FY2022
(Period Ended March 31st, 2023)
Financial Briefing
April 26th, 2023
Advantest Corporation
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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Financial Results for FY2022

Atsushi Fujita
Director, Senior Executive Officer, CFO & CCO
(Chief Financial Officer & Chief Compliance Officer),
Executive Vice President, Corporate Administration Group
FY22 Results Highlights

• FY22 was a turbulent year. Amidst the end of the semiconductor demand spike triggered by COVID-19, global macroeconomic weakness, and a semiconductor market slowdown, the favorable business environment of 1H turned sharply downward in 2H.

• Nevertheless, Advantest's sales, operating income, and net income achieved record highs due to:
  – Market share gains enabled by further reinforcement of our broad product portfolio and global sales and support network
  – Strategic parts procurement and management of production and shipments
  – Significant boost from JPY depreciation

• ROE also reached a record high at 39.3% (30.4% in the previous fiscal year)

• FY2022 Results Highlights

  • FY22 was a turbulent year. Amidst the end of the semiconductor demand spike triggered by COVID-19, global macroeconomic weakness, and a semiconductor market slowdown, the favorable business environment of 1H turned sharply downward in 2H.

  • Nevertheless, Advantest's sales, operating income, and net income achieved record highs.

  • We expanded our market share by reinforcing our product portfolio and strengthening our global sales and support network. In addition, we strategically executed procurement, production, and shipments in order to meet customer delivery requests even in the midst of fluctuating demand. The key to our strong earnings was operational flexibility, including flexible management.

  • Substantial JPY depreciation in comparison to the previous fiscal year also boosted our business performance.

  • ROE also reached a record high at 39.3%.

  • I would like to express my gratitude to all of our business partners, employees, and other stakeholders for their continued support in this uncertain business environment.
FY22 Summary of Results

- FY2022 results are as seen in this slide.
  - Sales: ¥560.2 billion
  - Operating Income: ¥167.7 billion
  - Net Income: ¥130.4 billion

- As mentioned earlier, sales, operating income, and net income reached all-time highs, and all increased significantly year-on-year.

- Sales exceeded our full-year forecast announced in January by about ¥10 billion, due to faster-than-expected progress in deliveries to customers.

- However, both operating income and operating margin slightly undershot our full-year forecast due to the recording of inventory valuation losses for some system level test (SLT) and other products in 4Q, and a less-favorable product mix.

- Net income was roughly in line with our forecast.

- Combining our year-end dividend forecast of ¥70 and the interim dividend of ¥65 already paid out, our annual dividend forecast is ¥135. Our total shareholder return ratio based on dividends and a share repurchase combined was 58% for FY22.
FY2022 Sales by Segment / Region

- This slide shows our sales for the full year.

- Even as the semiconductor market slowed down, higher semiconductor performance drove an increase in test volumes that compensated for the decrease in demand due to lower semiconductor production volumes.

- Sales of SoC testers were driven by testers for advanced smartphone application processors (APUs), as well as for high-performance computing (HPC) and AI-related devices.

- In addition, sales increased in the automotive, industrial, and other sectors, which are seeing strong demand.

- Sales of memory testers also increased YoY, as customers continued to invest in high-performance memory semiconductor test capacity throughout the fiscal year, despite the decline in memory semiconductor prices.

- As the breakdown by region shows, sales expanded in all regions. Taiwan continues to be our largest sales destination, as it was in FY21.
FY22 4Q Summary of Results

• In FY22 4Q, we achieved record-high sales.

• Gross margin declined QoQ due to the recording of inventory valuation losses for some SLT and other products, as well as a less-favorable product mix.

• Each item will be explained in detail on the following pages.
FY2022 4Q Sales by Segment

Semiconductor & Component Test Systems

- ¥110.8 billion  +12.4% QoQ
- SoC tester sales were ¥86.9 billion, an increase of ¥6.9 billion YoY. While sales for high-end SoCs were sluggish, sales for analog and other semiconductors increased.
- Memory tester sales were ¥23.9 billion, an increase of ¥5.3 billion YoY. Product deliveries for both DRAM and non-volatile memory increased.

Mechatronics Systems

- ¥17.6 billion  +23.9% QoQ
- Sales of SEM metrology products increased amidst wider adoption of EUV lithography technology by semiconductor manufacturers.

Services, Support, & Others

- ¥19.0 billion  -24.6% QoQ
- In our SLT business, which currently has high sales exposure to a limited number of customers, sales contracted significantly due to a decline in consumer-related demand.
FY2022 4Q Sales by Region

- **Taiwan**
  Sales of both SoC testers and memory testers increased.

- **Other Regions**
  Deliveries of testers for automotive and industrial devices progressed, mainly in Southeast Asia.

- **South Korea**
  Due to sluggish consumer demand, smartphone-related sales decreased.
FY2022 4Q Sales / Gross Profit / Operating Income

- Gross margin 53.4%
  - Gross margin declined significantly QoQ, primarily because of the recording of inventory valuation losses of approximately ¥3 billion on some memory/storage SLT products and other products.
  - In addition, high-end SoCs occupied a less prominent place in this quarter’s product mix, resulting in a less-favorable sales mix, which caused gross margin to decline QoQ.

- SG&A (including all other income and expenses) ¥40.1 billion
- Operating income ¥38.6 billion
- Operating margin 26.2%
R&D Expenses

- In 4Q, R&D expenses were ¥16.2 billion, CapEx was ¥8.2 billion, and D&A was ¥6.1 billion.
- In FY22, R&D expenses were ¥60.1 billion, CapEx was ¥25.0 billion, and D&A was ¥21.4 billion. Throughout the year, we made further investments and carried out R&D targeting mid/long-term growth.

Cash Flow

- Free cash flow was ¥17.0 billion in 4Q and ¥43.5 billion in FY22.
Balance Sheet for Period Ending March 31st, 2023

- Total Assets ¥600.2 billion
- Cash & Cash Equivalents ¥85.5 billion
- Inventories ¥169.1 billion
- Goodwill & Intangible Assets ¥95.8 billion
- Equity Attributable to Owners of the Parent ¥368.7 billion
- Ratio of Equity Attributable to Owners of the Parent 61.4%

In FY22, amidst difficulties in procuring parts and materials, Advantest held more inventories in order to buttress our ability to meet customer demands from a mid/long-term perspective. We will strive to refine our inventory management for optimal responsiveness to changing market conditions.
Second Mid-Term Business Plan Progress Report & FY2023 Outlook

Yoshiaki Yoshida
Representative Director, President and Group CEO
This slide shows the financial progress of our 2nd mid-term management plan to date.

In July 2022, we revised our MTP2 targets based on our FY21 results and FY22 outlook. The right side of the slide shows our cumulative results over the two years of the MTP2 period so far, compared with the revised targets.

Amidst growing recessionary risks, our business environment is becoming increasingly uncertain, but in terms of progress in the second year of MTP2, we achieved record-high results. Continuing on from the first year, in addition to capturing higher test demand for smartphone, HPC, and high-performance memory devices, where we have a competitive advantage, we steadily pursued a strategy of expanding our customer base in the automotive, industrial, and consumer sectors, which paid off, along with our product strategy, in the form of higher sales to these sectors.

Unfortunately, the semiconductor industry as a whole is currently facing headwinds. Since volatility is inevitable in this industry, we set our MTP2 targets as three-year averages. Although market conditions are likely to be less favorable in FY23, the final year of the plan, we will strive to achieve our targets.
MTP2 (FY2021-FY2023) Progress Report

In FY2022, we resolutely implemented our 5 Strategies from a mid/long-term perspective to strengthen our management base and business.

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Progress</th>
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<tbody>
<tr>
<td>1 Reinforce Core Businesses,</td>
<td>We continued to expand each of our test solutions, starting with the</td>
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<td>Invest Strategically</td>
<td>V93000 EXA Scale in FY21. In FY22, we further strengthened our growth</td>
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<tr>
<td>2 Seek Operational Excellence</td>
<td>foundation with the launch of the inteXcell, an innovative new memory</td>
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<td>3 Explore Value to Reach a Higher</td>
<td>test cell, and the acquisition of Italian company CREA, a major power</td>
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<td>Level</td>
<td>semiconductor test equipment manufacturer.</td>
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<td>4 Pioneer New Business Fields</td>
<td>We further enhanced our responsiveness to customer needs with ongoing</td>
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<td>5 Enhance ESG initiatives</td>
<td>sales / support hiring.</td>
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<td>The TechInsights Customer Satisfaction Survey named Advantest the SPE</td>
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<td>industry leader for the third consecutive year.</td>
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<td>Launched global business operation initiatives to enhance efficiency</td>
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<td>and aim for a business process reform.</td>
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<td>We made progress in developing the AI/HPC, smartphone, and automotive</td>
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<td>markets for our SLT products.</td>
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<td></td>
<td>We strengthened our test interface business by acquiring US company</td>
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<td>R&amp;D Altanova in FY21, and Taiwanese company Shin Puu (scheduled for</td>
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<td>completion in FY23 1Q).</td>
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<td>We continued to enhance the foundational services offered by Advantest</td>
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<td>Cloud Solutions™ (ACS).</td>
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<td>We established a system for promoting new businesses, including medical</td>
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<td>equipment such as fluorescence detection systems.</td>
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<td></td>
<td>Introduced a CxO system to clarify management accountability in order</td>
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<td>to reinforce a global HQ management system further.</td>
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<td>We formulated and promoted an ESG Action Plan, which serves as the</td>
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<td>framework for our ESG initiatives. It helped us to expand our social</td>
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<td>contributions through our business and improve our ESG external</td>
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<td>evaluations in FY22.</td>
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In 2018, we formulated our Grand Design, a 10-year plan to define our goals for the next decade, and since then we have been working to achieve it.

As a part of our Grand Design, our second mid-term management plan (MTP2) is a three-year initiative to solidify the foundation for Advantest's further growth in the context of strong growth expectations for the semiconductor market.

This slide summarizes our progress in implementing our MTP2 strategies over the past two years.

As semiconductors become more complex, we have pursued R&D and carried out M&A in future growth areas with a view to technological trends. In FY2022, we launched the inteXcell, an innovative new memory test cell, and acquired CREA, a major Italian test equipment manufacturer which specializes in power semiconductors.

In addition, we further enhanced our responsiveness to customer needs with ongoing sales / support hiring, and have made progress in securing needed human capital in anticipation of future business expansion.

In order to seek operational excellence, we launched global business operation initiatives and commenced activities to promote a business process reform.

With regards to governance, in order to reinforce a global HQ management system, we introduced a CxO system to clarify management accountability. Furthermore, in January this year, we appointed a Group CEO, a Group COO, and a Group-COO and shifted to a system with three representative directors.

We feel that our growth foundation has become broader and more resilient, while maintaining industry-best customer satisfaction.
Semiconductor Tester Market and Market Share Report

- The CY22 semiconductor tester market is estimated to have been worth about US$5.2 billion, a YoY growth rate of about -6%, with the SoC tester market accounting for about US$4 billion of that total and the memory tester market coming in at about US$1.2 billion. Despite lower demand for semiconductors for cornerstone consumer electronics products, technological evolution in high-performance semiconductors drove demand for testers, which we believe compensated for the overall market contraction to a certain extent.

- We estimate that our CY22 market share was about 57%, an increase of about 10 percentage points YoY. We believe that we have won the No. 1 market share for the second year in a row, including a roughly 58% share of the SoC tester market and about 53% of the memory tester market.

- In CY22, despite the market contraction, we expanded our sales by capturing the growing test demand for high-performance semiconductors such as HPC and AI devices, and gained market share.

Source: Advantest
Uncertainty about the future of our business environment is increasing due to factors such as the increasing risk of global recession due to soaring inflation and interest rate hikes, concerns about expanding geopolitical risks and profound exchange rate fluctuations also continue.

With the global economic slowdown impacting final demand, the semiconductor market is seeing production adjustments in response to surplus inventories. We estimate that it will likely take 6 to 9 months for demand for semiconductors used in smartphones and other cornerstone consumer electronics to revive.

Under these circumstances, the semiconductor tester market is expected to shrink in CY23 for a second straight year.

We estimate the CY23 SoC tester market will be worth between $3.4 billion and $3.8 billion USD, a YoY decline. While demand for testers for automotive and industrial devices is expected to remain firm, consumer electronics-related tester demand is expected to go on declining in the first half of the year.

In the CY23 memory tester market, we expect strategic investments in high-end memory to continue, but it is estimated that the overall size of the memory tester market will decrease YoY to $900 million - $1.1 billion USD due to the deterioration of memory semiconductor market.

However, in the long-term, we expect an increase in semiconductor demand from new applications including electric vehicles and ChatGPT will contribute to the expansion of the semiconductor tester market.
FY23 Forecast

- Due to the slowdown in the tester market, our FY23 forecast calls for a decline in sales and profits, with sales of ¥480 billion, operating income of ¥105 billion, income before income taxes of ¥103.5 billion, and net income of ¥78 billion.

- Customers are expected to continue their inventory and production adjustments for the time being. We foresee sales declining in 1H, but they should gradually improve in 2H.

- Our full-year gross margin is expected to be around 55%. We forecast a decline from the previous fiscal year primarily due to changes in our product mix.

- Our operating margin is expected to decline to 21.9% as we continue to invest in R&D and CapEx to respond to new projects and applications that will ramp up in CY24 and beyond.

- This forecast assumes exchange rates of 1 USD to 130 JPY and 1 euro to 140 JPY.

- Our latest forecast for the impact of exchange rate fluctuations on FY23 operating income is plus ¥1.1 billion per 1 yen of JPY depreciation vs USD, and minus ¥0.3 billion per 1 yen of JPY depreciation vs the euro.

- Regarding the tightening of restrictions on the export of semiconductor production equipment to China by the United States and its allies, the direct impact on our FY2023 earnings is currently expected to be minor, but we will continue to closely monitor the situation.
FY2023 Semiconductor & Component Test Systems Outlook

- Our full-year FY23 SoC tester sales forecast is ¥265.0 billion.

- Tester investment is likely to slow down across a wide range of applications. Due to the global economic downturn, we expect a drop in demand for advanced process products such as devices for smartphones and data centers, as well as for mature process products used in automotive and industrial applications.

- Our full-year FY23 memory tester sales forecast is ¥70.0 billion.

- Although customers will continue to make some technology buys in anticipation of long-term high-end memory demand growth, memory tester sales are expected to decline due to worsening memory semiconductor market conditions.
FY2023 Mechatronics / Services, Support, & Others Business Outlook

- Our full-year FY23 Mechatronics Systems sales forecast is ¥45.0 billion.

- Sales of device interface products and test handlers are expected to decline in step with the slowdown in tester investment. However, sales of SEM metrology products are expected to stay flat year-on-year due to wider customer adoption of EUV lithography and increased demand for mature process photomasks.

- Our full-year FY23 Services, Support, and Other sales forecast is ¥100 billion, a YoY increase.

- We expect strong demand for maintenance services due to the steady growth of our installed base.

- In our system-level test business, we expect sales to remain flat year-on-year, including sales postponed into FY23 due to the impact of the decline in consumer-related demand in FY22.
Key Measures for FY23

We will strive to achieve our MTP2 targets and build a stronger and more resilient management foundation by:

• Creating added customer value through leading-edge test technology R&D
  – Expanding our test solutions to meet the needs of leading customers in high-growth sectors such as AI and power semiconductors
  – Continuing to execute growth investment for our future business expansion
  – Further strengthening our data analytics business foundation through close collaborations with partners

• Seeking operational excellence
  – Refining our supply chain management to improve responsiveness to demand fluctuations
  – Actively utilizing DX to improve operational efficiency company-wide
    (Reinforce global business operation initiatives activities to enhance efficiency)

• Implementing proactive ESG initiatives, including the investment in our human capital from a mid/long-term perspective

  Key Measures for FY2023

• Currently, the semiconductor market is in the midst of an adjustment that began in the second half of CY22. We expect it will be a little longer before the market bottoms out, but it should pick up again going into CY24.

• FY23, the final year of MTP2, will be a year in which we strive to achieve our MTP2 targets and prepare for a new wave of demand by building a stronger and more resilient management foundation.

• We will strive to create added customer value through the development of leading-edge test technologies, including further expansion of our test solutions for future growth markets such as AI and power semiconductors, and reinforcement of our data analytics business foundation.

• We will continue to make necessary growth investments in new projects targeting future business expansion.

• In addition, we will seek operational excellence by, among other things, refining our supply chain management for better responsiveness to demand fluctuations, and actively utilizing DX to improve company-wide productivity.

• Finally, we held our first Sustainability Briefing at the end of last month. The briefing explained our belief that betterment of our human capital is one of the keys to improving our corporate value. To that end, we have launched a mid/long-term project to support the sustainable growth of Advantest by introducing ESG initiatives, including investment in our human capital by promoting the enhancement of individual employees' skills and the deployment of a global personnel system.