

Advantest Corporation
FY2017 Information Meeting
Q & A Summary of
Mid / Long-Term Management Policy

April 26th, 2018

Q. Slide 21, Sustaining & Reinforcing Our Competitive Advantages, describes how Advantest will expand its market share in two segments, "Computing & Communications" and "Industry, Automotive & Consumer." How has your share trended in those segments over the past three years?

A. We do not have accurate data now, so I cannot give concrete figures, but in the case of automotive, I think we have gradually increased our market share over the past three years and now have about 50% of the market. There are various types of automotive devices, such as power ICs, sensors, MCUs, etc., and we have improved our share steadily in all these segments. We plan to grow our automotive share further within the framework of our mid-term plan.

Q. How are you going to expand your share in 5G and automotive applications in the future? Why do you expect market share expansion when, for example, design-in is already well developed and is only waiting for market launch?

A. Fewer than 10 semiconductor companies are in a position to proceed with 5G device development, and we are currently involved in projects with all these players. Therefore, whichever players succeed, we anticipate gaining market share. In addition, in automotive, there are almost no users we do not do business with. As background to this, we had an existing user base for the T2000 platform, which was further expanded since we acquired Verigy, with its V93000 platform, in 2011. It is true that our main competitor has a strong automotive business, and gained an initial head start, but we have been rapidly catching up, so we believe we can ride this momentum to further increase our share in the future.

Q. In slide 22, "Numerical targets for 3-year mid-term plan", your base scenario sets an annual sales target of 250 billion yen as the three-year average from FY2018 – FY2020. On the other hand, your sales target for FY2018 is 230 billion yen. Do you expect this to grow to 270 billion yen in the two years of FY2019 and FY2020? Or should we

understand that the forecast of 230 billion yen for FY2018 is a conservative prediction, and there is still room for this to be revised upwards?

A. We do see a possibility for FY2018 sales to be higher than 230 billion yen. That is just the definite goal line we can see right now.

Q. In the base scenario of your grand design, you expect CAGR (compound annual growth rate) to be 4%. How is that divided between memory and non-memory?

A. To put it briefly, both memory and non-memory are expected to grow at about the same rate.

Q. If so, does that mean the profit structure shown on slide 16 will actually improve further, given that non-memory accounts for more of your annual sales than memory?

A. Our sales estimate includes income from new businesses in addition to existing businesses. Hypothetically, if we acquired a solution we do not currently have through M&A, it would be possible that profit from the new business would not reach the level estimated for our existing businesses. The cost / profit structure we are planning takes such possibilities into consideration.

Q. So, if we look at only your existing businesses, would that suggest a profit level higher than these estimates?

A. Assuming that the tester market does grows at an annual rate of 4%, yes, the profit margin of our existing businesses would be even higher.

Q. You estimate 60 billion yen in sales from your new businesses. What kind of markets are you targeting?

A. Owing to consolidation, there are only a couple of players left in our industry, so please excuse us for not sharing specific details. Conventional test solutions are thought of as measuring hardware (ICs, for example), but if we extend the scope of test to modules incorporating ICs, for example, or even end products, we can expect to see an even larger TAM than the TAM of the IC test market as commonly defined.

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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