

Advantest Corporation
FY2017 Information Meeting
Q & A Summary of
Financial Results for FY2017 and FY2018 Business Outlook

April 26th, 2018

Q. A certain semiconductor production equipment maker has lowered the 2018 June quarter performance outlook. Are there any signs of adjustments being made in the tester market?

A. We have visited a significant number of customers over March and April, and they all maintain stable growth forecasts, although we are paying attention to how US-China trade frictions will affect our industry. However, even if there is some effect, China's appetite for semiconductors for the mid- to long-term will remain unchanged. As we have a solid base in China, we are not expecting much negative influence.

Demand for memory has repeatedly fluctuated in the past, but there is stable growth over the mid- to long-term. We do not expect a large decline.

Q. Which are the specific products you expect to drive performance in FY18?

A. For SoC, smartphone processors are shifting to the cutting edge 7nm and 10nm node products, requiring longer test times for each device. This is leading to recovery in the V93000 business. Tester demand for automotive ICs will grow in the same manner as in FY17, including ADAS (Advanced Driving Assistance System) related products. There is no bad news for display driver IC either. Increasing volume of TDDI (Touch with Display Driver Integration) is also a positive factor.

For memory, the introduction of products with more than 72 layers in 3D NAND is causing test times to lengthen, so tester investment will continue. There is an increase in server DRAM also lengthening test times. This should lead to increased business in high-speed testers such as T5503HS, and/or T5833, utilized in core test process.

Q. What is the composition by application for tester orders in Q4?

A. As in Q3, NAND and DRAM will each account for half of memory testers. The breakdown of FY17Q4's pull-in order of approximately ¥15 billion is also 50:50 between NAND and DRAM. Non-memory testers are comprised also half each by the total of SoC and computing devices and the total of MCU/power device/display driver ICs.

Q. How much sales can your current production capacity handle?

A. Production was not meeting demand in the first half of FY17. However, sales continued to increase along with the rise in orders, and we are seeing our measures to expand our production capabilities take effect. Our sales increased to ¥67.9 billion in Q4, and we currently have the production capacity to support it. However, we have not completely resolved our issue with parts shortage.

Q. How would you split FY18's forecasted orders of ¥220 billion between H1 and H2?

A. About half and half.

Q. Then how would you split your forecast for memory testers between H1 and H2?

A. We are also expecting about half and half.

Q. In that case, taking the effects of the pull-in orders of memory testers placed in FY17Q4, do you consider your memory tester order plan for FY18H2 conservative?

A. Our FY18Q4 (2019 March quarter) coincides with the new accounting year (FY19Q1) of our customers. There is some difficulty in reading our customers' investment plan for their next fiscal year in advance, which resulted in the current order forecast.

Q. Why is it that you are expecting FY18's gross margin to be at the same level as the previous year, regardless of the ¥3.3 billion in impairment loss of inventory assets booked in FY17 to no longer have effect?

A. FY18's gross margin and FY17's gross margin excluding the effects of the impairment loss of inventory assets will be on the same level

Q. What are the expected SG&A expenses for FY18?

A. We are expecting it to be in the mid-80 billion yen range, including R&D expenses.

Q. The forecast for logic testers was suddenly lowered in your competitor's earnings announcement. What is your take on it?

A. I believe they were referring to the mobile AP (Application Processor) of a specific company, which we do not think will affect us.

Note

This document is prepared for those who were unable to attend the information meeting and is intended only for reference purposes. The original content has been revised and edited by Advantest for ease of understanding.

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