

The background features a complex digital and technical aesthetic. It includes a grid of small white plus signs, various white hexagons of different sizes, and faint circuit board traces. On the right side, there is a large, detailed circular graphic that resembles a cross-section of a hard drive or a similar mechanical component, with concentric rings and intricate internal details. The overall color palette is light gray and white, with the text in a dark red/maroon color.

ADVANTEST®

FY2020 1Q
(Three months ended June 30th, 2020)
Financial Briefing

July 30th, 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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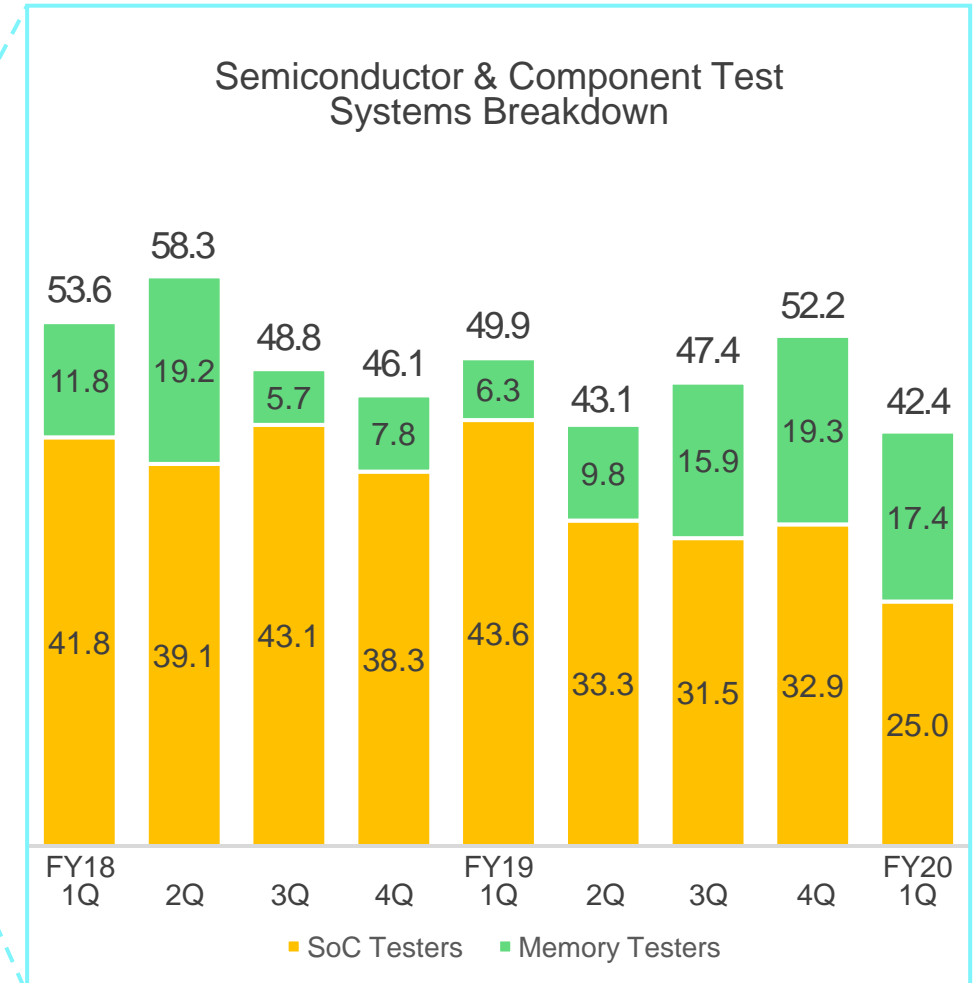
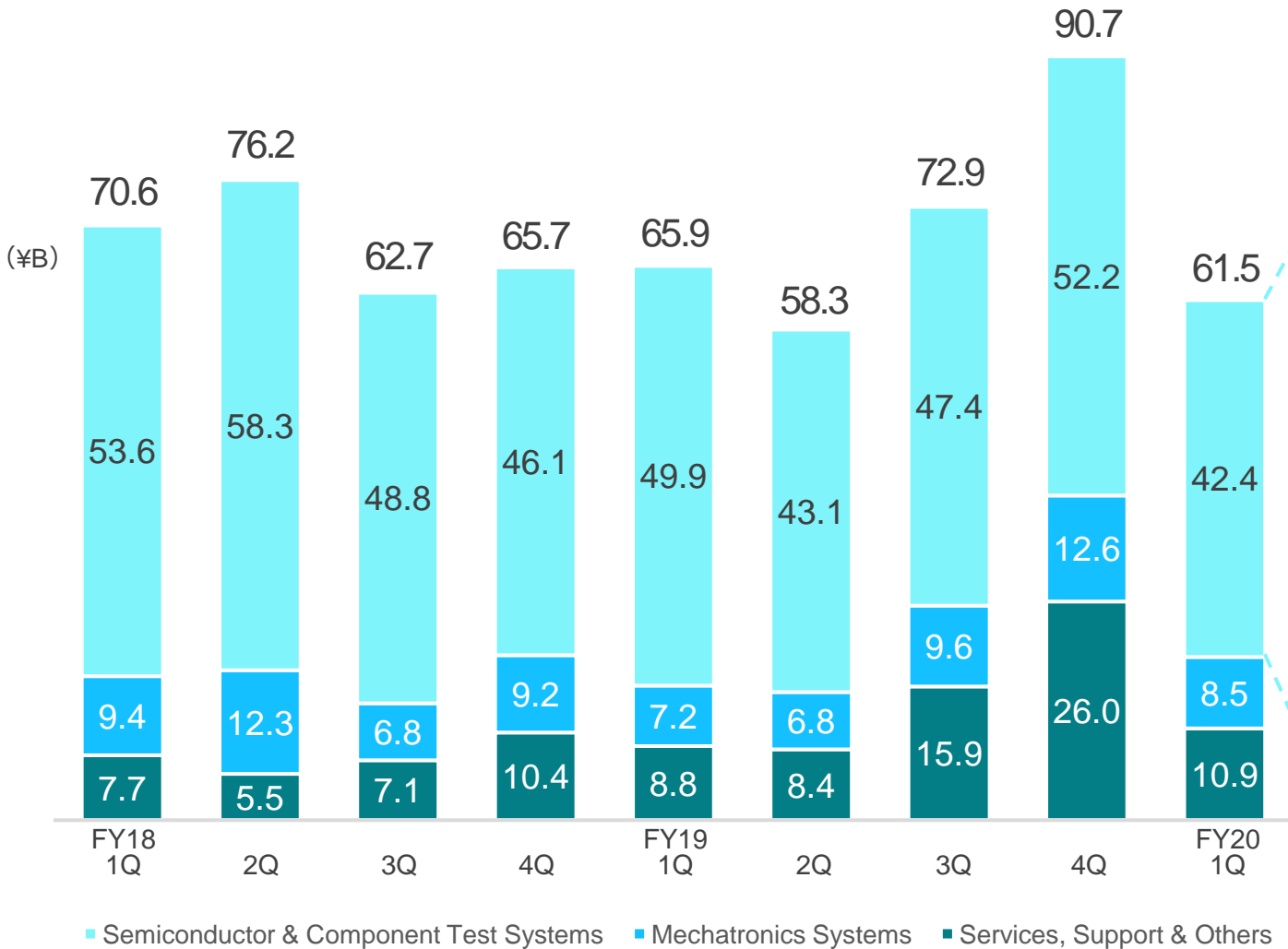
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FY20 1Q Summary of Results

(¥B)

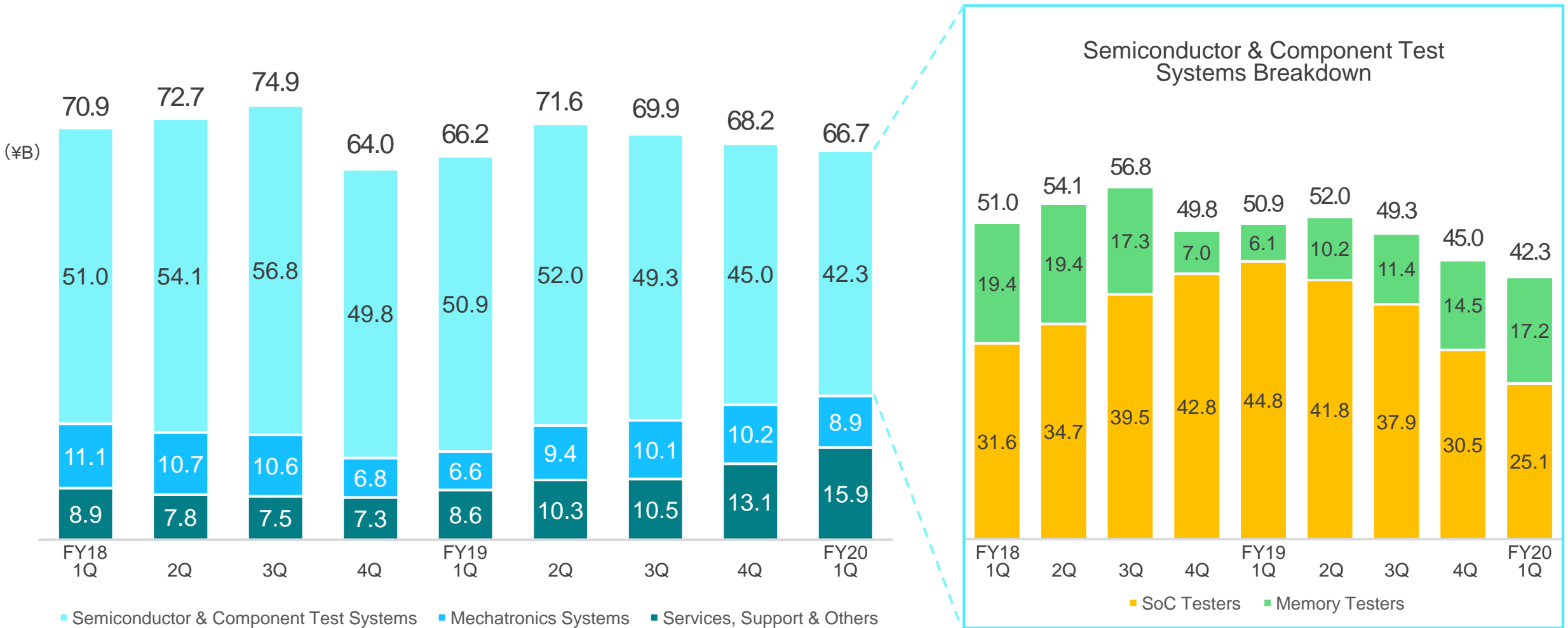
	FY19				FY20					
	1Q	2Q	3Q	4Q	1Q		QoQ		YoY	
					Forecast	Actual	(Δ)	(%)	(Δ)	(%)
Orders	65.9	58.3	72.9	90.7	62.0	61.5	-29.3	-32.3%	-4.4	-6.7%
Sales	66.2	71.6	69.9	68.2	70.0	66.7	-1.5	-2.2%	+0.6	+0.8%
Gross Profit	39.4	41.0	39.4	36.7	-	38.0	+1.2	+3.4%	-1.4	-3.6%
Gross Margin	59.5%	57.3%	56.4%	53.8%	-	56.9%	+3.1pts		-2.6pts	
Operating Income	15.2	17.7	14.2	11.6	13.0	13.5	+1.9	+16.2%	-1.7	-11.2%
Operating Margin	22.9%	24.8%	20.4%	17.0%	18.6%	20.2%	+3.2pts		-2.7pts	
Income Before Tax	14.9	18.4	14.5	10.8	13.0	12.9	+2.1	+19.2%	-2.1	-13.7%
Net Income	12.1	14.7	11.9	14.8	10.5	10.6	-4.3	-28.8%	-1.5	-12.7%
Net Income Margin	18.3%	20.5%	17.1%	21.7%	15.0%	15.8%	-5.9pts		-2.5pts	
Backlog increased due to M&A				+4.2						
Backlog	74.6	61.3	64.3	91.0	83.0	85.7	-5.3	-5.8%	+11.1	+14.9%
Exchange Rate	1 US\$	¥111	¥108	¥108	¥110	¥105	¥108	¥2 Appreciation		¥3 Appreciation
	1 Euro	¥125	¥121	¥119	¥121	¥120	¥118	¥3 Appreciation		¥7 Appreciation

Quarterly Orders by Segment



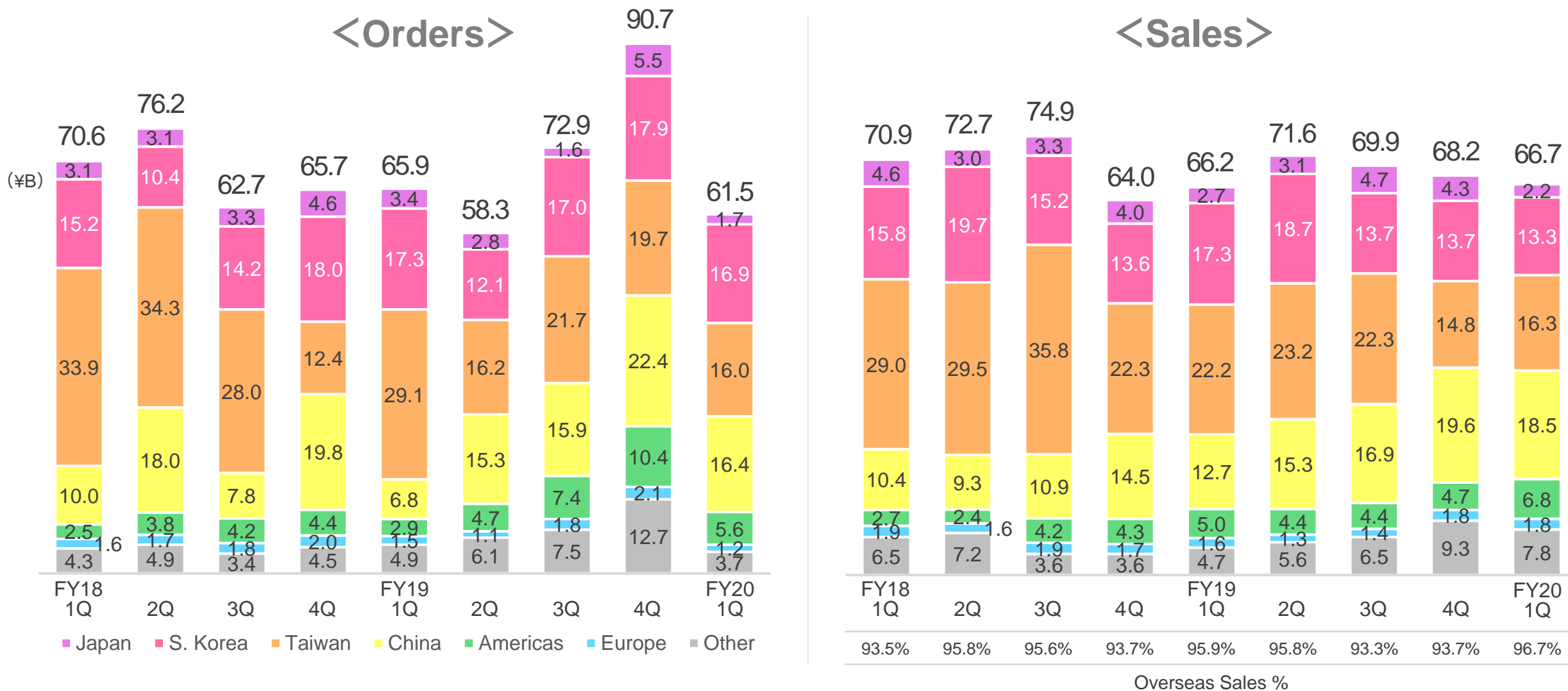
Note: Intersegment transactions have been eliminated from totals

Quarterly Sales by Segment

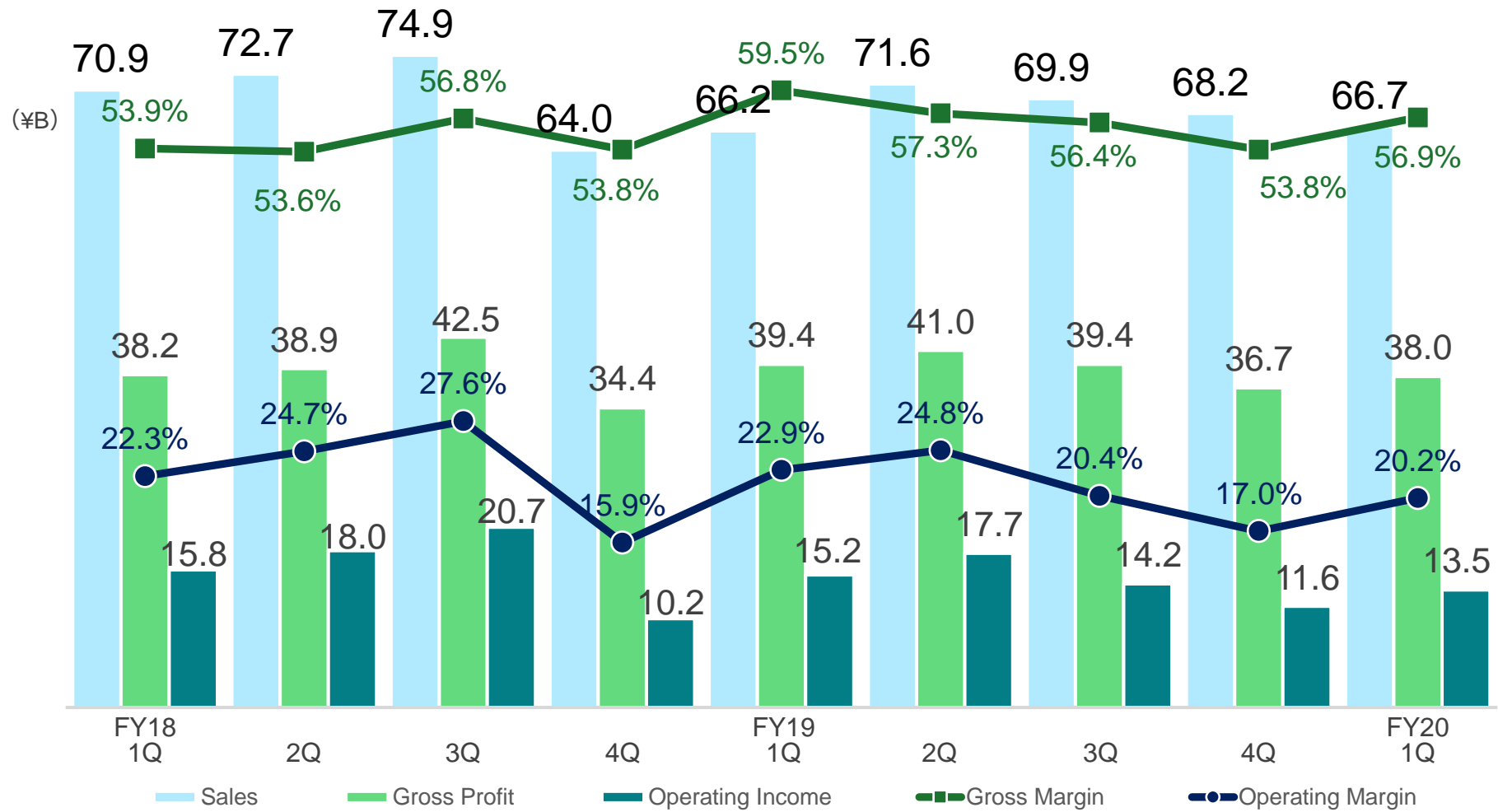


Note: Intersegment transactions have been eliminated from totals

Quarterly Orders / Sales by Region



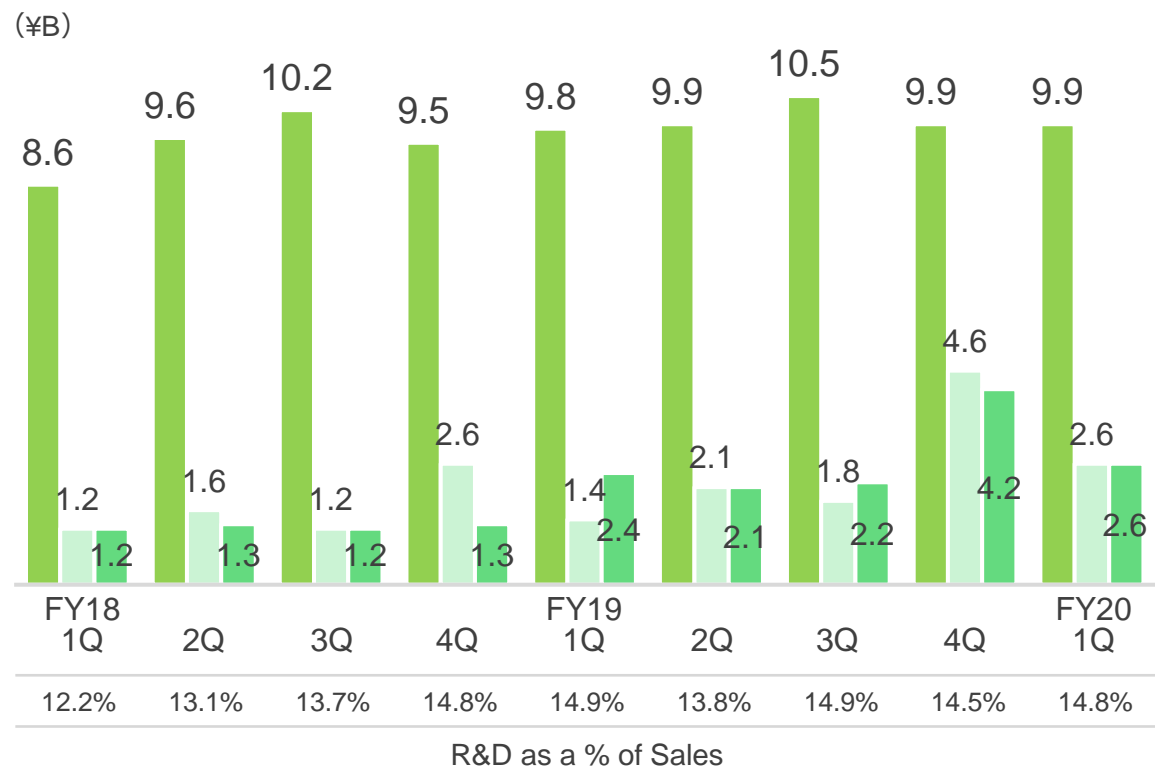
Sales / Gross Profit / Operating Income



Investments / Cash Flow

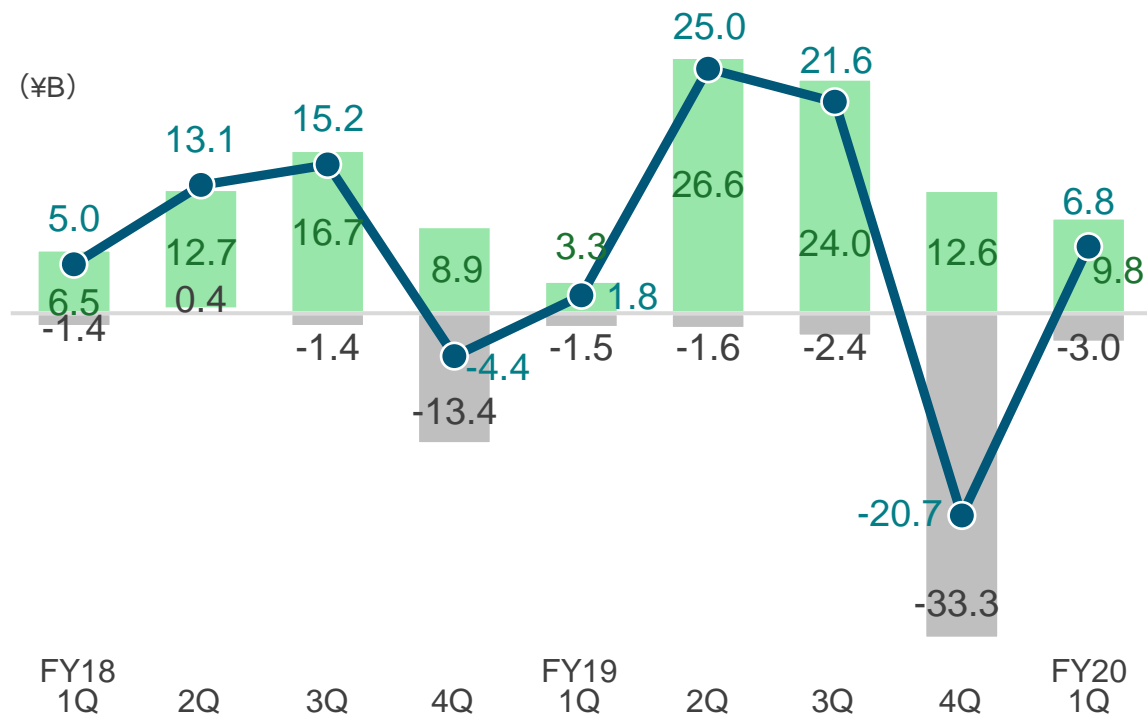
<Investments>

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



<Cash flow>

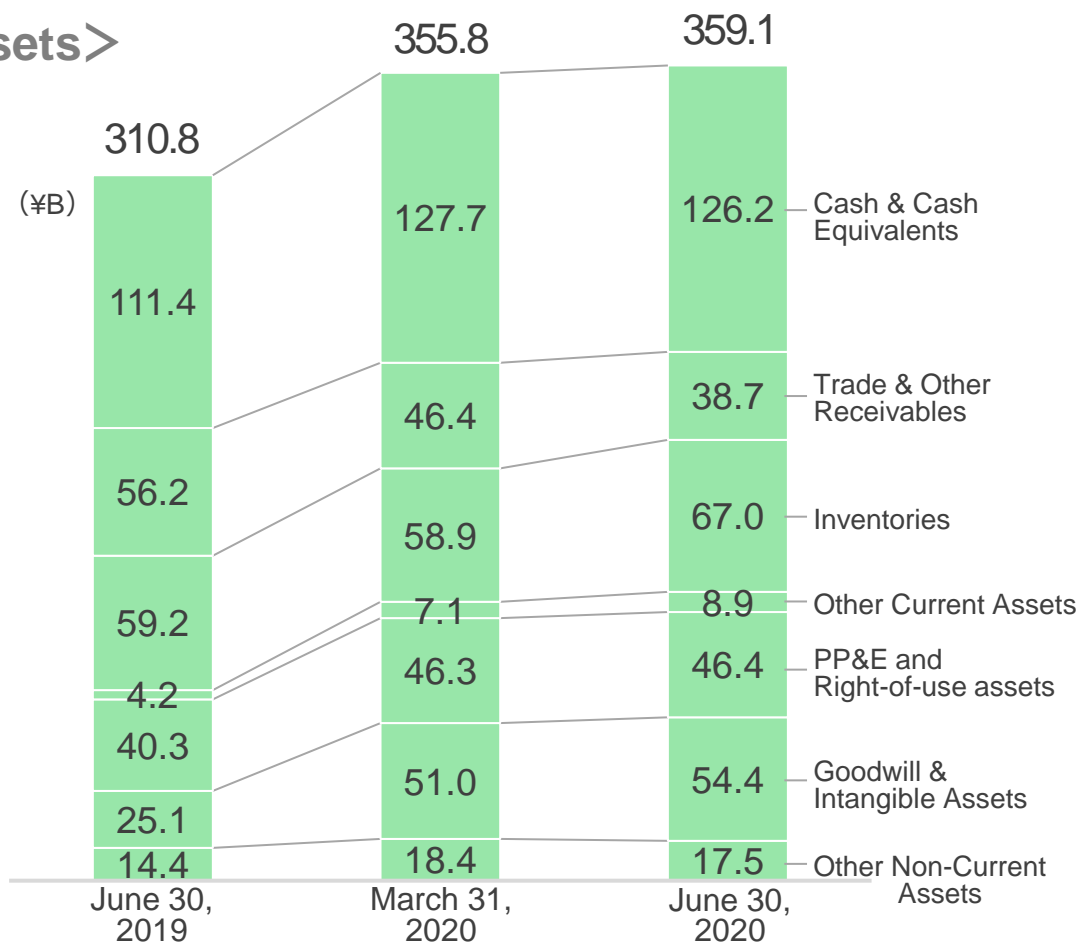
- Cash flows from operating activities
- Cash flows from investing activities
- Free cash flows



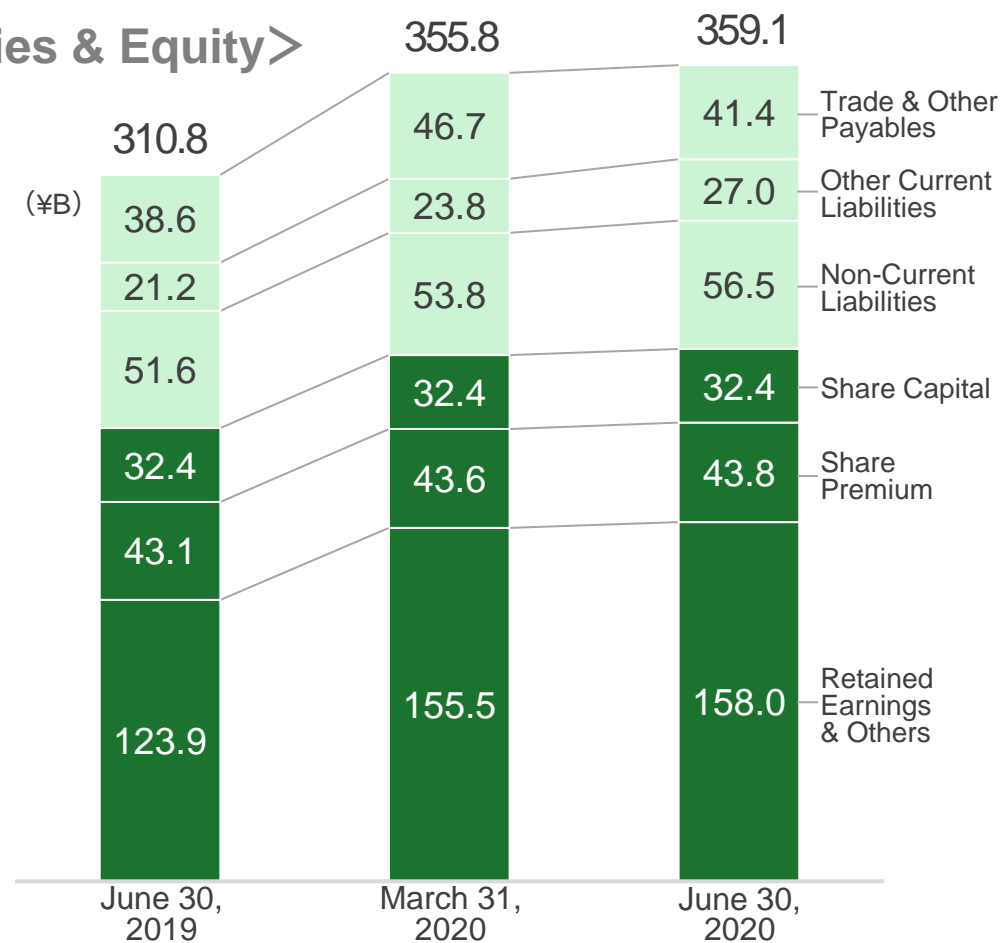
*Free Cash Flows = Cash flows from operating activities + Cash flows from investing activities

Financial Position

<Assets>



<Liabilities & Equity>



Equity Attributable to Owners of the Parent	199.4	231.5	234.2
Ratio of Equity Attributable to Owners of the Parent	64.2%	65.1%	65.2%

FY2020 Outlook

Yoshiaki Yoshida

Representative Director, President & CEO

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ADVANTEST[®]

Semiconductor Tester Market Trends: July 2020 Outlook

CY20 Forecast

– SoC Tester Market: YoY Decline Predicted

- OSAT investment stances have changed drastically following the imposition of new restrictions on certain Chinese companies by the US. Amid concern over the overall slowdown in smartphones, there is a growing trend in the industry to suspend investment in testers, with some exceptions. This offsets the growth in demand for testers for advanced process products
- It may take 6 months to a year for the supply chain fluctuations related to Chinese companies to settle down and the tester market to return to normal
- In addition, end demand deceleration due to COVID-19 is restraining demand for testers across a wide range of sectors such as automotive and display

– Memory Tester Market: YoY Growth Predicted

- In the first half of the calendar year, tester investment in both DRAM and NVM progressed more than previously expected, thanks to active data center investment. Despite an expected pause in the second half of the calendar year, CY21 should see further market expansion as memory density and speed increase

	CY17 Actual	CY18 Actual	CY19 Actual	CY20 Estimates
SoC Tester Market	Approx. \$2,200M	Approx.\$2,550M	Approx. \$2,700M	Approx. \$2,400M (January estimate: approx. \$2,700M)
Memory Tester Market	Approx. \$750M	Approx. \$1,150M	Approx. \$650M	Approx. \$1,000M (January estimate: approx. \$800M)

FY20 Forecast

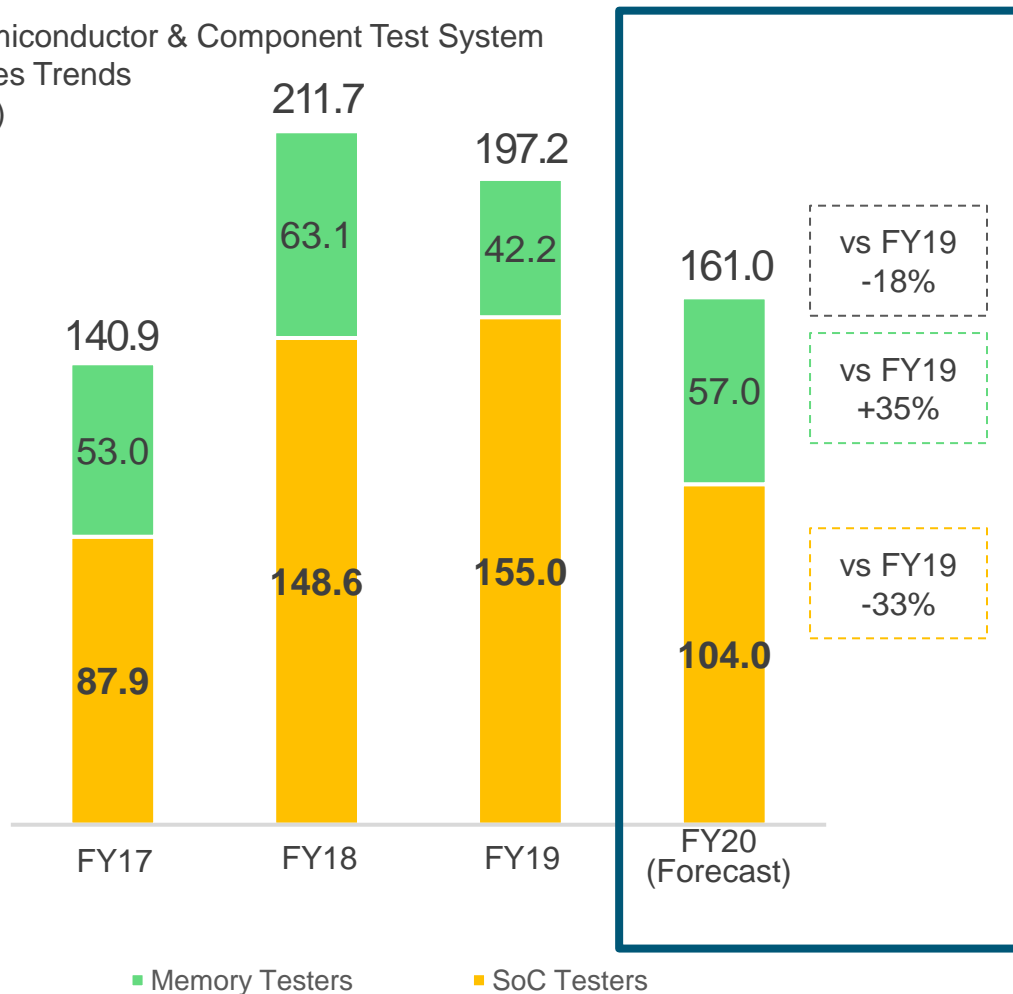
(¥B)

	FY19 Results	FY20							
		1Q Results	2Q Forecast	1H Forecast	2H Forecast	Full-Year Forecast	vs. FY19		
							(Δ)	(%)	
Orders	287.8	61.5	55.5	117.0	123.0	240.0	-47.8	-16.6%	
Sales	275.9	66.7	73.3	140.0	120.0	260.0	-15.9	-5.8%	
Operating Income	58.7	13.5	14.2	27.7	17.3	45.0	-13.7	-23.3%	
Operating Margin	21.3%	20.2%	19.4%	19.8%	14.4%	17.3%	-4.0pts		
Income Before Tax	58.6	12.9	14.2	27.1	17.3	44.4	-14.2	-24.2%	
Net Income	53.5	10.6	11.3	21.9	13.9	35.8	-17.7	-33.1%	
Net Income Margin	19.4%	15.8%	15.5%	15.6%	11.6%	13.8%	-5.6pts		
Backlog	91.0	85.7	68.0	68.0	71.0	71.0	-20.0	-22.0%	
Exchange Rate*	1 US\$	¥109	¥108	¥105	¥106	¥105	¥106	¥3 Appreciation	
	1 Euro	¥121	¥118	¥120	¥119	¥120	¥119	¥2 Appreciation	

* Our latest forecast for the impact of exchange rate fluctuations on FY20 operating income is plus ¥600 million per 1 yen of JPY depreciation vs USD, and minus ¥150 million per 1 yen of JPY depreciation vs the euro.

FY20 Outlook by Segment

Semiconductor & Component Test System Sales Trends (¥B)



Semiconductor & Component Test Systems

<SoC Testers>

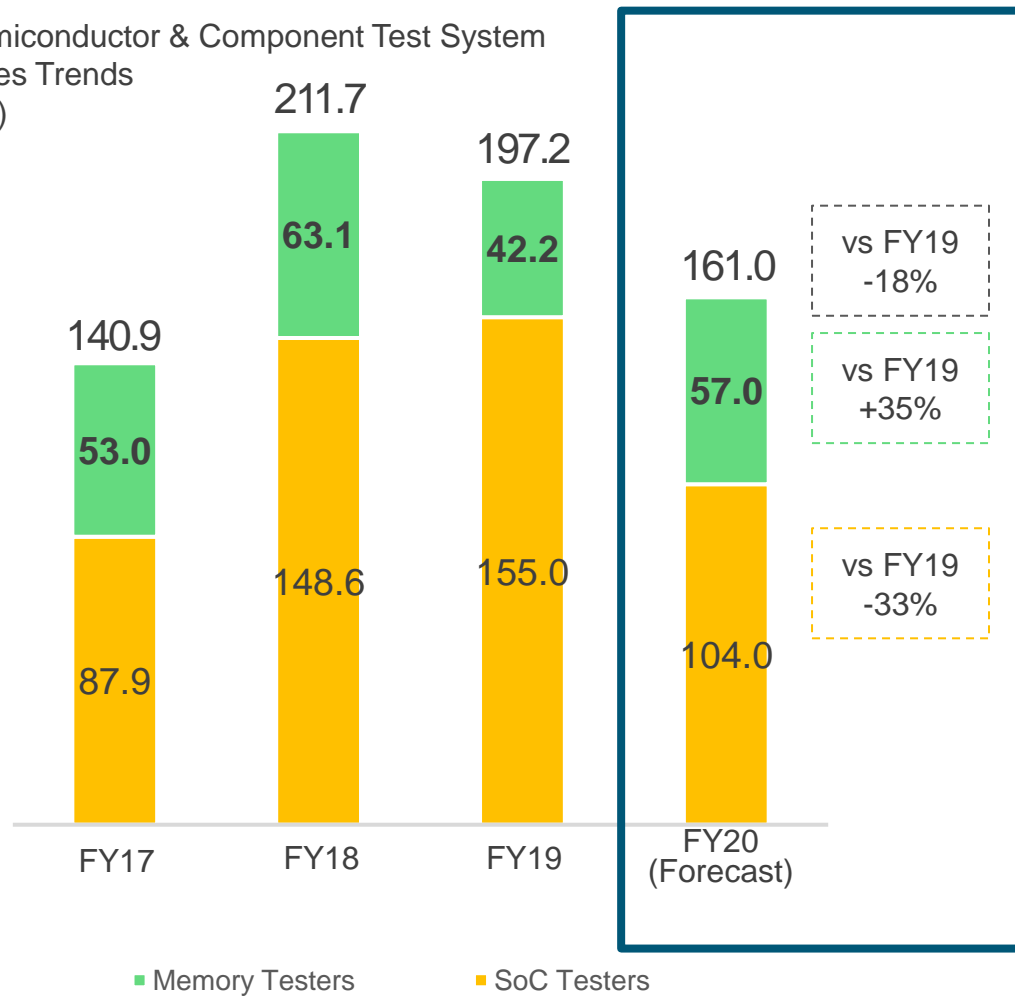
- While the trend toward higher semiconductor performance continues, US-China friction has had a major impact on the investment stance of SoC tester customers
- Reflecting lower end-product demand due to the impact of COVID-19, demand for automotive, industrial machinery, and consumer-related semiconductors also declined
- Demand for HPC applications is growing, but downwards pressure on the tester market is expected to intensify in the short term

[Progress toward mid-term sales growth targets (forecast)]

	FY15-17 average	FY18-20 average	Change
SoC Testers	¥79.1B	¥135.9B	+72%
Memory Testers	¥35.3B	¥54.1B	+53%
Total	¥114.2B	¥190.0B	+66%

FY20 Outlook by Segment

Semiconductor & Component Test System Sales Trends (¥B)



Semiconductor & Component Test Systems

<Memory Testers>

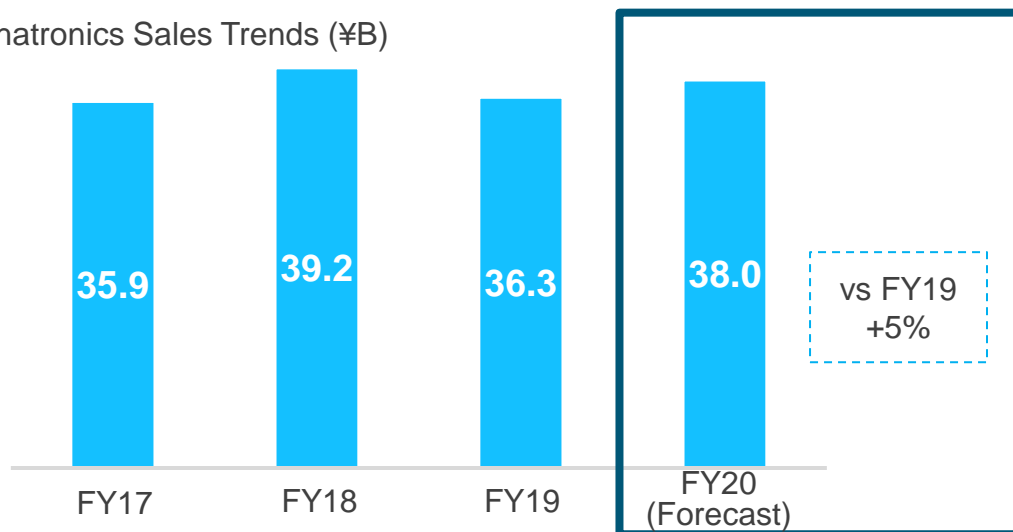
- In addition to the recovery of data center investment, work-from-home demand in response to COVID-19 has energized the memory market. Increased demand for server memory is boosting tester demand
- This demand is expected to slow down from 2H, but positive factors such as increased wafer input following investment in front-end processes, as well as chip performance improvements, should ripple through to create new tester demand from FY21

[Progress toward mid-term sales growth targets (forecast)]

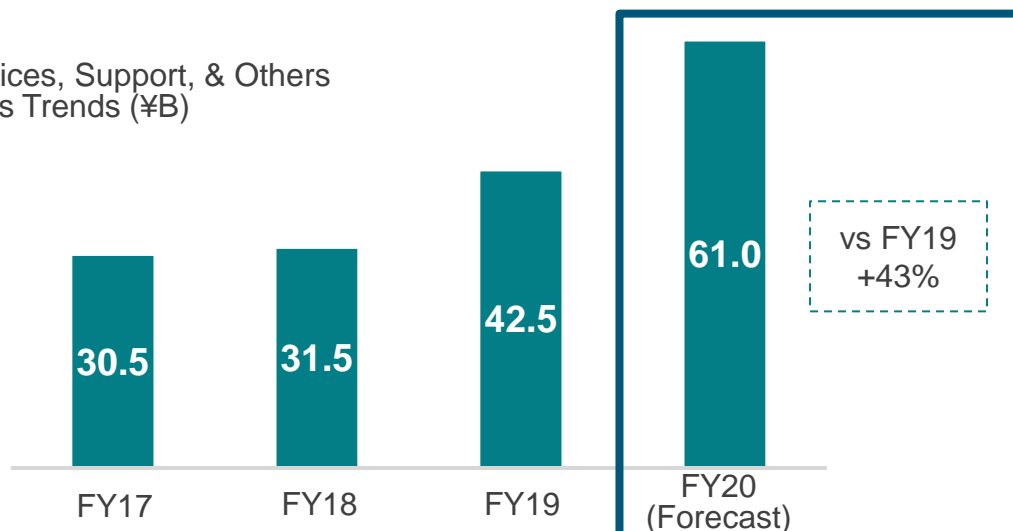
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FY20 Outlook by Segment

Mechatronics Sales Trends (¥B)



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



Mechatronics Systems

- Sales are expected to increase year on year, principally for interface products, due to strong memory tester demand

[Progress toward mid-term sales growth targets (forecast)]

	FY15-17 average	FY18-20 average	Change
Mechatronics	¥30.9B	¥37.8B	+22%

Services, Support, & Others

- Plan to significantly increase sales in the entire segment due to sales growth from new SoC customers in the system level test business
- The field service business is also expected to remain solid due to an increase in the tester installed base

[Progress toward mid-term sales growth targets (forecast)]

	FY15-17 average	FY18-20 average	Change
Services, Support & Others	¥30.0B	¥45.0B	+50%

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



Important Measures for FY20

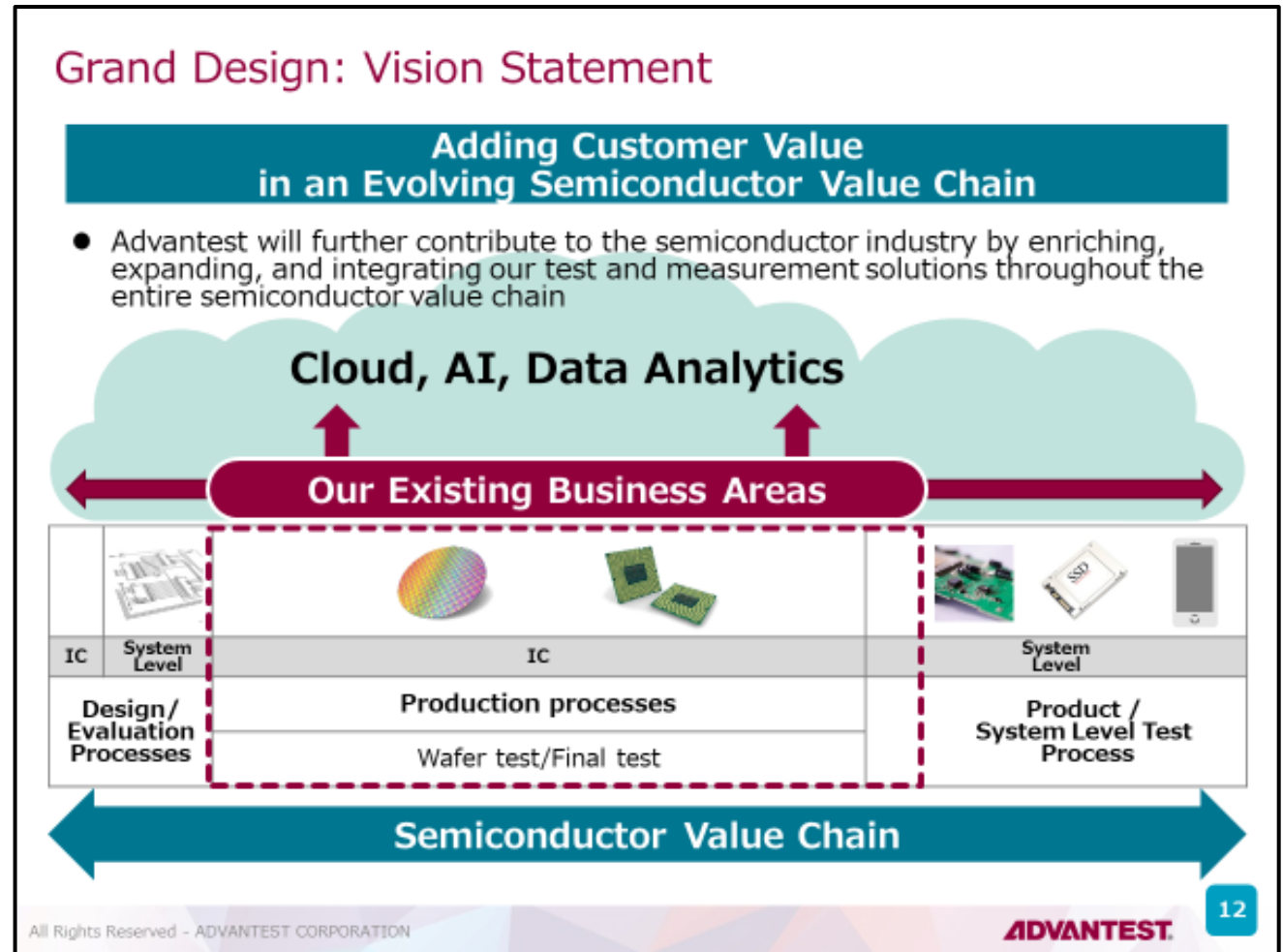
- Continue to invest for long-term growth while flexibly responding to recent changes in our business environment
- While the market trends that will support our medium- to long-term growth, such as semiconductor performance gains and the increasing importance of test, remain unchanged, Advantest will 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

	FY19 Actual	FY20 Forecast
R&D Expenses	¥40.1B	¥41.0B
Capex	¥9.9B	¥10.0B
Depreciation	¥10.9B	¥11.0B

Expansion of Data Analysis Solutions – Partnership with PDF Solutions

Advantest has partnered with PDF Solutions, the largest provider of big data semiconductor analytics, to further realize the company's Grand Design

- Based on PDF Solutions software, the companies will jointly develop *Advantest Cloud*, enabling Advantest to provide an analysis environment and platform that covers the whole process from design to wafer/final test and system level test
- Synergy will drive sales of software from both companies
- Advantest is cementing this partnership with PDF Solutions through a capital investment of approximately \$65M



(From an Advantest presentation published in April 2018)

Concerning Share Repurchase

Capital Policy Under the Current Mid-Term Management Plan

- ✓ In order to strengthen its business growth infrastructure and maintain a sound financial status, Advantest aims to create a cumulative free cash flow of 85 to 100 billion yen over the period of the new mid-term management
- ✓ Hold of 50 to 60 billion yen for stable business activities
- ✓ Regarding the use of excess funds, Advantest will prioritize business investments for growth such as M&A, R&D, facility enhancements, etc. Set 100 billion yen as its cumulative total M&A investment frame for the mid-term management plan period
- ✓ Continue its policy of improving dividend levels through the growth of earnings per share, based on a semi-annual consolidated payout ratio of 30%
- ✓ If residuals are retained for a long time, the company will consider flexibly reviewing its dividend payout ratio and improving total shareholder returns by, for instance, repurchasing stock, taking into consideration our projected growth investments



- In line with the above policy, Advantest will conduct a share repurchase to promote efficient use of capital and to deliver shares upon exercise of stock options (stock acquisition rights), while taking into consideration current cash position and medium- to long-term growth investment progress trends
 - Total number of shares to be acquired: Up to 2.5 million shares (Equivalent to 1.3% of outstanding shares excluding treasury stock)
 - Total cost of acquisition: Up to ¥15 billion
 - Period of acquisition: From July 31, 2020 to October 30, 2020

Summary

- FY20 sales and profits are expected to decline due to slumping final demand amidst exacerbated US-China friction and COVID-19
- SoC semiconductor test customers are particularly uncertain about the future, but there are also strong trends toward higher semiconductor performance and reliability that will drive Advantest's growth
- In Advantest's core business, which is a pillar of medium- to long-term growth, the company is making steady progress with measures to strengthen its foundation in areas such as 5G, RF and memory
- With regard to expansion into adjacent business domains, which is considered a medium- to long-term priority, in addition to reinforcing the company's system level test business through M&A over the last two years, Advantest is also expanding its solutions in the cloud / data analytics area
- Advantest will improve capital efficiency through a share repurchase

ESG & External Evaluation

- Ranked Number 1 Global SPE Supplier by VLSIresearch customer satisfaction survey
- Announced support for Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- Adopted as a constituent stock of the MSCI Japan Empowering Women Index (WIN) and the WIN Select Index
- Planning donations in multiple countries for relief of COVID-19 victims and those affected by disasters such as the 2020 Kyushu Floods