



ADVANTEST[®]

FY2021 1Q
(Three months ended June 30th, 2021)

Financial Briefing

July 28th, 2021
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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– 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_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
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selection at the end -add
obj.select= 1
obj.select= 1
context.scene.objects.active
obj.select= 1
obj.select= 1
```

Financial Results for FY2021 1Q

Atsushi Fujita
Director, Senior Executive Officer

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FY21 1Q Summary of Results

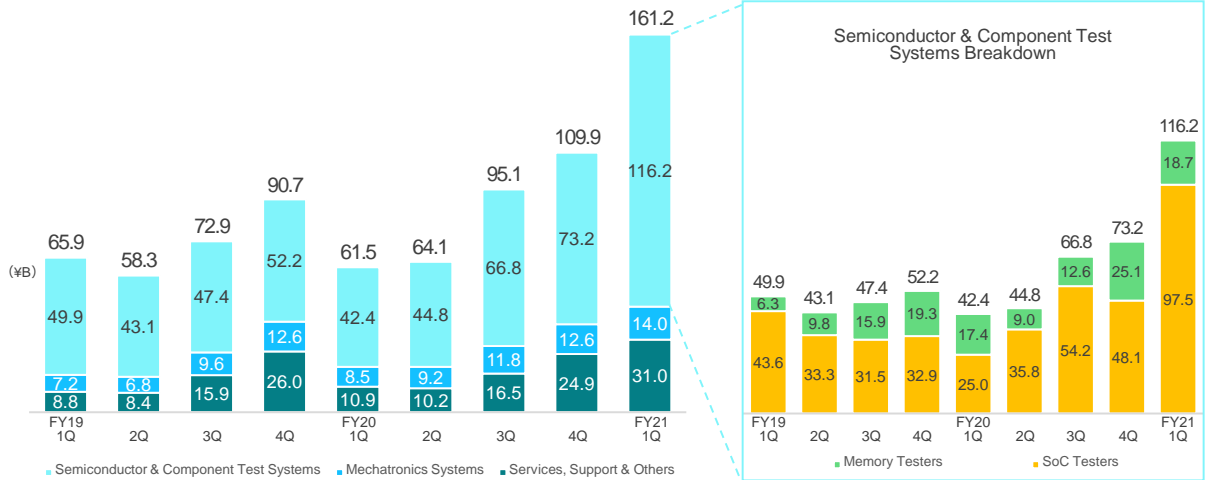
(¥B)

	FY20				1Q	FY21			
	1Q	2Q	3Q	4Q		QoQ		YoY	
						(Δ)	(%)	(Δ)	(%)
Orders	61.5	64.1	95.1	109.9	161.2	+51.3	+46.6%	+99.8	+2.6x
Sales	66.7	77.4	78.1	90.6	97.1	+6.5	+7.2%	+30.4	+45.5%
Gross Profit	38.0	41.6	40.2	48.5	54.7	+6.3	+12.9%	+16.8	+44.2%
Gross Margin	56.9%	53.9%	51.5%	53.5%	56.4%	+2.9pts		-0.5pts	
Operating Income	13.5	17.4	15.3	24.5	26.1	+1.6	+6.4%	+12.7	+94.1%
Operating Margin	20.2%	22.6%	19.5%	27.1%	26.9%	-0.2pts		+6.7pts	
Income Before Tax	12.9	16.4	13.9	26.4	25.7	-0.7	-2.7%	+12.8	+99.6%
Net Income	10.6	13.9	12.0	33.3	19.3	-13.9	-41.9%	+8.8	+83.4%
Net Income Margin	15.8%	18.0%	15.4%	36.7%	19.9%	-16.8pts		+4.1pts	
Backlog	85.7	72.5	89.5	108.8	172.9	+64.1	+58.9%	+87.2	+2.0x
Exchange Rate	1 US\$	¥108	¥107	¥105	¥104	¥109	¥5 Depreciation	¥1 Depreciation	
	1 Euro	¥118	¥123	¥124	¥127	¥131	¥4 Depreciation	¥13 Depreciation	

○ FY2021 1Q Summary of Results

- Let's glance back at our business environment in 1Q.
- The acceleration of digitalization as a result of the COVID-19 pandemic has boosted demand for semiconductors used in data centers, PCs, and AI applications. In addition, competition among 5G smartphone manufacturers has accelerated demand growth for related semiconductors and higher functionality requirements.
- Moreover, as final demand recovers amid the lifting of COVID-19-related restrictions, semiconductor shortages have become palpable in diverse sectors, including the automotive sector.
- In response, players throughout the semiconductor market are now aggressively investing in production capacity enhancements and advanced technology.
- Amidst these circumstances, Advantest has endeavored to capture the expanding demand for semiconductor test from every angle by leveraging our broad product portfolio, which is one of our strengths as a solutions provider.
- We have put the greatest emphasis on stable procurement of parts, amidst tight semiconductor and electronic component supply conditions, to ensure our ability to meet the ongoing robust demand, but procurement bottlenecks throughout our supply chain are increasing parts delivery times, which is also affecting lead times on our products.
- Following this surge in the tester demand environment, our customers have been moving to secure products in advance in anticipation of longer product lead times. These trends helped to boost orders received in FY2021 1Q to a level far exceeding the record highs of FY2020 4Q.
- In terms of sales and operating income, too, we achieved record high quarterly results.
- Quarterly income decreased in comparison to the previous quarter due to the one-time impact from posting deferred tax assets that was recorded in 4Q of the previous fiscal year.

Quarterly Orders by Segment



Note: Intersegment transactions have been eliminated from totals

○ FY2021 1Q Orders by Segment

○ Semiconductor & Component Test Systems

- ¥116.2 billion +58.7% QoQ
- Orders for SoC testers increased by ¥49.4 billion QoQ to ¥97.5 billion. Amidst overall strong growth, outstanding vigor was seen in orders for testers for high-end SoCs, especially application processors (APUs), which are core smartphone components, and devices for high performance computing (HPC).
- Memory tester orders were ¥18.7 billion, down ¥6.4 billion from the previous quarter. Although orders for DRAM testers increased, flash memory tester orders declined in reaction to large orders in 4Q.

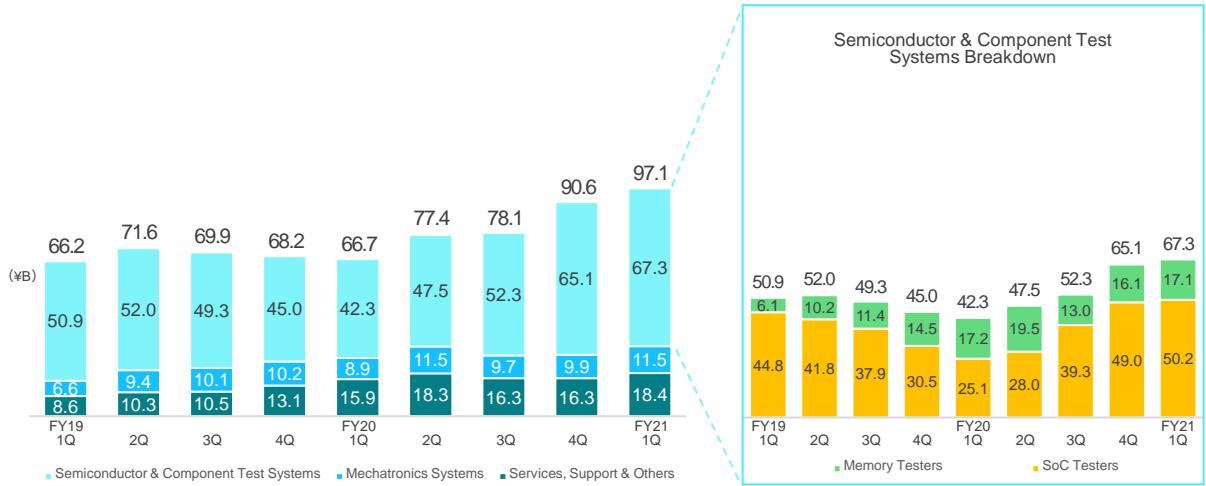
○ Mechatronics Systems

- ¥14.0 billion +11.8% QoQ
- Orders for EUV-related nanotechnology products grew.

○ Services, Support & Others

- ¥31.0 billion +24.8% QoQ
- Although annual maintenance contract renewals decreased seasonally, orders for system level test (SLT) products increased, mainly due to the mainstreaming of high-spec SSDs and the strength of the server and PC markets.

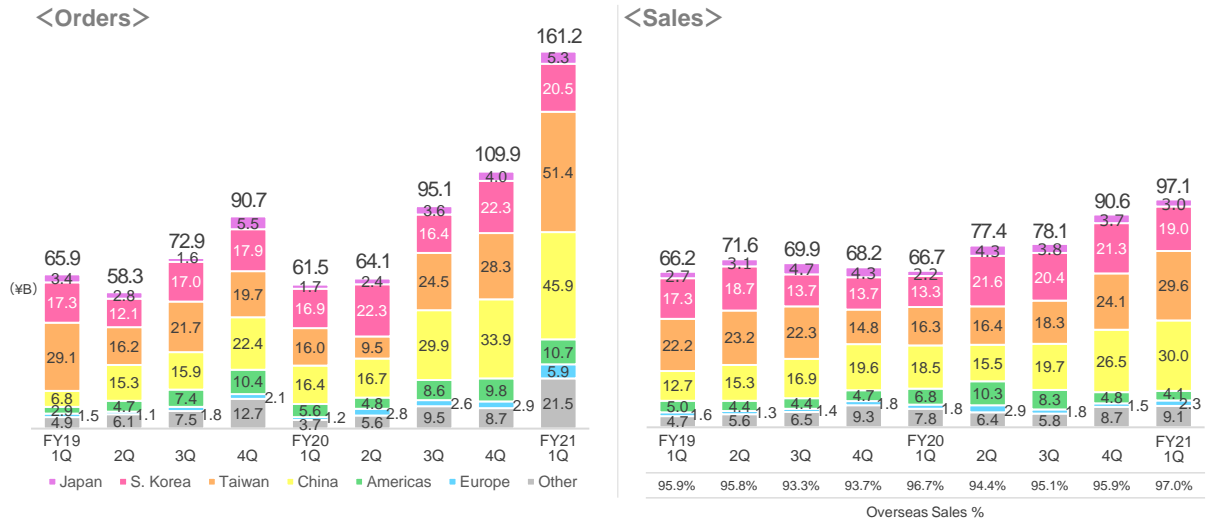
Quarterly Sales by Segment



Note: Intersegment transactions have been eliminated from totals

- FY2021 1Q Sales by Segment
- Semiconductor & Component Test Systems
 - 67.3 billion +3.3% QoQ
 - of which ¥50.2 billion was sales of SoC testers and ¥17.1 billion was sales of memory testers. In both categories, sales held FY2020 4Q's high level.
- Mechatronics Systems
 - ¥11.5 billion +15.8% QoQ
 - Device interfaces, test handlers, and nanotechnology products all sold strongly.
- Services, Support & Others
 - ¥18.4 billion +13.2% QoQ
 - Our SLT business contributed steadily to sales on the momentum of continuing high orders.

Quarterly Orders / Sales by Region



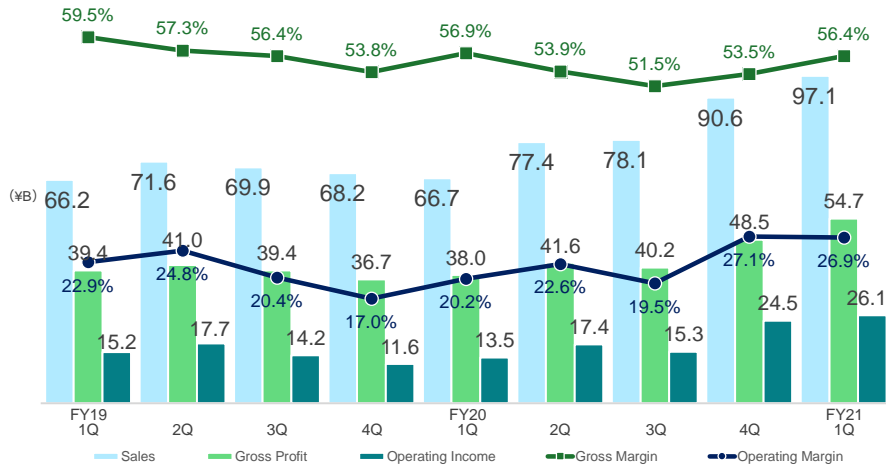
○ FY2021 1Q Orders by Region

- In 1Q, customers showed strong motivation to invest in every region, especially Taiwan, China
Orders for testers for high-end SoCs, mainly smartphone- and HPC-related devices, increased significantly.
- Other regions
In Southeast Asia, orders for testers for devices used in PCs, servers, automotive applications and industrial equipment were strong.

○ FY2021 1Q Sales by Region

- Taiwan, China
Smartphone-related sales increased.
- Percentage of net sales to overseas customers: 97.0%
Investment appetite increased in our main overseas sales territories, pushing this ratio to a record high.

Sales / Gross Profit / Operating Income



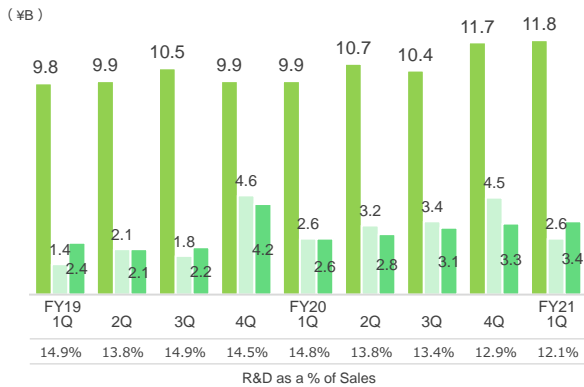
○ FY2021 1Q Sales / Gross Profit / Operating Income

- Gross margin 56.4%
Gross profit margin improved QoQ due to an increase in sales and a more favorable sales mix.
- SG&A (including all other income and expenses) ¥28.6 billion
In 1Q, SG&A increased by ¥4.7 billion QoQ. However, in 4Q of the previous fiscal year, a profit of approximately ¥5.6 billion from the revision of the pension system at Advantest's German subsidiary was recorded as other income. Net SG&A expenses, excluding the impact of this one-time gain, decreased slightly QoQ.
- Operating income ¥26.1 billion
- Operating margin 26.9%

Investments / Cash Flow

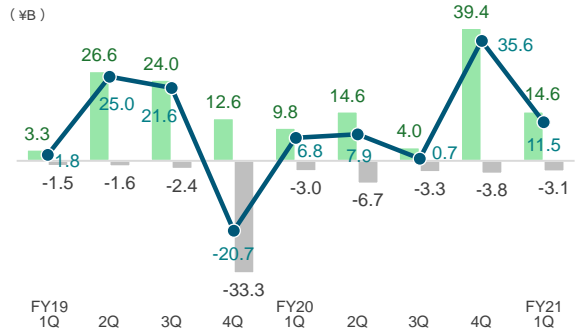
<Investments>

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



<Cash flow>

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



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

○ FY2021 1Q R&D Expenses/Capex/D&A

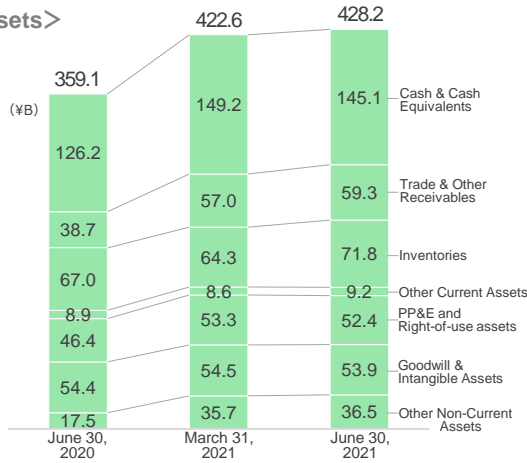
- R&D Expenses ¥11.8 billion
- R&D to sales ratio 12.1%
- Capex ¥2.6 billion
- Depreciation and Amortization ¥3.4 billion

○ FY2021 1Q Cash Flow

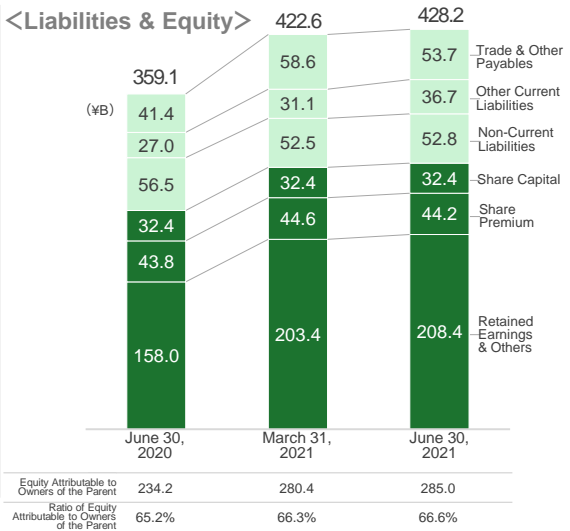
- Free cash flow ¥11.5 billion

Financial Position

<Assets>



<Liabilities & Equity>



○ Balance Sheet for Period Ending June 30th, 2021

- Total Assets ¥428.2billion
- Cash & Cash Equivalents ¥145.1 billion
- Equity Attributable to Owners of the Parent ¥285.0 billion
- Ratio of Equity Attributable to Owners of the Parent 66.6%
Up 0.3 points from the end of the previous fiscal year



FY2021 Outlook

Yoshiaki Yoshida

Representative Director, President & CEO

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Semiconductor Tester Market Trends: July 2021 Outlook

CY21 Estimate

Amidst the ongoing "digital revolution" and the push to improve energy efficiency, customers are actively forging ahead with investments in production capacity enhancements and higher semiconductor performance in major regions

– SoC Tester Market Size: Approximately \$3.8B

- The rollout of new APU and HPC devices, and the increasing complexity of these and other devices, should support continuing high tester utilization ratios for the time being. We anticipate further increases in investments to expand test capacity, mainly for high-end SoCs
- Demand for automotive and other applications is trending more strongly than expected, another factor in our decision to raise our market size outlook

– Memory Tester Market Size: Approximately \$1.4B

- Device evolution in areas such as miniaturization, multilayer NAND, and higher speeds / bandwidths, impelled by the "digital revolution," is continuing to drive tester demand

	CY20 Actual	CY21 Estimate
SoC Tester Market	Approx. \$3.0B	Approx. \$3.8B (April estimate: \$3.4B~)
Memory Tester Market	Approx. \$1.2B	Approx. \$1.4B (April estimate: \$1.3B~)

Source: Advantest

○ Semiconductor Tester Market Trends

- As explained at the briefing session on our new, second mid-term management plan, held in May, Advantest is in the midst of a situation where we can benefit from the expected growth of the semiconductor and semiconductor test markets in the medium to long term, driven by the progress of the digital revolution and the push for energy efficiency improvement.
- In 2021, demand for semiconductors will grow along with increasing final demand and higher end-product functionality, driving aggressive investments in major regions targeting higher semiconductor performance and production capacity enhancements to solve the semiconductor supply shortage
- In the SoC tester market, ramps of volume production of new APU and HPC devices, and increasing device complexity, should support continuing high tester utilization ratios at customer sites for the time being. We anticipate further increases in investments to expand test capacity, mainly for high-end SoCs.
- At this time, the CY21 SoC tester market size is expected to be USD \$3.8B.
- In the memory tester market, device evolution in areas such as miniaturization, multilayering, and higher speeds / bandwidths, impelled by the "digital revolution," has been driving tester demand continuously since last year. As a result of adjusting our market size outlook based on the latest customer trends, the CY21 memory tester market size is currently expected to be USD \$1.4B.
- As our customers have been moving to secure products in advance in anticipation of longer product lead times, it is now more difficult to estimate market size than in the past. If the market moves as expected, it will grow more than 20% for the second year in a row.

FY21 Forecast

	(¥B)									vs. New Full-Year Forecast	
	FY20 Results	FY21					vs. FY20		FY21 Forecast as of April	(Δ)	
		1Q Results	2Q Forecast	1H Forecast	2H Forecast	Full-Year Forecast	(Δ)	(%)			
Orders	330.6	161.2	98.8	260.0	140.0	400.0	+69.4	+21.0%	350.0	+50.0	
Sales*1	312.8	97.1	93.9	191.0	194.0	385.0	+72.2	+23.1%	350.0	+35.0	
Operating Income	70.7	26.1	23.5	49.6	50.4	100.0	+29.3	+41.4%	85.0	+15.0	
Operating Margin	22.6%	26.9%	25.0%	26.0%	26.0%	26.0%	+3.4pts		24.3%	+1.7pts	
Income Before Tax	69.6	25.7	23.5	49.2	50.8	100.0	+30.4	+43.6%	85.0	+15.0	
Net Income	69.8	19.3	17.6	36.9	38.1	75.0	+5.2	+7.5%	64.0	+11.0	
Net Income Margin	22.3%	19.9%	18.7%	19.3%	19.6%	19.5%	-2.8pts		18.3%	+1.2pts	
Backlog	108.8	172.9	177.8	177.8	123.8	123.8	+15.0	+13.8%	108.8	+15.0	
R&D Expenses	42.7	11.8	11.7	23.5	23.5	47.0	+4.3	+10.1%	46.0	+1.0	
Capex	13.7	2.6	5.4	8.0	7.0	15.0	+1.3	+9.5%	15.0	-	
D&A	11.8	3.4	3.3	6.7	6.8	13.5	+1.7	+14.4%	13.5	-	
Exchange Rate*2	1 US\$ 1 Euro	¥106 ¥123	¥109 ¥131	¥110 ¥135	¥110 ¥133	¥110 ¥135	¥4 Depreciation ¥11 Depreciation		¥105 ¥130	¥5 Depreciation ¥4 Depreciation	

*1: Intersegment transactions have been eliminated from totals

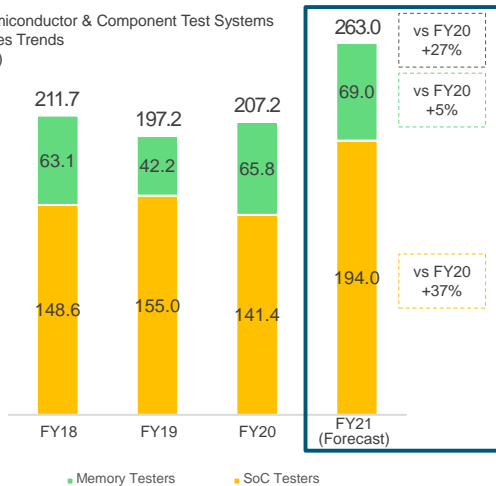
*2: Our latest forecast for the impact of exchange rate fluctuations on FY21 operating income is plus ¥1,000 million per 1 yen of JPY depreciation vs USD, and minus ¥150 million per 1 yen of JPY depreciation vs the Euro

○ FY2021 Forecast

- Based on our 1Q results and future outlook, we have raised our full-year forecast to ¥400 billion in orders, ¥385 billion in sales, ¥100 billion in operating income, ¥100 billion in income before income taxes, and ¥75 billion in net income.
- If this forecast can be achieved, orders and sales will reach record annual highs. Operating income will reach the ¥100 billion level for the first time, setting a new record for the first time in 24 years.
- Regarding future orders, although we anticipate some falloff in reaction to the sharp increase in orders in the first quarter, we expect that orders will continue to hold a high level in the second quarter and beyond.
- Longer product lead times are stimulating customers to move proactively, and at the same time, inquiries are still very fluid. While orders are harder to forecast than before, we see the potential for further upside depending on the economic situation.
- In terms of sales, in addition to the recent increase in backlog, we anticipate a high level of orders in the future, so we expect solid sales to continue in each quarter of FY21.
- We plan to increase sales by 23% compared to the previous fiscal year. We are not significantly concerned about production capacity, but the shortage of semiconductors and parts has become a major issue across various industries. We will endeavor to secure all necessary parts to avoid opportunity losses due to supply chain bottlenecks.
- Gross profit margin is expected to be around 55% for the full year. Concerns about the impact of rising parts prices have been voiced, but we do not see this as a significant factor.
- This forecast is based on exchange rate assumptions of 1USD to 110 JPY and 1 euro to 135 JPY for the nine months from the second quarter of the current fiscal year.
- Our latest forecast for the impact of exchange rate fluctuations on FY21 operating income is plus ¥1,000 million per 1 yen of JPY depreciation vs USD, and minus ¥150 million per 1 yen of JPY depreciation vs the euro.

FY21 Outlook by Segment

Semiconductor & Component Test Systems
Sales Trends
(¥B)



Semiconductor & Component Test Systems

<SoC Testers> (+¥25.0B vs April forecast)

- Strides in semiconductor complexity through the adoption of advanced processes for APU and HPC devices are driving strong demand for testers
- Capacity expansion to solve semiconductor shortages, mainly in the automotive and industrial equipment sectors, also supports tester demand

<Memory Testers> (+¥1.0B vs April forecast)

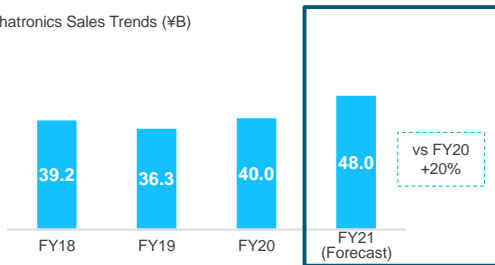
- We anticipate higher sales, mainly for high-speed DRAM testers, where Advantest is particularly competitive

○ FY2021 Semiconductor & Component Test Systems Outlook

- Given the present favorable business environment, including record-high quarterly orders in 1Q and orders expected to continue at a high level, our full-year FY21 sales forecast for SoC testers has been raised by ¥25 billion from the forecast published in April, to ¥194 billion.
- In APUs, HPC, etc., advancing semiconductor complexity through miniaturization is currently driving tester demand. This trend is expected to continue for the time being.
- Customers are actively investing in capacity expansions to solve the semiconductor shortage, mainly for automotive applications and industrial equipment.
- Our full-year FY21 sales forecast for memory testers has been raised to ¥69 billion, an increase of ¥1 billion from the forecast published in April.
- As the digital revolution accelerates, demand for testers for NAND and DDR4 / 5 is expected to remain stable. In these circumstances, we expect sales to increase, mainly for DRAM high-speed testers, where Advantest is particularly competitive.

FY21 Outlook by Segment

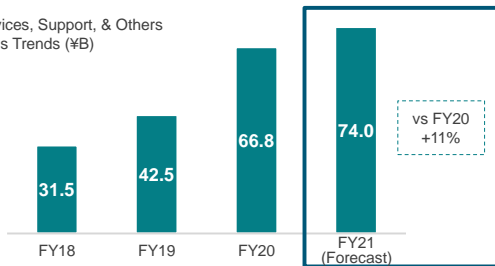
Mechatronics Sales Trends (¥B)



Mechatronics Systems (+¥6.0B vs April Forecast)

- Robust demand for device interfaces and test handlers is being supported by demand for memory testers
- Demand for nanotechnology products is increasing amidst the wider adoption of EUV lithography

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



Services, Support, & Others (+¥3.0B vs April Forecast)

- Demand for system-level test products has increased, mainly due to the mainstreaming of high-spec SSDs and the strength of the server and PC markets
- In addition, as our installed base increases, demand for field services is also steadily increasing

○ FY2021 Mechatronics / Services & Other Business Outlook

- Our mechatronics-related business is closely linked to our memory tester business.
- Demand for test cells is expected to grow as demand for memory testers continues at a high level.
- In addition, demand for nanotechnology products is strengthening amidst the wider adoption of EUV technology. We have therefore raised our sales forecast for FY21 by ¥6 billion, to ¥48 billion.
- In the Services, Support, & Others segment, we have raised our sales forecast by ¥3 billion to ¥74 billion.
- This is based on the increase in demand for our system level test products, and growth in our field services business linked to our growing installed base.

Concerning Share Repurchase

<Shareholder Return Policy Under the 2nd Mid-Term Management Plan (MTP2)>

- On the premise of a stable business environment during the MTP2 period, we have changed our return policy from the performance-linked semi-annual dividend payout ratio of 30% to a minimum amount of ¥50 per share semi-annually and ¥100 per share annually
- Our target is a total annual return ratio of 50% or more, including share repurchase
- On consideration of newly generated operating cash flow during the period, as well as cash on hand, we will flexibly consider share repurchase to enhance shareholder returns and improve capital efficiency

(However, there is a possibility that we may not be able to disburse the targeted level of shareholder returns due to the occurrence of investment growth opportunities that require more funds than expected, and / or the deterioration of business performance due to changes in our market.)



- Type of shares to be acquired: Shares of common stock
- Total number of shares to be acquired: Up to 10 million shares (Equivalent to 5.1% of outstanding shares excluding treasury stock)
- Total cost of acquisition: Up to ¥70 billion
- Period of acquisition: From August 2, 2021 to March 24, 2022

○ Concerning Share Repurchase

- As part of our shareholder return policy under our second mid-term management plan, we announced that we will aim for a total annual return ratio of 50% or more, including share repurchase.
- Based on today's upward revision of our earnings forecast, we will acquire ¥70 billion of treasury stock to enhance shareholder returns and improve capital efficiency.
- The period of acquisition will be the eight months from August 2021 to March 2022, and the total number of shares to be acquired is up to 10 million shares (equivalent to 5.1% of outstanding shares, excluding treasury stock).

Summary

- The "digital revolution," accelerated by the global response to the COVID-19 pandemic, has greatly boosted semiconductor demand. Customers are actively forging ahead with investments in production capacity enhancements and higher semiconductor performance in major regions
- Based on a significant increase in 1Q orders and our future outlook, we have revised our full-year forecast upwards for orders by ¥50 billion, and for sales by ¥35 billion. We aim for operating income in excess of ¥100 billion, a record high
- The rollout of new APU and HPC devices, and the increasing complexity of these and other devices, should support continuing high tester utilization ratios for the time being. We foresee that strong demand for testers will continue in step with movements to solve the shortage of semiconductors
- To enhance shareholder returns and improve capital efficiency, we will repurchase up to 10 million shares at a cost of up to ¥70 billion
- Amidst strong demand, the first year of our second mid-term management plan is off to a good start, and we aim to achieve the targets of the plan while being fully alert to the following risks:
 - (1) Difficulty in parts / materials procurement due to supply chain bottlenecks
 - (2) Decrease in demand due to delays in the highly-anticipated global economic recovery
 - (3) Potential impacts from US-China conflict and economic security policies on the semiconductor industry

○ Summary

- The "digital revolution," accelerated by the global response to the COVID-19 pandemic, has greatly boosted semiconductor demand, with customers forging ahead with active investments in capacity enhancement and semiconductor performance in key regions.
- We have raised our full-year orders forecast by ¥50 billion and our full-year sales forecast by ¥35 billion, based on the significant increase in 1Q orders and our future outlook. We aim to exceed ¥100 billion in operating income, which would be a record high.
- The shortage of semiconductors, the rollout of new APU and HPC devices, and the increasing complexity of these and other devices, are all expected to support high tester utilization ratios at customer sites for the time being. We foresee that strong demand for testers will continue.
- Given our expectations for further cash flow improvement thanks to good business performance, we will acquire treasury stock to enhance shareholder returns and improve capital efficiency.
- Due to strong demand, our second mid-term management plan, launched this year, is off to a good start. We aim to achieve the targets of the plan while being fully alert to the following risks:
 - (1) Difficulty in parts / materials procurement due to supply chain bottlenecks
 - (2) Decrease in demand due to delays in the highly-anticipated global economic recovery
 - (3) Potential impacts from US-China conflict and economic security policies on the semiconductor industry.