Segment>



- Semiconductor & Component Test Systems
- Mechatronics Systems
- Services, Support & Others

Note: Intersegment transactions have been eliminated from totals

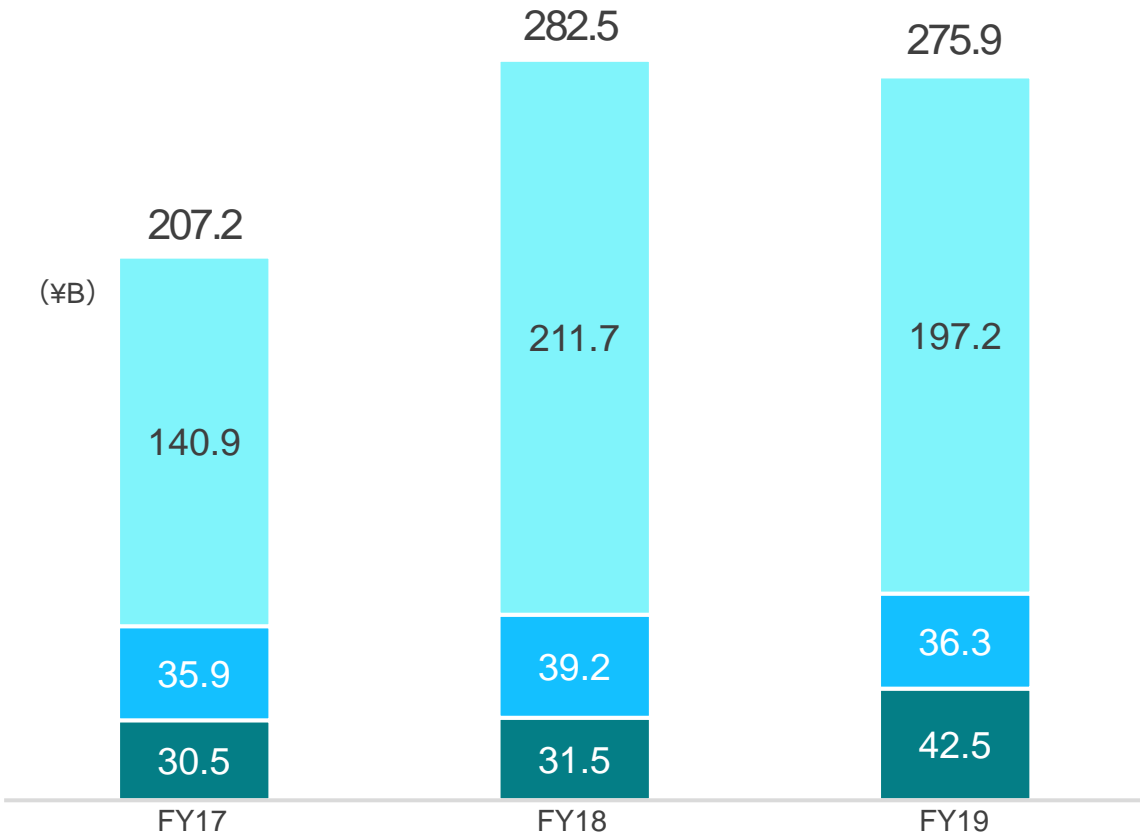
<Orders by Region>



- Japan
- S. Korea
- Taiwan
- China
- Americas
- Europe
- Other

FY19 Sales by Segment / Region

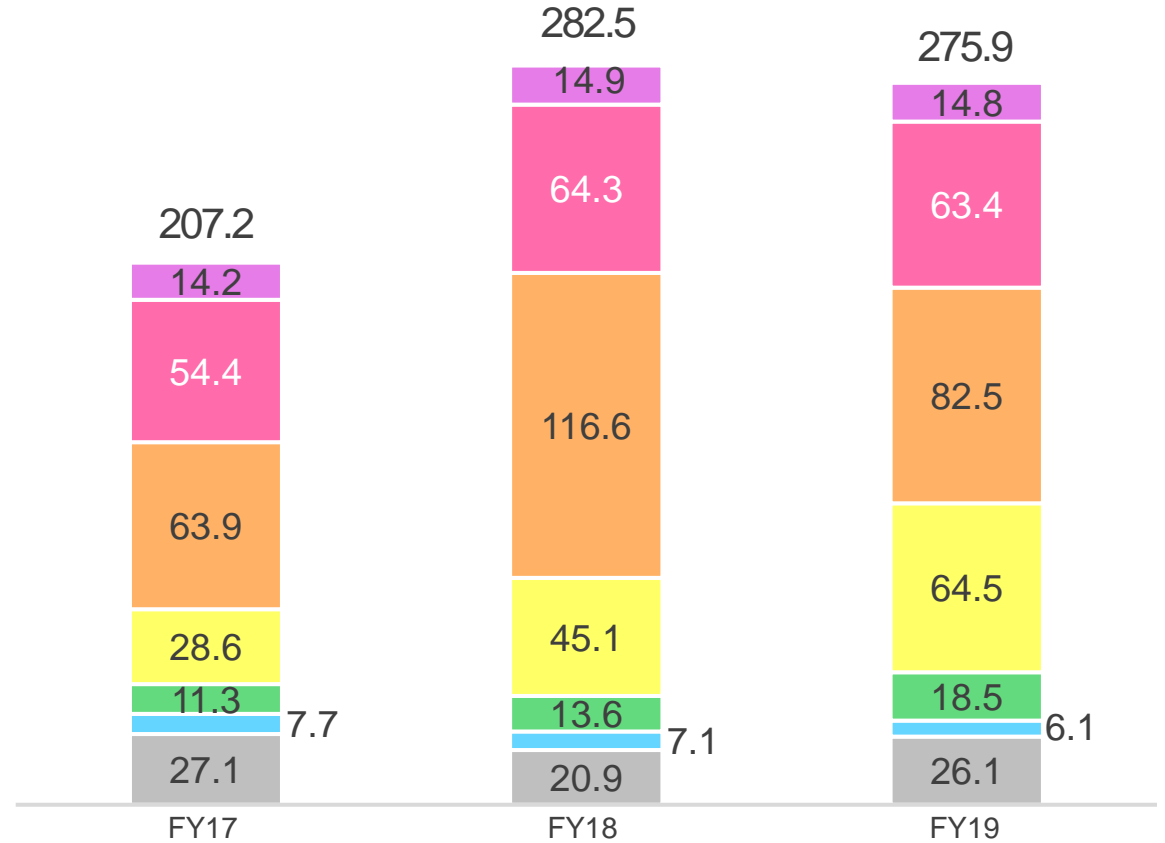
<Sales by Segment>



- Semiconductor & Component Test Systems
- Mechatronics Systems
- Services, Support & Others

Note: Intersegment transactions have been eliminated from totals

<Sales by Region>



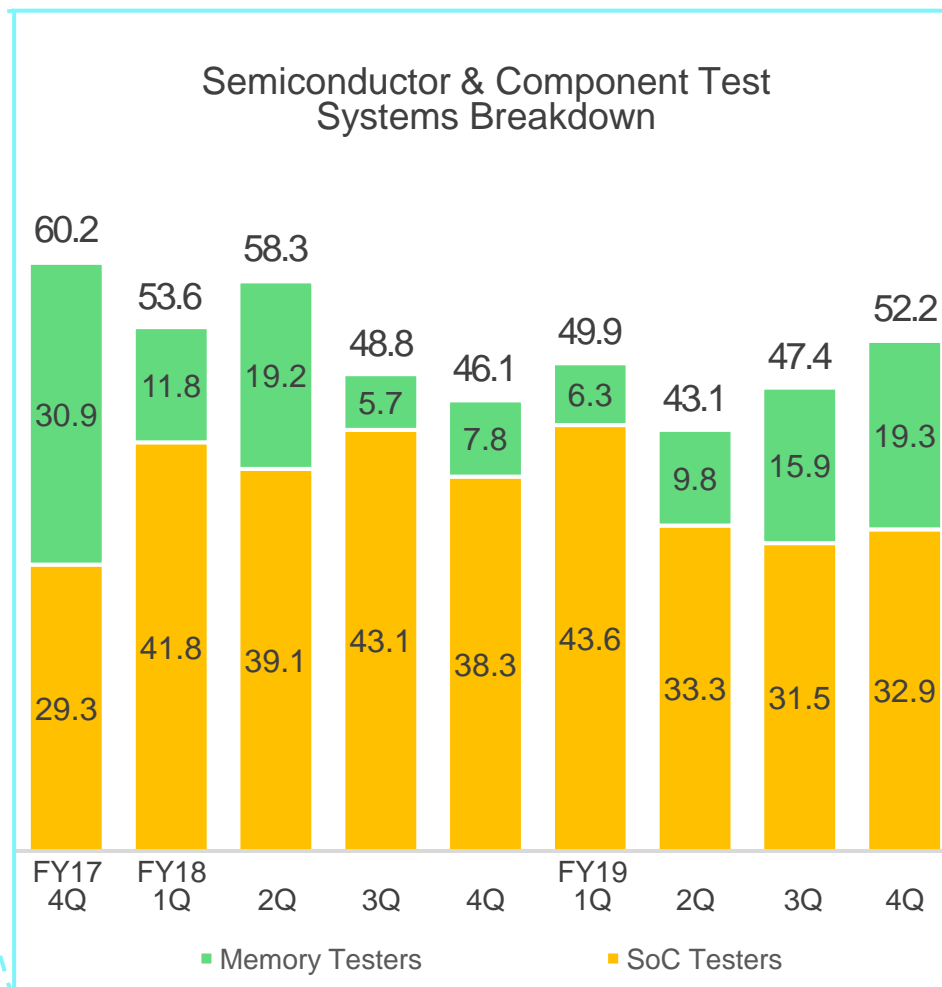
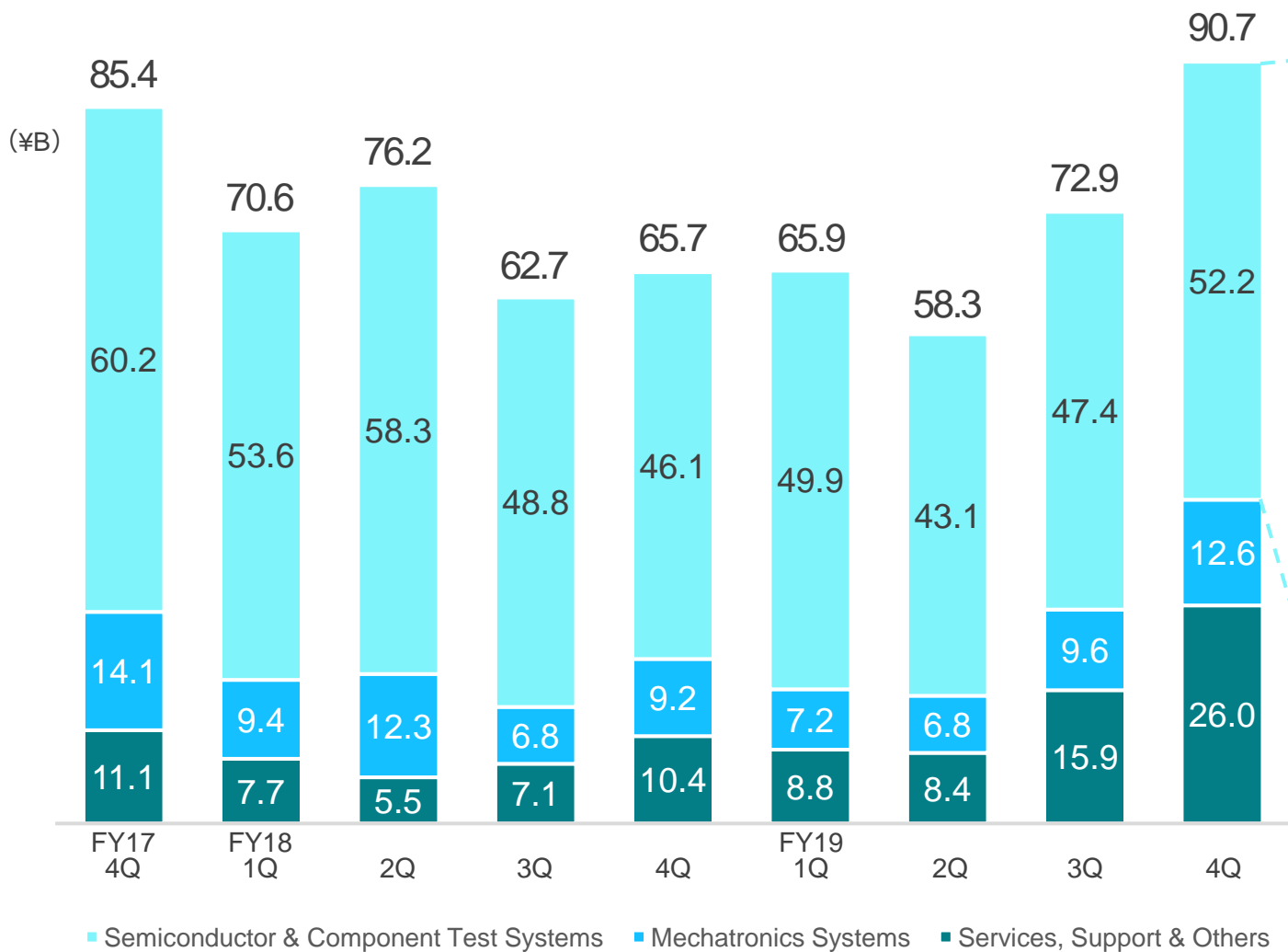
- Japan
- S. Korea
- Taiwan
- China
- Americas
- Europe
- Other

FY19 4Q Summary of Results

(¥B)

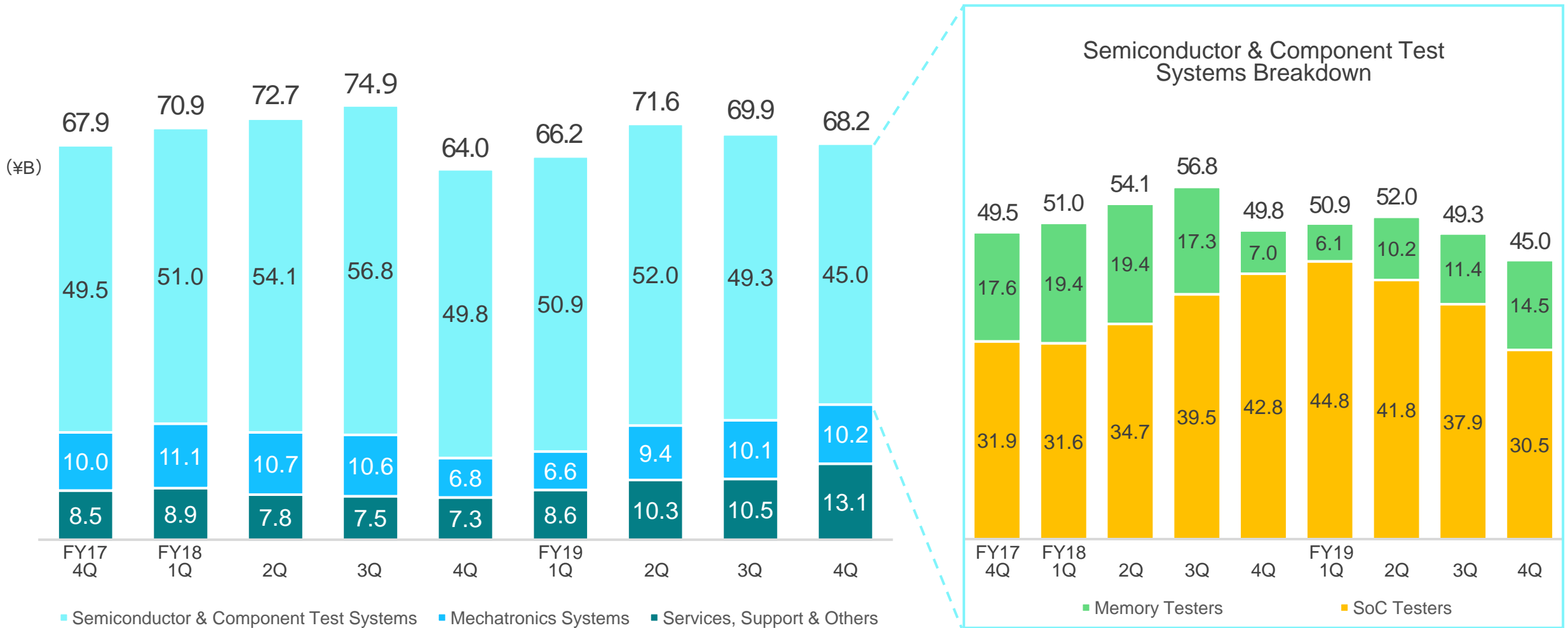
	FY18				FY19							
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ		YoY	
									(Δ)	(%)	(Δ)	(%)
Orders	70.6	76.2	62.7	65.7	65.9	58.3	72.9	90.7	+17.8	+24.4%	+25.1	+38.2%
Sales	70.9	72.7	74.9	64.0	66.2	71.6	69.9	68.2	-1.7	-2.4%	+4.3	+6.7%
Gross Profit	38.2	38.9	42.5	34.4	39.4	41.0	39.4	36.7	-2.7	-6.8%	+2.3	+6.7%
Gross Margin	53.9%	53.6%	56.8%	53.8%	59.5%	57.3%	56.4%	53.8%	-2.6pts		+0.0pts	
Operating Income	15.8	18.0	20.7	10.2	15.2	17.7	14.2	11.6	-2.7	-18.8%	+1.4	+13.5%
Operating Margin	22.3%	24.7%	27.6%	15.9%	22.9%	24.8%	20.4%	17.0%	-3.4pts		+1.1pts	
Income Before Tax	16.5	18.6	20.6	10.5	14.9	18.4	14.5	10.8	-3.7	-25.3%	+0.3	+3.1%
Net Income	13.9	16.2	17.9	9.0	12.1	14.7	11.9	14.8	+2.9	+24.1%	+5.9	+65.7%
Net Income Margin	19.6%	22.4%	23.9%	14.0%	18.3%	20.5%	17.1%	21.7%	4.6pts		7.7pts	
IFRS15 Backlog adjustment	-3.0											
Backlog increased due to business transfer and M&A				+2.4				+4.2				
Backlog	79.5	83.0	70.8	74.9	74.6	61.3	64.3	91.0	+26.7	+41.5%	+16.1	+21.6%
Exchange Rate	1 US\$	¥108	¥111	¥113	¥111	¥108	¥108	¥110	¥2 Depreciation		¥1 Appreciation	
	1 Euro	¥131	¥129	¥130	¥126	¥125	¥121	¥121	¥2 Depreciation		¥5 Appreciation	

Quarterly Orders by Segment



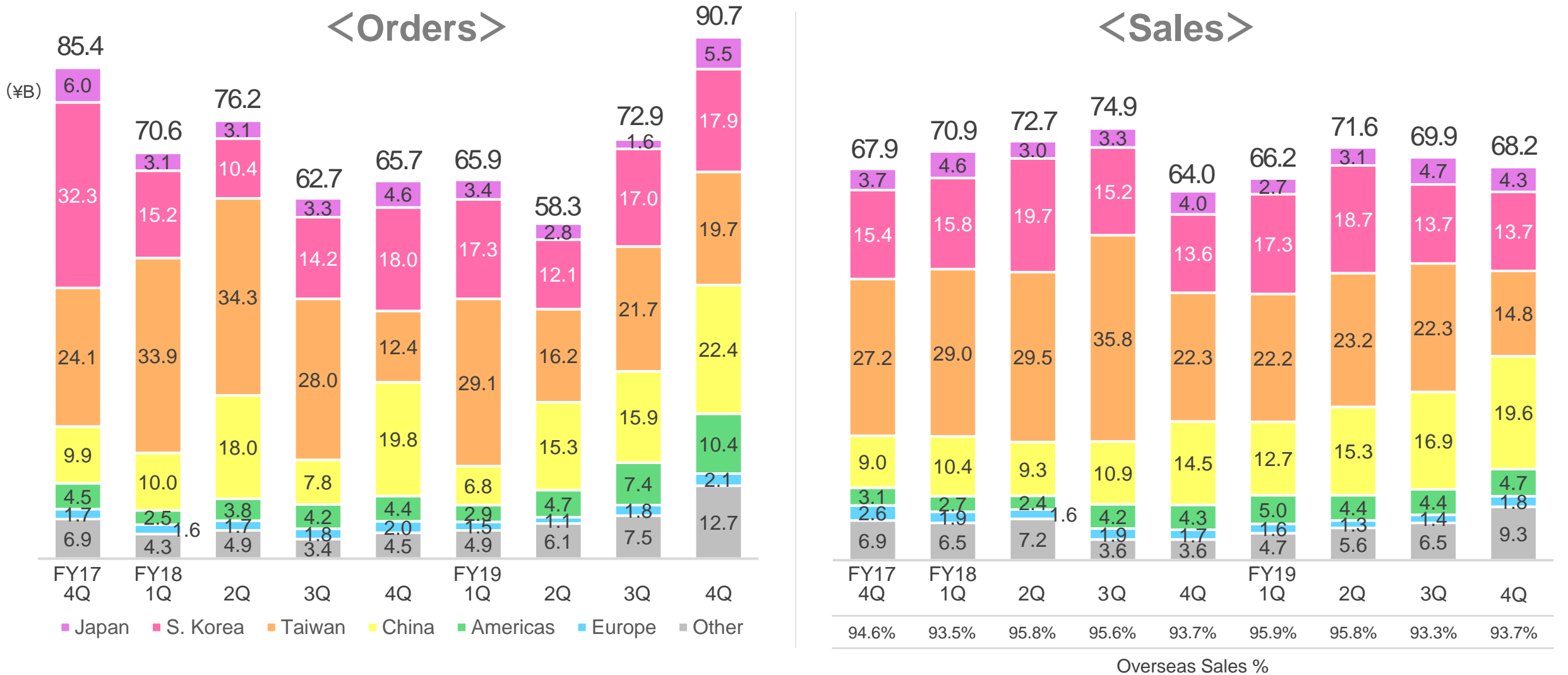
Note: Intersegment transactions have been eliminated from totals

Quarterly Sales by Segment

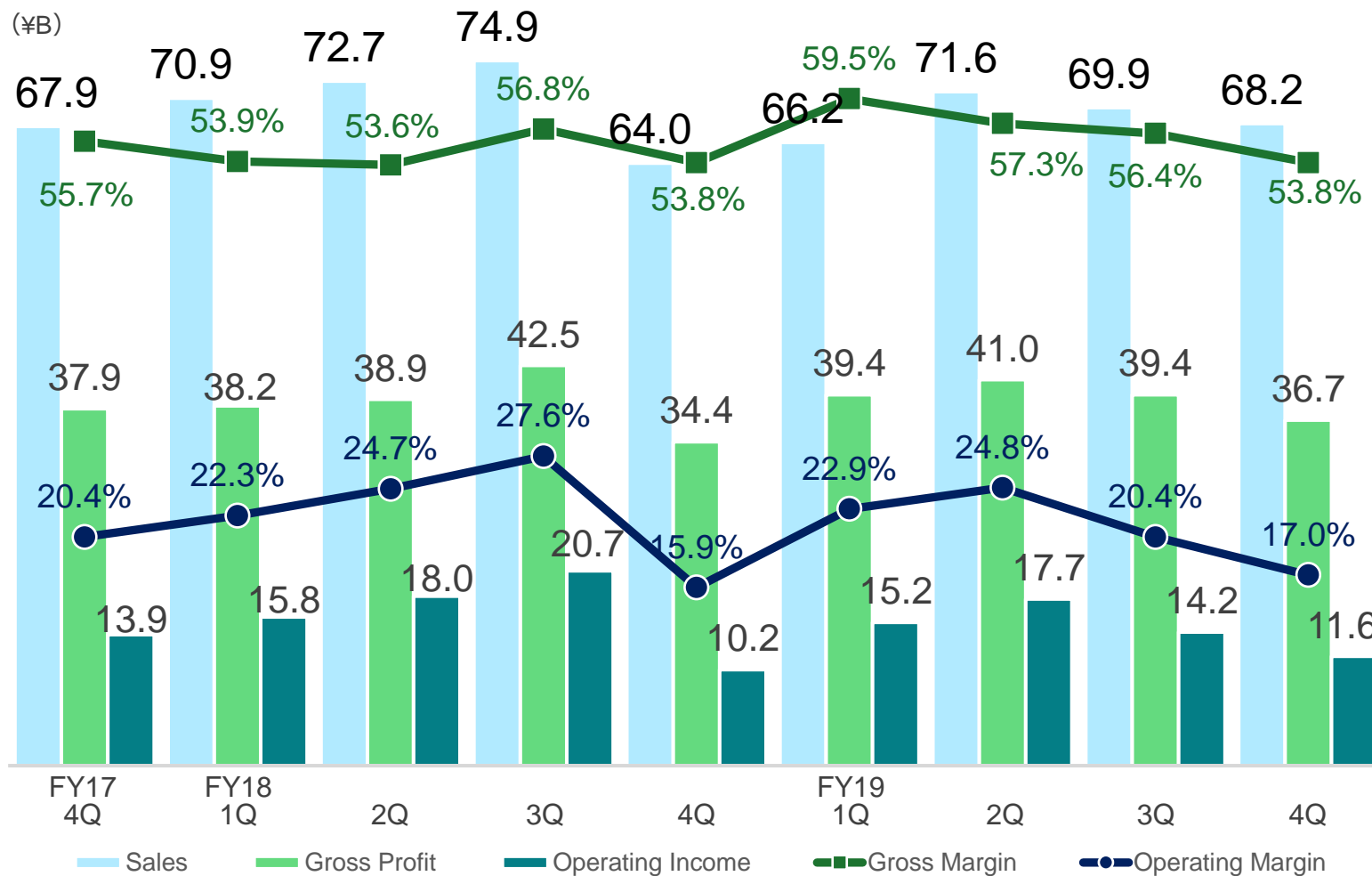


Note: Intersegment transactions have been eliminated from totals

Quarterly Orders / Sales by Region



Sales / Gross Profit / Operating Income



(¥B)

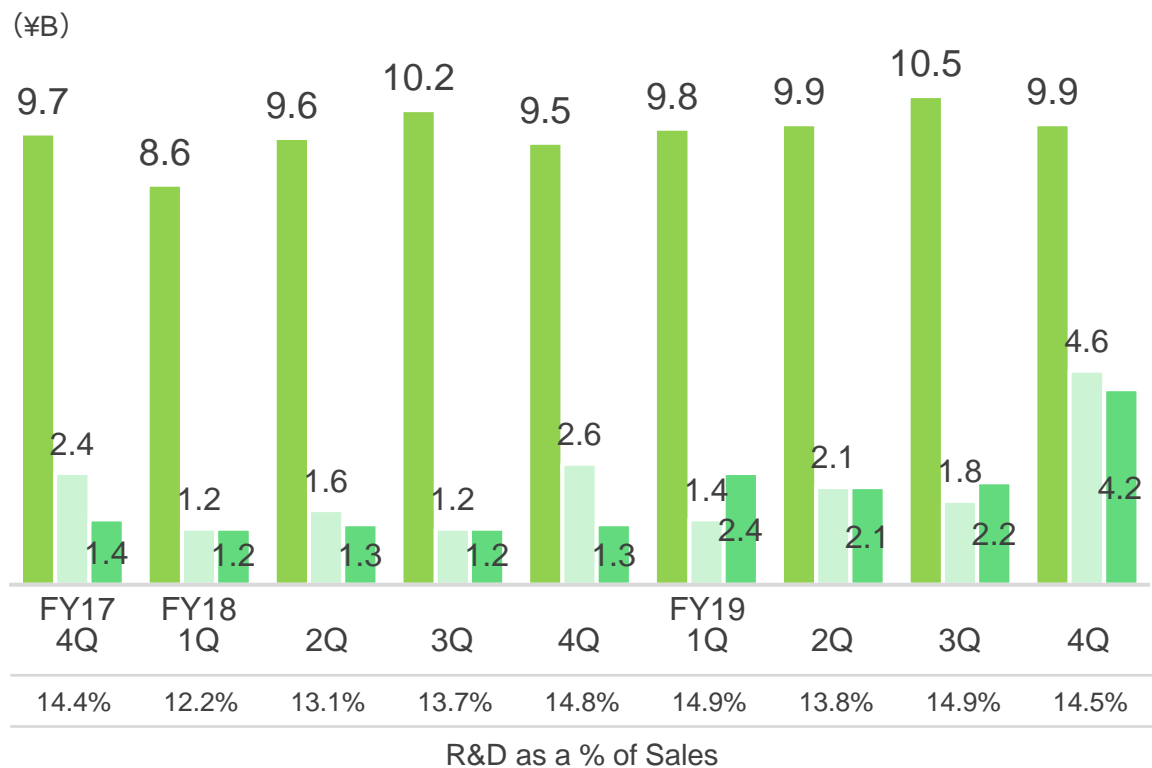
	FY18	FY19
Sales	282.5	275.9
Gross Profit	154.0	156.5
Gross Margin	54.5%	56.7%
SG&A	89.3	97.8
Operating Income	64.7	58.7
Operating Margin	22.9%	21.3%

Investments / Cash Flow

<Investments>

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

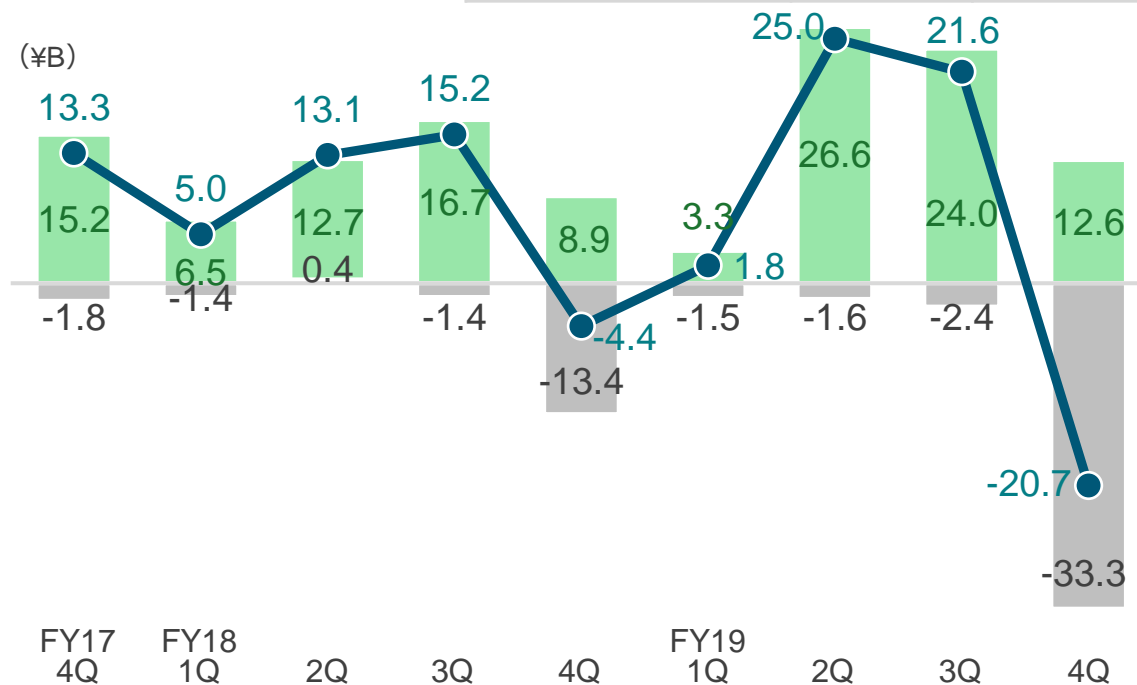
	FY18	FY19
R&D Expenses	37.9	40.1
R&D as a % of Sales	13.4%	14.5%
Capex	6.6	9.9
D&A	5.0	10.9



<Cash flow>

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

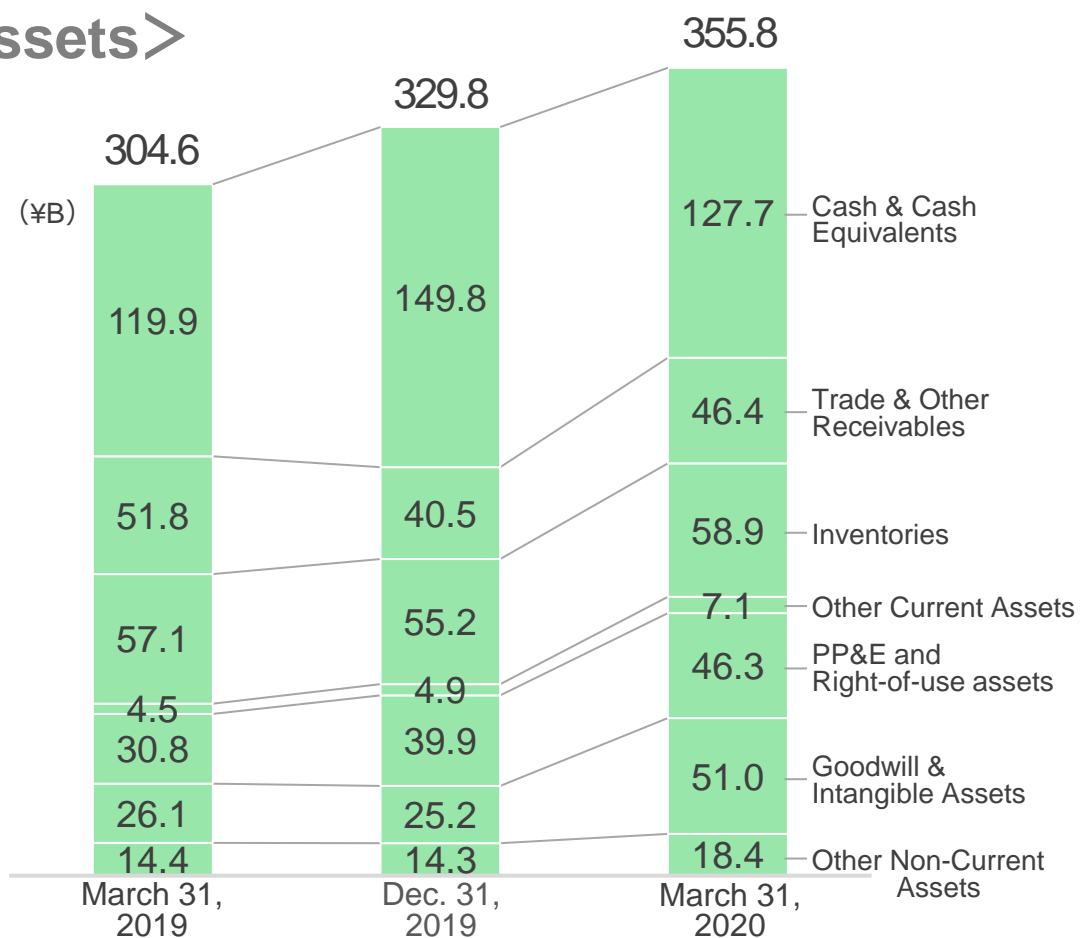
	FY18	FY19
Cash flows from operating activities	44.8	66.5
Cash flows from investing activities	-15.9	-38.8
Free cash flows	28.9	27.7



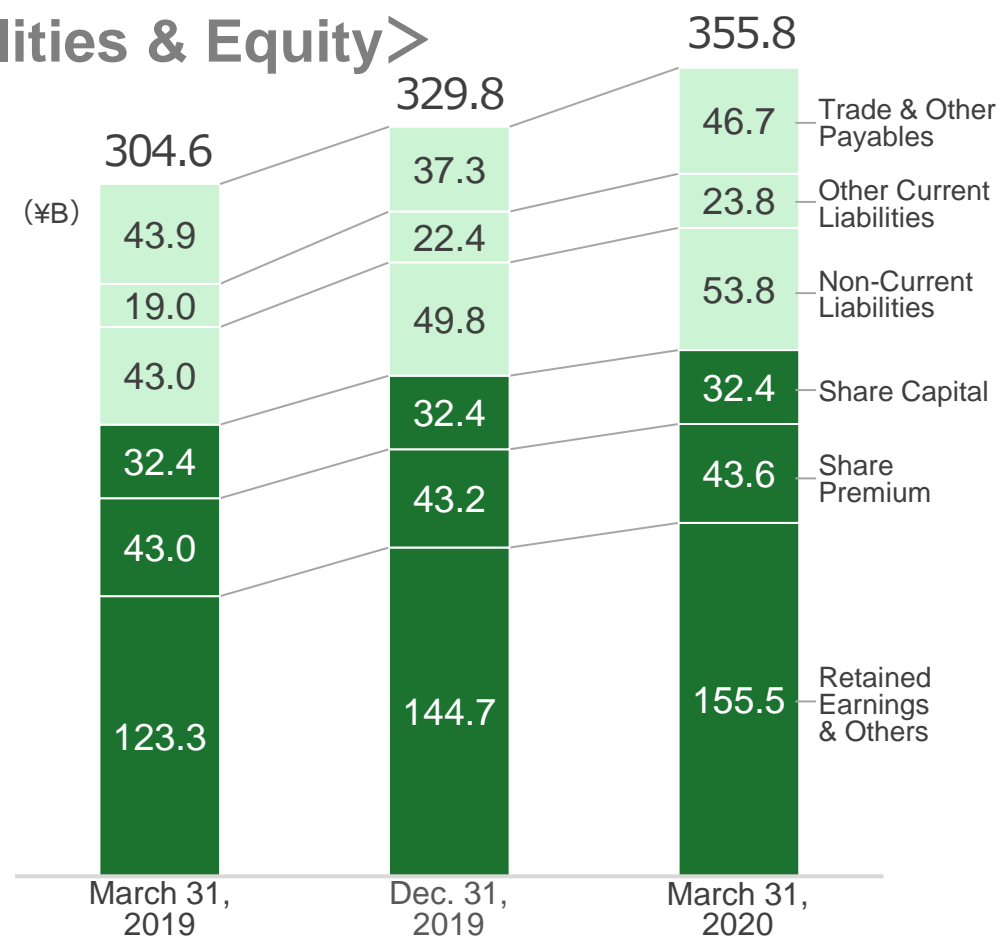
*Free Cash Flows = Cash flows from operating activities + Cash flows from investing activities

Financial Position

<Assets>



<Liabilities & Equity>



Equity Attributable to Owners of the Parent	198.7	220.3	231.5
Ratio of Equity Attributable to Owners of the Parent	65.2%	66.8%	65.1%



FY2020 Outlook & Mid-Term Business Plan Progress Report

Yoshiaki Yoshida
Representative Director, President & CEO

Mid/Long-Term Management Policy

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

<Long-Term 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

<Cost / Profit Structure>

- Balancing sales growth with cost efficiency

	Cost structure model @ ¥300B
Sales	¥300.0B
Cost of Sales	46%
SG&A as % of Sales	32%
(of which R&D expenses)	13%
Operating Margin	22%



Mid-Term Management Plan (FY18-20)

- Product demand inevitably fluctuates on year, so numerical targets are three-year averages
- Expand our sales and market share by providing outstanding solutions for the next generation of test needs
- Aggressively invest in R&D and M&A for mid-to long-term sales growth
- While maintaining a consolidated payout ratio of 30%, based on our growth investment outlook, we will consider flexibility in our total shareholder return policy

	Mid-Term Plan (FY18-FY20 Average)	
	Conservative	Base
Yearly tester market growth ratio	0%	4%
Sales	¥230.0B	¥250.0B
Operating Margin	15%	17%
ROE	15%	18%
EPS	¥135	¥170

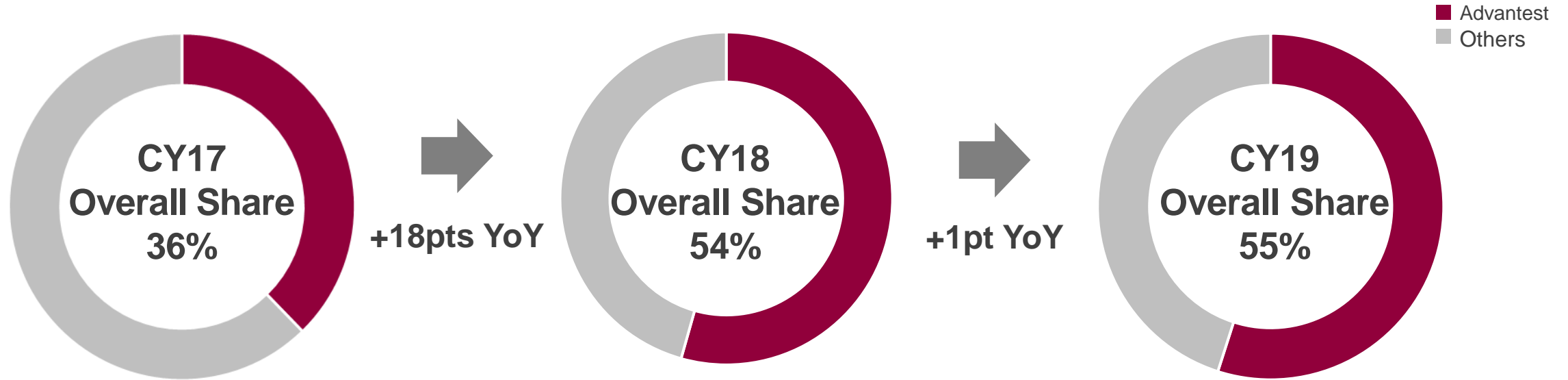
Mid-Term Management Plan Progress Report

	FY15-17 Average	Mid-Term Plan (FY18-FY20 Average)		FY18 Results	FY19 Results	FY18-19 Average
		Conservative	Base			
Sales	¥175.1B	¥230.0B	¥250.0B	¥282.5B	¥275.9B	¥279.2B
Operating Margin	9%	15%	17%	22.9%	21.3%	22.1%
ROE	12%	15%	18%	35.3%	24.9%	30.1%
EPS	¥74	¥135	¥170	¥302	¥270	¥286



- Over the past two years, results have exceeded the targets set for all KPIs under our base scenario, due to the expansion of the tester market and Advantest's market share gains
- Although progress has been good so far, initial targets remain unchanged due to considerable uncertainty going forward amidst the COVID-19 pandemic

Market Share Report



	Market Size	Advantest Share
SoC Testers	Approx. \$2,200M	30%
Memory Testers	Approx. \$750M	57%

	Market Size	Advantest Share
SoC Testers	Approx. \$2,550M	52%
Memory Testers	Approx. \$1,150M	58%

	Market Size	Advantest Share
SoC Testers	Approx. \$2,700M	55%
Memory Testers	Approx. \$650M	55%

Source: Advantest

Initiatives for Mid- to Long-Term Growth

Important Measures Executed in FY19

- Actively added human resources to strengthen the foundation of our high-end SoC test business, which stands out among our core businesses for high growth expectations
- Promoted strategies for mid- to long-term business growth
 - Expanded SoC system level test solution portfolio and developed new customers
 - Added high-precision IC sockets / thermal control units to business portfolio in line with future high-end semiconductor test demand growth
- Revised corporate philosophy “The Advantest Way” and issued Integrated Annual Report 2019

Important Measures for FY20

- Continue to invest for long-term growth while flexibly responding to recent changes in our business environment
- While the market trends that will support our medium- to long-term growth, such as semiconductor performance gains and the increasing importance of test, remain unchanged, Advantest will promote measures to deepen engagement with important customers and maintain and expand market share
 - Maintain and expand market share in the 5G millimeter-wave range semiconductor and high-end memory sectors
 - Strengthen partnerships through comprehensive quality improvement proposals such as factory automation
- Enhance ESG management with climate change response measures

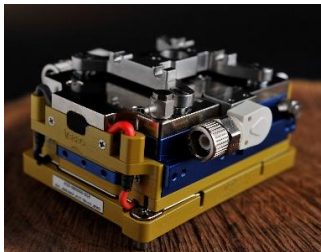
System-Level Test Business Status Report

Advantest's Solutions

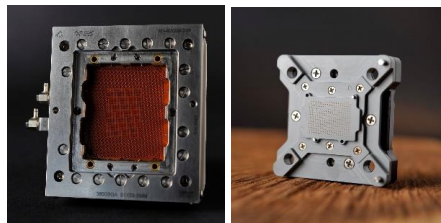
- We have combined resources gained through M&A in recent years with basic technologies accumulated organically to provide test solutions that offer broad module and system level test coverage across the memory and SoC sectors



High-end SoC system-level tester



Thermal control unit



IC socket

SSD system-level tester



Advantest's Opportunities & Strengths

- Trends towards high-end semiconductor performance gains, greater circuit integration, and increased emphasis on reliability assurance continue
- Semiconductor manufacturers are increasingly interested in system level test (SLT) that can solve these issues efficiently
- Similar solutions are already available from measurement instrument manufacturers, but Advantest's wide-ranging know-how and performance differentiate our offerings. We are best positioned to become the de facto standard for SLT
- Enquiries are especially strong not only for storage but also for HPC, communication modules, and automotive modules
- Advantest's acquisition of Essai aims to further differentiate our SLT business

Semiconductor Tester Market Trends (Outlook as of April 2020)

CY19 Actual

- Although the semiconductor market slowed down due to intensifying US-China trade friction, active investment in testers for 5G semiconductors drove growth in the SoC tester market
- The memory tester market also picked up in 2H, supported by a better supply / demand balance in the memory sector and large-scale investment by Chinese companies

CY20 Estimate

- Demand for testers for high-end semiconductors, which are needed for 5G and data centers, is firm, and we expect a certain level of demand to continue through 1H CY20
- On the other hand, the COVID-19 pandemic has increased uncertainty about future automotive / industrial, display, and mobile-related demand, and we are currently reviewing our market forecast

Managing the Impact of COVID-19

Major Business Risks

- Interruptions to business / reduced efficiency due to possible infection of employees
- Product / service supply capacity issues caused by long-term restrictions on movement and lockdowns around the world
 - Difficulties in securing manufacturing personnel in-house or at outsourcing partners
 - Decreased ability to provide customer support
 - Procurement difficulties due to global supply chain disruptions
- Decreases in end-product demand due to the rapid deterioration of the world economy and the spread of the impact to the electronics industry as a whole, and a slowdown in the semiconductor and semiconductor manufacturing equipment markets
- Potential mid- to long-term market changes in the post-coronavirus period
 - Structural changes in the semiconductor industry triggered by changes in customer supply chains
 - Changes in Advantest's business environment due to individual and society-wide behavioral shifts

Advantest's Policy

- Prioritize the health of stakeholders by utilizing remote work to reduce the risk of fatalities among customers, suppliers and employees
- Promote reallocation of production to other areas and maintain product supply and support capabilities to reduce the effects of restrictions on movement and urban lockdowns
- Re-examine mid- and long-term BCP to plan for secure materials and parts procurement amidst supply chain disruption risks
- Monitor demand trends by attentively exchanging detailed information with customers
- Mid- to long- term, closely watch changes in customer supply chains and industrial structures

FY20 Forecast

	(¥B)					
	FY19				FY20	
	1Q	2Q	3Q	4Q	1Q Forecast	
Orders	65.9	58.3	72.9	90.7	62.0	
Sales	66.2	71.6	69.9	68.2	70.0	
Operating Income	15.2	17.7	14.2	11.6	13.0	
Operating Margin	22.9%	24.8%	20.4%	17.0%	18.6%	
Income Before Tax	15.2	17.7	14.2	10.8	13.0	
Net Income	12.1	14.7	11.9	14.8	10.5	
Net Income Margin	18.3%	20.5%	17.1%	21.7%	15.0%	
Backlog increased due to business transfer and M&A				+4.2		
Backlog	74.6	61.3	64.3	91.0	83.0	
Exchange Rate*	1 US\$	¥111	¥108	¥108	¥110	¥105
	1 Euro	¥125	¥121	¥119	¥121	¥120

*Forecast of the impact of exchange rate fluctuations on operating income (annual basis): plus 600 million yen for each 1 yen of yen depreciation vs USD, and minus 150 million yen for each 1 yen of yen depreciation vs the euro

Summary

- The COVID-19 pandemic is causing losses and turmoil in the global economy, but major customers continue to invest
- As uncertainty grows, it is crucial to flexibly respond to environmental changes
- Mid- to long-term semiconductor evolution trends remain unchanged. Advantest will adhere to our mid- to long-term management policy and continue to invest in future growth
- Test demand for high-end products such as 5G / HPC and memory will continue to grow. We will sustain our lead in these fields and maintain and improve our market share