



FY24 2Q

(Three months ended September 30th, 2024)

Financial Briefing

October 30th, 2024
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 and any information provided orally by Advantest representatives 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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Summary

FY24 2Q Results

- Sales/Operating Income/Net Income : Reached record highs on a quarterly basis
 - ✓ Secured parts/materials sourcing and product supply capabilities in response to robust tester demand for high performance semiconductors for AI

FY24 Outlook

- Full-year guidance is revised upward based on the FY24 2Q results
 - ✓ Robust demand for HPC/AI-related semiconductors is likely to continue
 - ✓ Tester demand recovery remains slow for applications other than HPC/AI

Share Repurchase

- A share repurchase program of up to JPY 50 billion or up to 9 million shares to enhance shareholder returns and improve capital efficiency has been authorized

○ Summary

- Hello to everyone. I am happy to welcome you all to our call. Let me start by providing an overview of today's presentation.
- First, I will give an overview of the financial results for the 2nd quarter of FY2024. 2Q sales, operating income, and net income posted record highs on a quarterly basis. Quarterly operating margin exceeded 30% for the first time since the 2nd quarter of FY2022.
- In response to the robust tester demand for high-performance semiconductors used in AI, we executed on delivering to our customers' test capacity needs, which resulted in record-high sales. In addition, with the increase in sales, profitability has improved QoQ.
- Next, let me explain the outlook for FY2024. Based on the 2nd quarter results, we are revising up our full year forecast for FY2024.
- We expect the robust demand for HPC/AI-related semiconductors to continue through the remainder of FY2024. On the other hand, the recovery in demand for testers used for applications other than to HPC/AI remains soft.
- Lastly, I will touch upon a share repurchase program. Our Board of Directors has authorized a share repurchase program of up to JPY 50 billion or up to 9 million shares to enhance shareholder returns and improve capital efficiency.
- Now, Mihashi will explain the 2nd quarter results.

Financial Results for FY24 2Q

Yasuo Mihashi

Senior Executive Officer, CFO & CSO (Chief Strategy Officer)
Executive Vice President, Corporate Strategy Group

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FY24 2Q Summary of Results

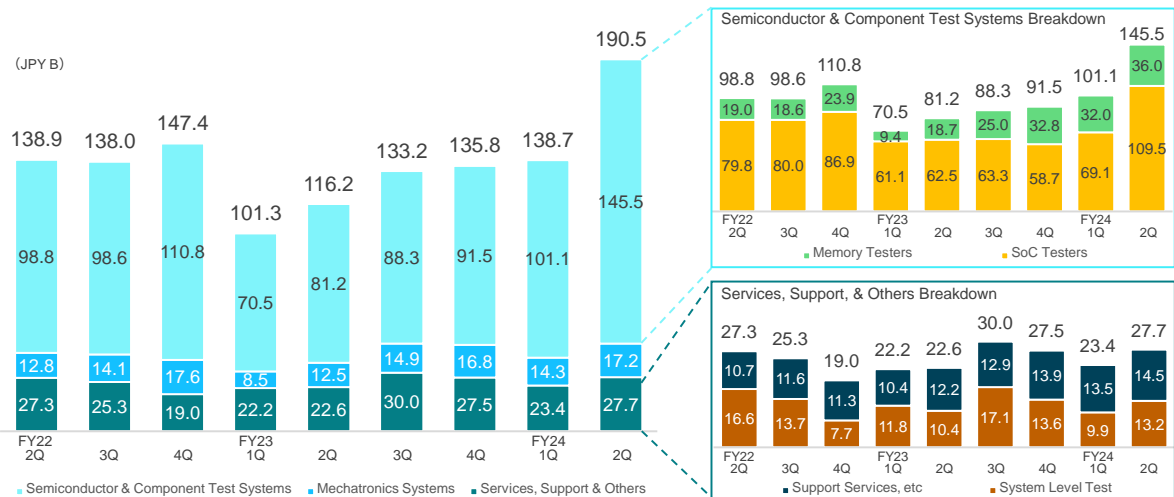
(JPY B)											
	FY23				FY24						
	1Q	2Q	3Q	4Q	1Q	2Q		QoQ		YoY	
						Forecast	Results	Change	(%)	Change	(%)
Sales	101.3	116.2	133.2	135.8	138.7	153.3	190.5	+51.8	+37.3%	+74.2	+63.8%
Gross Profit	51.0	58.0	67.4	69.6	76.9	-	110.1	+33.2	+43.2%	+52.0	+89.6%
Gross Margin %	50.3%	49.9%	50.6%	51.3%	55.4%	-	57.8%	+2.4pts		+7.9pts	
Operating Income	14.3	21.0	26.8	19.5	31.3	35.7	63.6	+32.2	2.0x	+42.5	3.0x
Operating Margin %	14.1%	18.1%	20.1%	14.4%	22.6%	23.3%	33.4%	+10.8pts		+15.3pts	
Income Before Tax	13.0	20.3	26.3	18.6	31.9	35.6	60.7	+28.8	+90.2%	+40.4	3.0x
Net Income	9.2	16.7	21.2	15.2	23.9	26.7	45.4	+21.6	+90.5%	+28.7	2.7x
Net Income Margin %	9.1%	14.4%	15.9%	11.2%	17.2%	17.4%	23.9%	+6.7pts		+9.5pts	
Exchange Rate (JPY)	1 US\$	135	142	149	147	153	140	154	JPY1 Depreciation		JPY12 Depreciation
	1 Euro	146	156	159	159	165	155	168	JPY3 Depreciation		JPY12 Depreciation
Dividend Per Share*1 (JPY)	-	16.25 (65)	-	18	-	19	19	-		+2.75	

*1: Advantest has enacted a 4-for-1 stock split of common share, effective October 1, 2023. The above dividend per share figures are based on the assumption that the stock split had been enacted at the beginning of FY23. (values in parentheses are those before the split).

○ FY2024 2Q Summary of Results

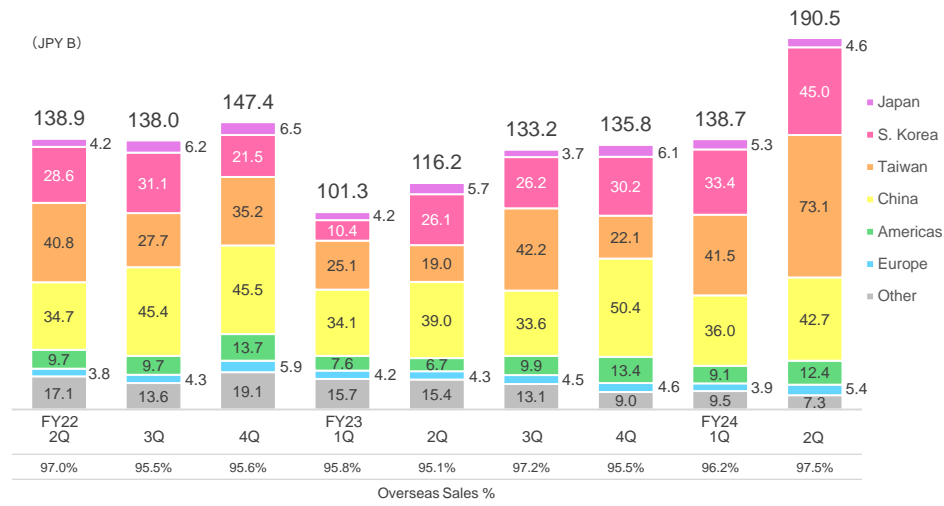
- In the 2nd quarter, our product delivery exceeded our expectations amidst the continuation of elevated tester demand for high performance semiconductors. Along with the increase in sales, the depreciation of the yen against the US dollar also provided a tailwind, resulting in an increase in profits QoQ.
- Details of the results will be explained in the following pages.

Quarterly Sales by Segment



- FY2024 2Q Summary of Results
- Semiconductor & Component Test Systems
 - SoC tester sales were JPY 109.5 billion, an increase of JPY 40.5 billion QoQ.
 - Sales increased due to strong growth in sales of advanced process products in the HPC/AI-related applications. In addition to servers, on-device AI applications such as computing and automotive processors contributed to sales growth. On the other hand, sales of mature process products remained soft.
 - Memory tester sales were JPY 36.0 billion, an increase of JPY 3.9 billion QoQ. Demand remained elevated for high performance DRAM, particularly HBM.
- Mechatronics Systems
 - Sales of device interfaces increased QoQ in tandem with increased sales of testers.
- Service, Support, & Others
 - In addition to the steady increase in sales of support services, sales also saw an increase in the system level test (SLT) business for high-end SoC.

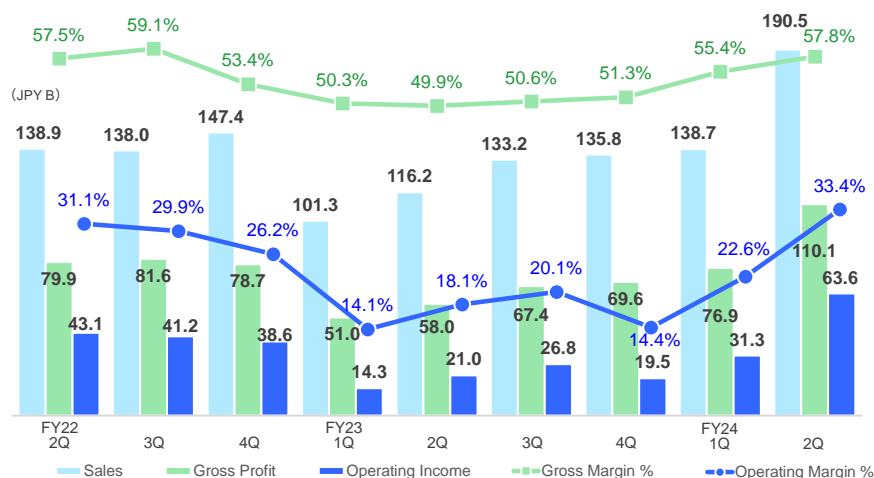
Quarterly Sales by Region (Ship to Region)



○ FY2024 2Q Sales by Region (Ship to Region)

- Taiwan
Following 1Q, sales in 2Q increased QoQ mainly due to strengthened quality assurance requirements for HPC/AI-related semiconductors at several U.S. fabless companies. This resulted in an increase in sales to the related foundries and OSATs.
- South Korea
In addition to an increase in sales of memory testers, mainly for DRAM applications, sales of SoC testers also increased for HPC/AI-related applications.

Sales / Gross Profit / Operating Income

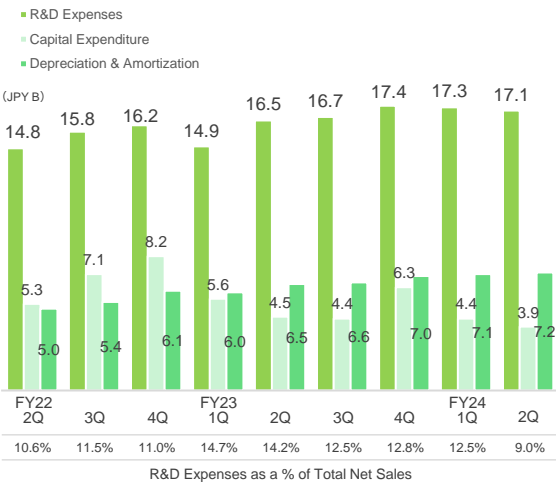


○ FY2024 2Q Sales / Gross Profit / Operating Income

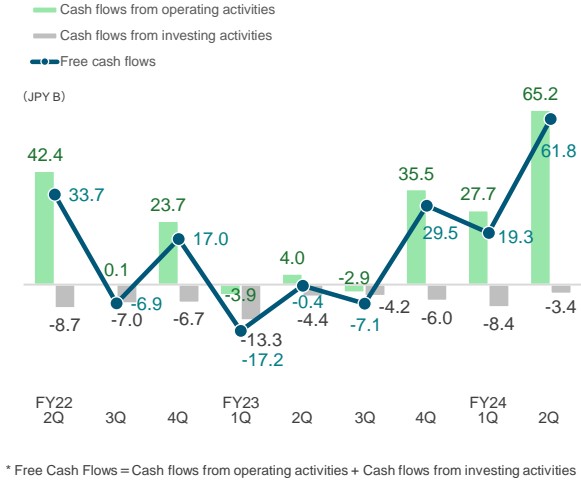
- Gross profit margin also increased QoQ due to an increase in tester sales, particularly for high-end SoC applications.
- SG&A (including all other income and expenses) was JPY 46.5 billion and remained nearly flat QoQ.

Investments / Cash Flow

<Investments>



<Cash Flow>



○ FY2024 2Q R&D Expenses/ CapEx/ D&A

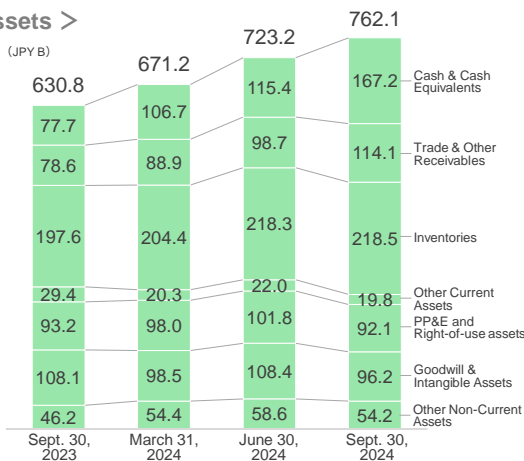
- R&D Expenses, CapEx, and D&A are illustrated on this slide.
- R&D Expenses remained high, following the previous quarter.

○ FY2024 2Q Cash Flow

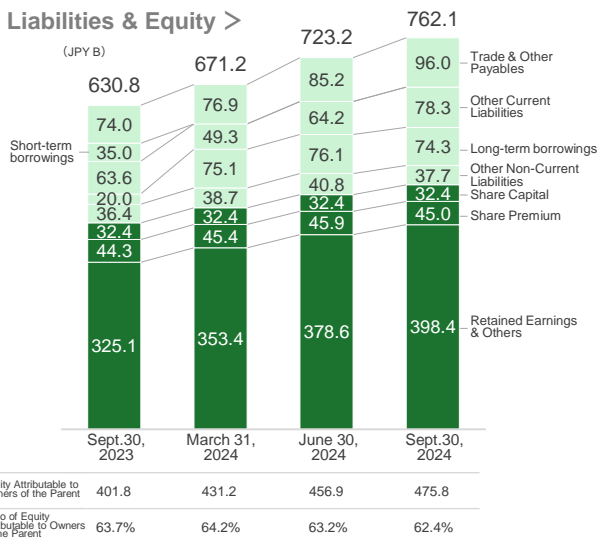
- Due to the improvement in sales and profits, operating cash flow and free cash flow increased.

Financial Position

< Assets >



< Liabilities & Equity >



○ Balance Sheet for the Period Ended September 30th, 2024

- Inventories are at a similar level as in the previous quarter. While our sales have increased, the status of demand recovery varies from application to application. For high-performance semiconductors where tester demand is growing, we are strengthening procurement to increase production. On the other hand, for products where demand recovery is likely to take time, we will continue to work on inventory management.
- This concludes my presentation. Now I will hand over to Doug who will go over the FY2024 outlook.



FY24 Outlook

Douglas Lefever

Representative Director, Senior Executive Officer, Group CEO

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Business Environment / Semiconductor Tester Market Trends: Oct. 2024 Outlook

Business Environment

- Within the global economy, semiconductors continue to grow in importance. Meanwhile, concerns about the future have continued due to rising geopolitical risks
- The semiconductor market is expected to continue to see solid demand, particularly for high-performance semiconductors related to AI
- On the other hand, demand for semiconductors used in applications other than AI remains soft

CY24 Semiconductor Tester Market Forecast

- Advances in AI are driving performance improvements in semiconductors and growth in production demand, leading to continuation of robust tester demand
- Increasing our tester supply capabilities to meet the robust tester demand is likely to contribute to an increase in our market size estimate
- In the semiconductor tester market as a whole, the recovery of tester demand presents a mixed picture as demand remains soft with the exception of those for AI-related applications

	CY23 Actual	CY24 Estimate
SoC Tester Market	Approx. \$3.3B	Approx. \$3.5B - 3.8B (July estimate: approx. \$3.2B - 3.5B)
Memory Tester Market	Approx. \$1.1B	Approx. \$1.7B - 1.9B (July estimate: approx. \$1.6B - 1.8B)

Source: Advantest

○ Business Environment/Semiconductor Tester Market Trends

- First, let me explain our business environment.
- Within the global economy, semiconductors continue to grow in importance. Meanwhile, concerns about the future have continued due to rising geopolitical risks.
- The semiconductor market is expected to remain solid, mainly due to demand for high-performance semiconductors related to data center-based AI.
- On the other hand, the demand for semiconductors used in applications other than data center-based AI remains somewhat soft.
- Based on this business environment, I will now explain the outlook for the semiconductor tester market in CY2024.
- As advances in data center-based AI drive performance improvements in semiconductors and growth in production demand, tester demand is expected to remain robust. In response to such robust tester demand, we are continuing to strengthen our tester supply capabilities. As a result, we expect the market size to increase further and have once again raised our market size outlook for both SoC testers and memory testers, following our revision in July.
- At the bottom you can see the chart. We are raising the SoC midpoint of 3.35B to 3.65B USD, and Memory for 1.7B to 1.8 B USD in the midpoint.
- Meanwhile, the demand for semiconductors used in applications other than AI remains soft as I mentioned. Therefore, the overall recovery in the semiconductor market presents a mixed picture.

FY24 Forecast

(JPY B)										
	FY23	FY24							Prior Full-Year Forecast	
	Results	1Q	2Q	1H Results	2H Forecast	Full-year Forecast	vs. FY23		As of July 2024	Change
							Change	(%)		
Sales	486.5	138.7	190.5	329.2	310.8	640.0	+153.5	+31.6%	600.0	+40.0
Operating Income	81.6	31.3	63.6	94.9	70.1	165.0	+83.4	2.0x	138.0	+27.0
Operating Margin %	16.8%	22.6%	33.4%	28.8%	22.6%	25.8%	+9.0pts		23.0%	+2.8pts
Income Before Tax	78.2	31.9	60.7	92.6	69.9	162.5	+84.3	2.1x	138.5	+24.0
Net Income	62.3	23.9	45.4	69.3	52.7	122.0	+59.7	+95.9%	105.0	+17.0
Net Income Margin %	12.8%	17.2%	23.9%	21.1%	16.9%	19.1%	+6.3pts		17.5%	+1.6pts
Basic EPS*1 (JPY)	84.45	32.35	61.56	93.92	71.09	165.01	+80.56	+95.4%	-	-
R&D Expenses	65.5	17.3	17.1	34.4	37.6	72.0	+6.5	+9.9%	70.0	+2.0
CapEx	20.8	4.4	3.9	8.3	13.7	22.0	+1.2	+5.8%	22.0	-
D&A	26.1	7.1	7.2	14.3	12.7	27.0	+0.9	+3.4%	27.0	-
Exchange Rate*2 (JPY)	1 US\$	143	153	154	140	147	JPY4 Depreciation		143	JPY4 Depreciation
	1 Euro	155	165	168	155	161	JPY6 Depreciation		158	JPY3 Depreciation

*1: Advantest has enacted a 4-for-1 stock split of common share, effective October 1, 2023. The above Basic EPS figures are based on the assumption that the stock split had been enacted at the beginning of FY23. In the full-year forecast, the average number of outstanding shares used in the calculation of Basic EPS is calculated using the number of issued and outstanding shares as of Sept. 30, 2024 excluding number of treasury shares as of Sept. 30, 2024. The figure for 2H forecast is calculated by subtracting the 1H results from the full-year forecast

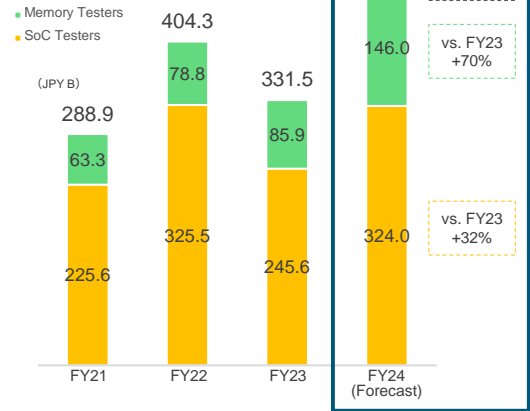
*2: Our latest forecast for the impact of exchange rate fluctuations on FY24 operating income is plus JPY1.1 billion per 1 yen of JPY depreciation vs USD, and minus JPY0.3 billion per 1 yen of JPY depreciation vs. the Euro

FY2024 Forecast

- We are revising our full year forecast upward, as shown on this slide. (Sales: JPY 640.0 billion, Operating Income: JPY 165.0 billion, Income before tax: JPY 162.5 billion, Net income: JPY 122.0 billion)
- The upward revision of sales mainly reflects the higher than expected sales of SoC testers in our 2Q.
- While product delivery exceeded our expectations in 2Q, we remain somewhat cautious about sales in the second half of the year compared to the first half.
- This is due to the fact that we have assumed a stronger yen against the US dollar in the second half compared to the first half. In addition, given the continued high demand for SoC testers, we have assumed a sales forecast that is in line with our current product supply capabilities, taking into account our parts and materials procurement.
- We will continue to work on supply chain management, including the procurement of necessary parts and materials to keep up with this demand.
- The gross profit margin for the full year is expected to grow to around 55%, up from the previous forecast of around 52%, due to higher sales and a better product mix.
- Given our strong performance, we will make more strategic investments, including an increase in headcount. As part of this, we will also slightly increase our full-year R&D expenses.
- The exchange rate assumptions for the second half are 140 yen to the US dollar and 155 yen to the Euro.
- The latest estimate for the impact of exchange rate fluctuation of FY2024 operating income is positive JPY 1.1 billion per yen of JPY depreciation vs. USD and negative JPY 300 million per yen of JPY depreciation vs. Euro. Due to the expected increase in sales from U.S. dollar-based transactions, we have raised our sensitivity estimate for the U.S. dollar by JPY 200 million from July.
- Next, I will explain the details of the sales forecast.

FY24 Outlook by Segment

Semiconductor & Component Test Systems Sales Trends



Semiconductor & Component Test Systems

< SoC Testers > (+JPY32B vs. forecast as of July 2024)

- Sales forecast is revised upward, reflecting the increased pace of product supply to keep up with customer delivery requirements for HPC/AI

Applications	FY21	FY22	FY23	FY24e
Computing / Comms	60%	65%	60%	85%
Automotive / Industrial / Consumer / DDIC*1	40%	35%	40%	15%

*1 DDIC : Display Driver IC

Numbers are rounded to the nearest 5%

< Memory Testers > (+JPY3B vs. forecast as of July 2024)

- In response to the strong investment appetite of our customers for HBM, our supply capabilities have been secured. 2H sales are expected to increase HoH

Applications	FY21	FY22	FY23	FY24e
DRAM	60%	60%	90%	95%
Non-Volatile Memory	40%	40%	10%	5%

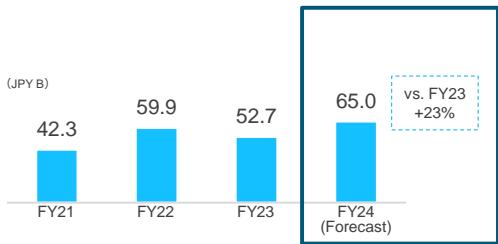
Numbers are rounded to the nearest 5%

FY2024 Semiconductor & Component Test Systems outlook

- FY2024 SoC tester sales forecast is JPY 324 billion, an upward revision of JPY 32 billion from the July forecast.
- Amidst the increasing complexity of semiconductors for HPC/AI, customer investment appetite remains very robust. Although we have increased the pace of product supply since 2Q, our product lead time for high-end SoC applications is somewhat lengthening compared to a normalized level. We will continue to push forward to meet all of our customers’ delivery requirements as we have been doing.
- FY2024 memory tester sales forecast is JPY 146 billion, an upward revision of JPY 3 billion from the July forecast.
- Amid strong demand for HBM, we have been progressively working to improve our production capacity this fiscal year. Our memory tester supply capability is expected to improve even further in the second half, leading to our expectation for increased sales in the second half compared to the first half.

FY24 Outlook by Segment

Mechatronics Sales Trends

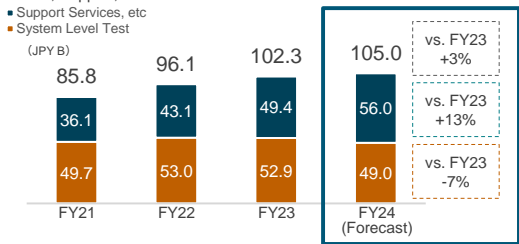


Mechatronics Systems

(+JPY2B vs. forecast as of July 2024)

- Sales of device interface products are expected increase YoY in tandem with the increase in tester demand
- Sales of nano-technology products are also expected to be solid

Services, Support, & Others Sales Trends



Services, Support, & Others

(+JPY3B vs. forecast as of July 2024)

- Solid demand for support services is expected due to the steady growth of our installed base
- In the system level test business, sales are expected to decline YoY due to continued uncertainty in the consumer electronics application

○ FY2024 Mechatronics / Services, Support, & Others Business Outlook

- FY2024 Mechatronics System sales forecast is JPY 65 billion.
- With tester sales growing, sales of related device interfaces have been raised from the previous forecast.
- Sales of nanotechnology products are also expected to remain solid.
- FY2024 Service, Support, & Others sales forecast is JPY 105 billion.
- For support services, we expect solid demand due to the steady growth of our installed base.
- In the SLT business, demand remains somewhat soft for smartphones and also for the test socket business we see softness from customer exposure in that area. Overall, we expect a decrease in sales YoY.
- However, there are some positive signs. With the increasing complexity of semiconductors and the rising reliability requirements, there is a trend toward adopting SLT for on-device AI applications such as computing and automotive processors. Over the past several quarters, we have won selections at a number of new customers ranging from compute to new mobility customers, as well as automotive customers.

Share Repurchase

- ✓ Total cost of acquisition: Up to JPY 50 billion
- ✓ Total number of shares to be acquired: Up to 9 million shares
(Equivalent to 1.2% of outstanding shares excluding treasury stock)
- ✓ Period of acquisition: From Nov. 1, 2024 to Feb. 26, 2025

Our Shareholder Return Policy in the Third Mid-term Management Plan (MTP3, FY2024-FY2026)

- Stable and continuous dividend with a minimum amount of JPY30 per share for annual
- We have set a target to achieve a cumulative total return ratio* of 50% or more, including share repurchase, over the three-year period of the MTP3
(Target shareholder returns may be subject to change in favor of growth investments or due to deteriorating market conditions.)

* Total return ratio: (Dividend + share repurchase) / consolidated net income

○ Share Repurchase

- Next, let me turn to our shareholder return topic.
- Our shareholder return policy aims for a cumulative total return ratio of 50% or more, over the three years of the Third Mid-term Management Plan.
- Considering factors including the upward revision of our full year forecast, we aim to enhance shareholder returns and capital efficiency through the repurchase program of up to JPY 50 billion.
- The total number of shares to be repurchased will be up to 9 million over a four-month period lasting from November 2024 to February 2025. Please note that the EPS forecast for FY2024 shown on page 13 in this slide does not include the effect of this share repurchase.

Other Topics

☐ Integrated Annual Report 2024 Published

* Web Link : https://www.advantest.com/document/en/investors/ir-library/annual/E_all_IAR2024.pdf

☐ Advantest Celebrates 25th Anniversary of Industry-Leading V93000 SoC Test Platform

* Web Link : <https://www.advantest.com/en/news/2024/20240808.html>

☐ Advantest Awarded 2024 Porter Prize, sponsored by Hitotsubashi Business School

* Web Link : <https://www.advantest.com/en/news/2024/20241025.html>

☐ IR Technical Briefing on SoC Test Business scheduled for November 28th in a Webinar format

○ Other Topics

- Lastly, I would like to present a few additional updates.
- First, we have published the “Integrated Annual Report 2024” on October 18th.
- Second, we hit our major milestone for our SoC tester “V93000” which is celebrating the 25th anniversary of its launch. The highly scalable, single platform have long garnered the support of many customers in our industry.
- Third, we received the Porter Award for 2024 for the first time. This award, presented by Hitotsubashi University Business School, recognizing Japanese companies and business units that have successfully competed through unique strategies. We are very proud of this award.
- Details of the three cases mentioned above can be found on our Website. We encourage you to look at that.
- Lastly, we will hold an IR Technical Briefing on November 28th. This year’s focus will be on the SoC test business. Details of the event will be made available at the beginning of next month.
- This concludes my presentation. Thank you for your attention.



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