

ADVANTEST®

FY2021 2Q
(Three months ended September 30th, 2021)
Financial Briefing

October 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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Financial Results for FY2021 2Q

Atsushi Fujita

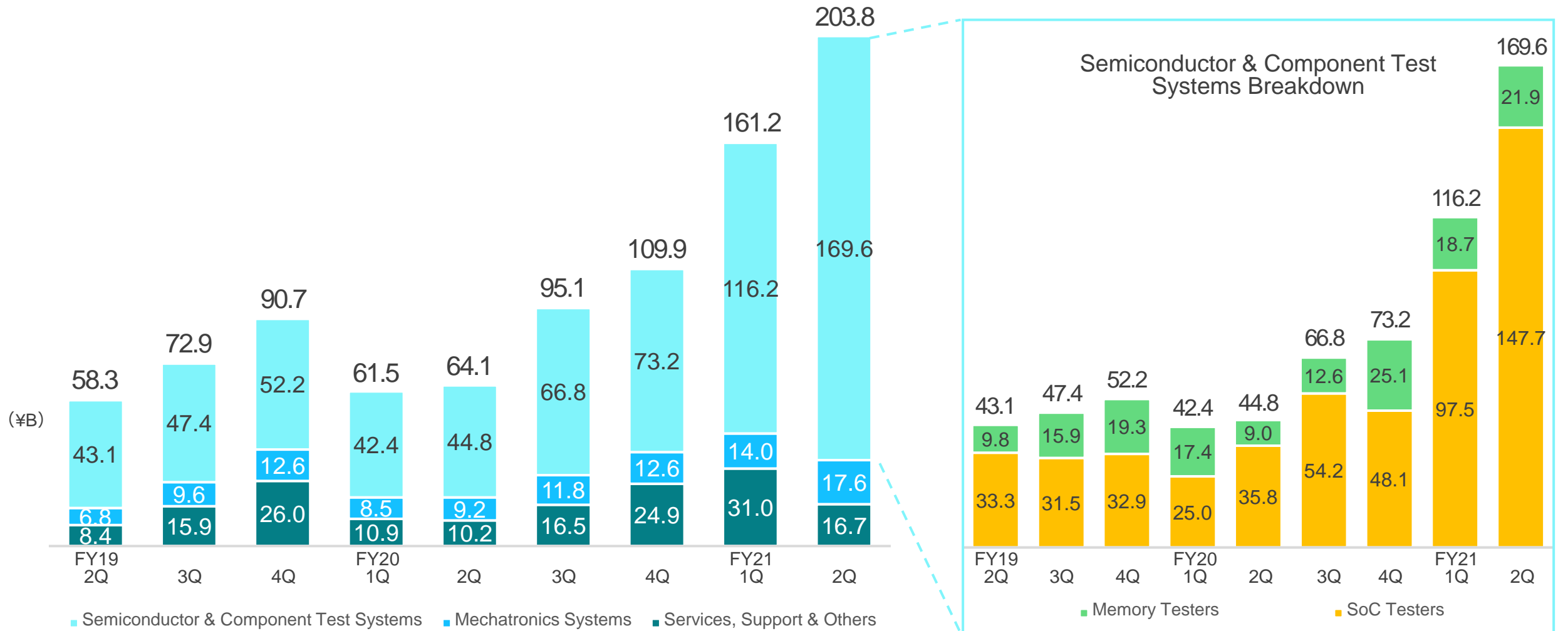
Director, Senior Executive Officer, CFO & CCO (Chief Financial Officer & Chief Compliance Officer), Executive Vice President, Corporate Administration Group

FY21 2Q Summary of Results

(¥B)

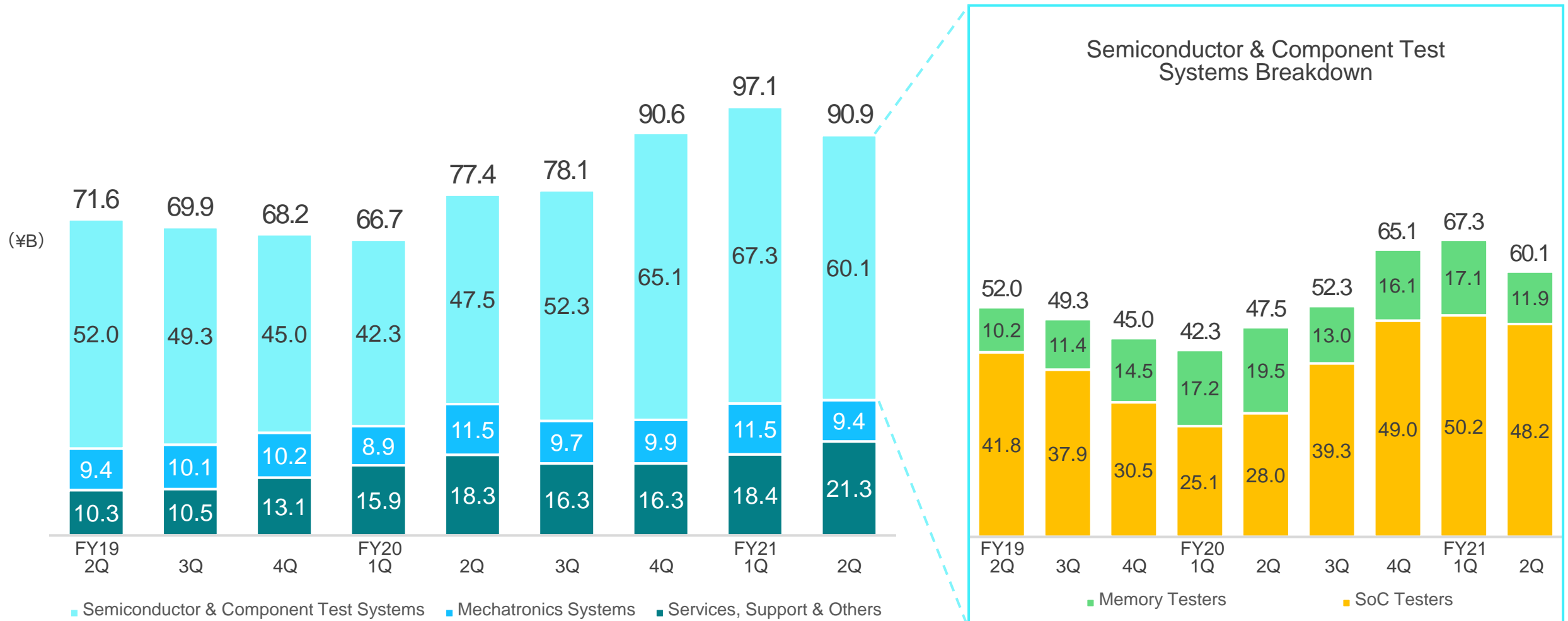
	FY20				FY21						
	1Q	2Q	3Q	4Q	1Q	2Q		QoQ		YoY	
						Forecast	Actual	(Δ)	(%)	(Δ)	(%)
Orders	61.5	64.1	95.1	109.9	161.2	98.8	203.8	+42.6	+26.4%	+139.6	+3.2x
Sales	66.7	77.4	78.1	90.6	97.1	93.9	90.9	-6.2	-6.4%	+13.5	+17.4%
Gross Profit	38.0	41.6	40.2	48.5	54.7	-	50.1	-4.7	-8.7%	+8.3	+20.0%
Gross Margin	56.9%	53.9%	51.5%	53.5%	56.4%	-	55.0%	-1.4pts		+1.1pts	
Operating Income	13.5	17.4	15.3	24.5	26.1	23.5	21.4	-4.8	-18.3%	+3.9	+22.2%
Operating Margin	20.2%	22.6%	19.5%	27.1%	26.9%	25.0%	23.5%	-3.4pts		+0.9pts	
Income Before Tax	12.9	16.4	13.9	26.4	25.7	23.5	21.6	-4.2	-16.4%	+5.1	+31.0%
Net Income	10.6	13.9	12.0	33.3	19.3	17.6	15.9	-3.4	-17.8%	+2.0	+14.1%
Net Income Margin	15.8%	18.0%	15.4%	36.7%	19.9%	18.7%	17.5%	-2.4pts		-0.5pts	
Backlog	85.7	72.5	89.5	108.8	172.9	177.8	285.8	+112.9	+65.3%	+213.4	+3.9x
Exchange Rate	1 US\$	¥108	¥107	¥105	¥104	¥109	¥110	¥110	¥1 Depreciation		¥3 Depreciation
	1 Euro	¥118	¥123	¥124	¥127	¥131	¥135	¥131	-		¥8 Depreciation

Quarterly Orders by Segment



Note: Intersegment transactions have been eliminated from totals

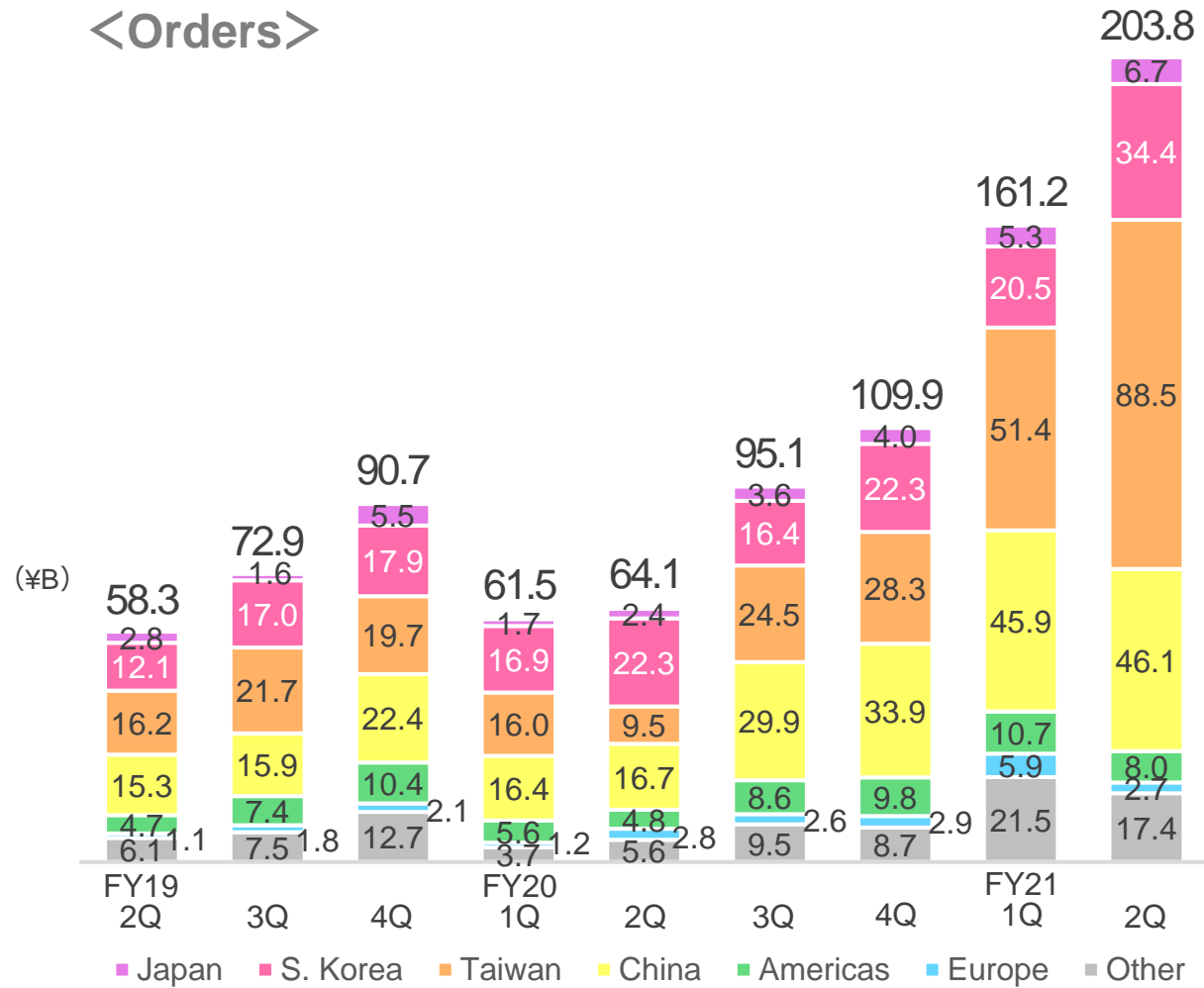
Quarterly Sales by Segment



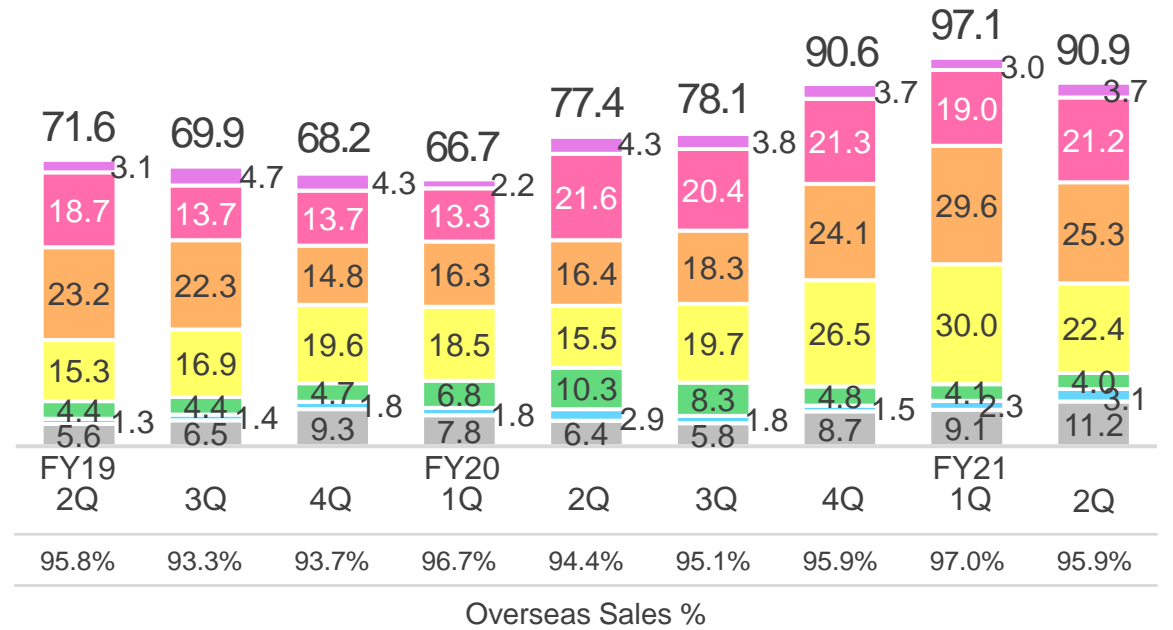
Note: Intersegment transactions have been eliminated from totals

Quarterly Orders / Sales by Region

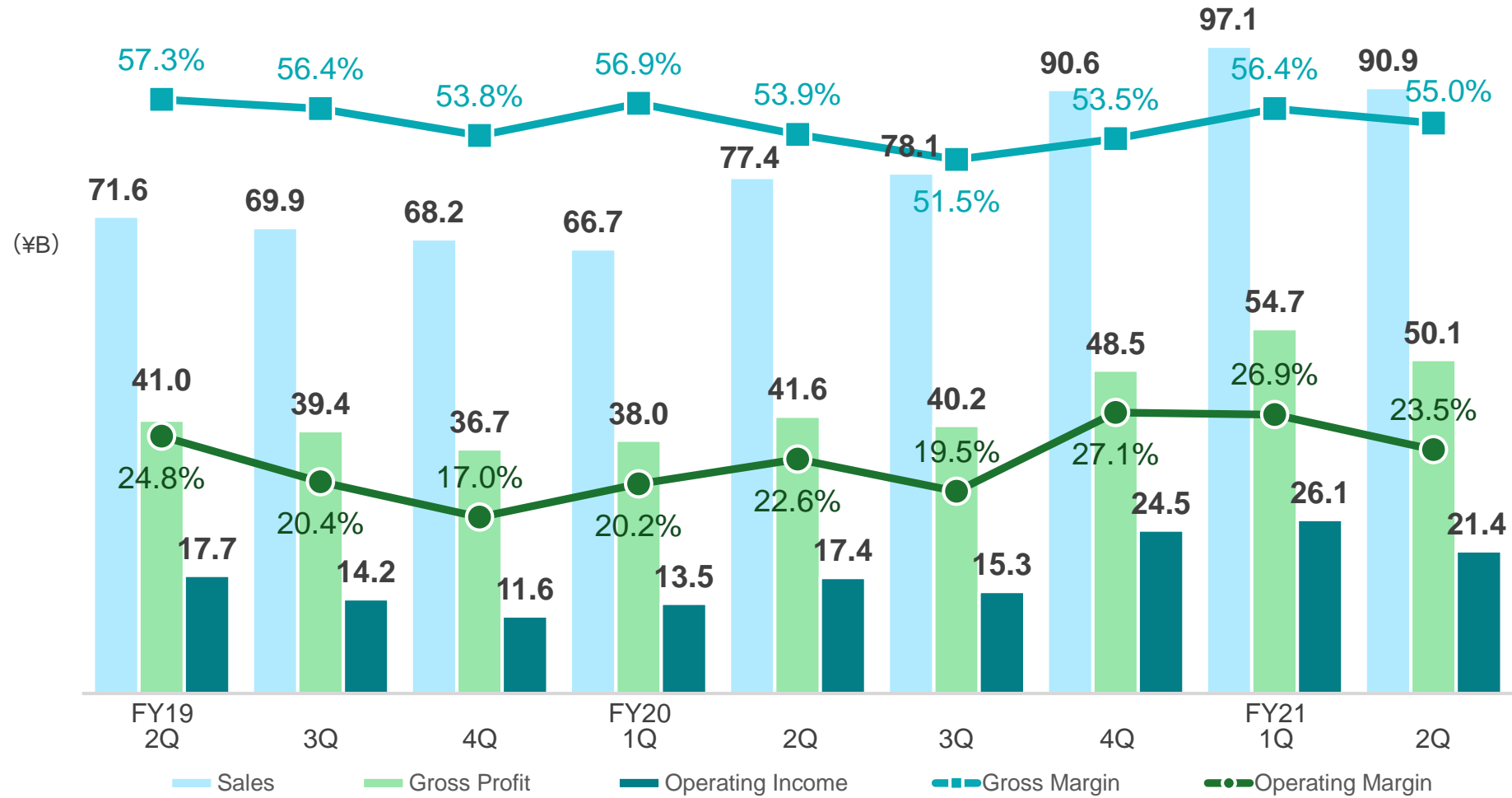
<Orders>



<Sales>



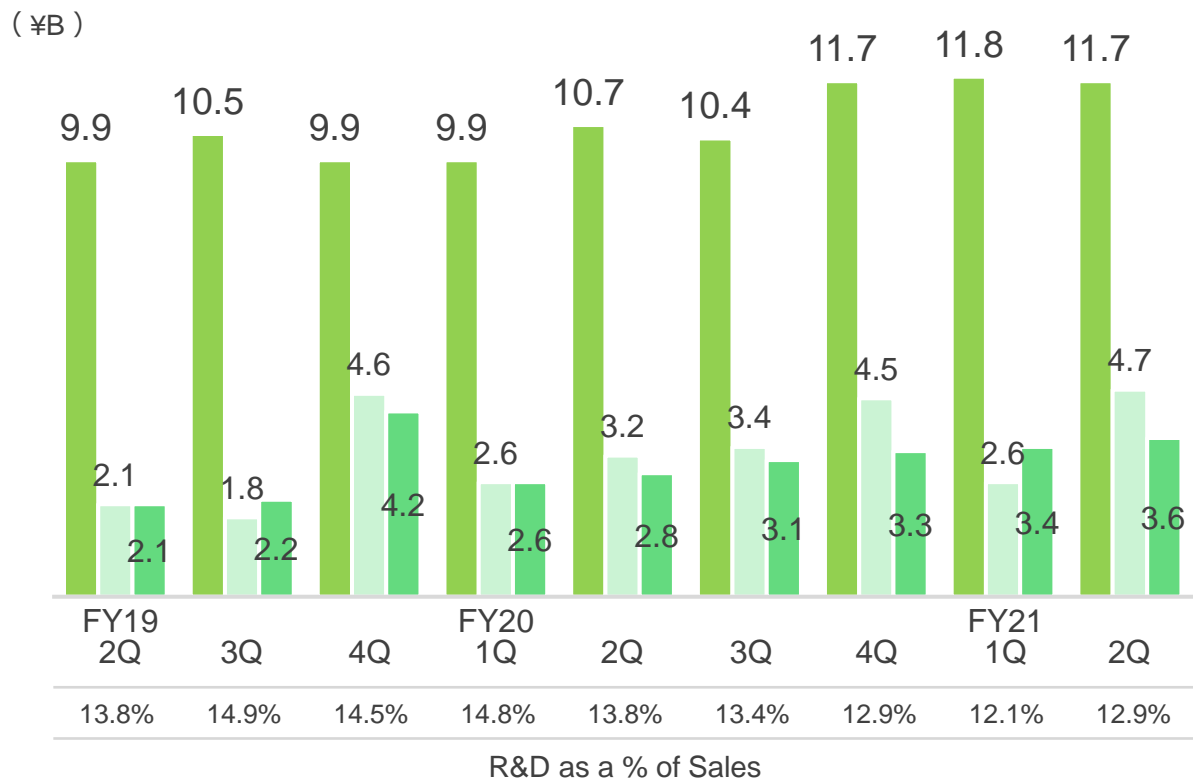
Sales / Gross Profit / Operating Income



Investments / Cash Flow

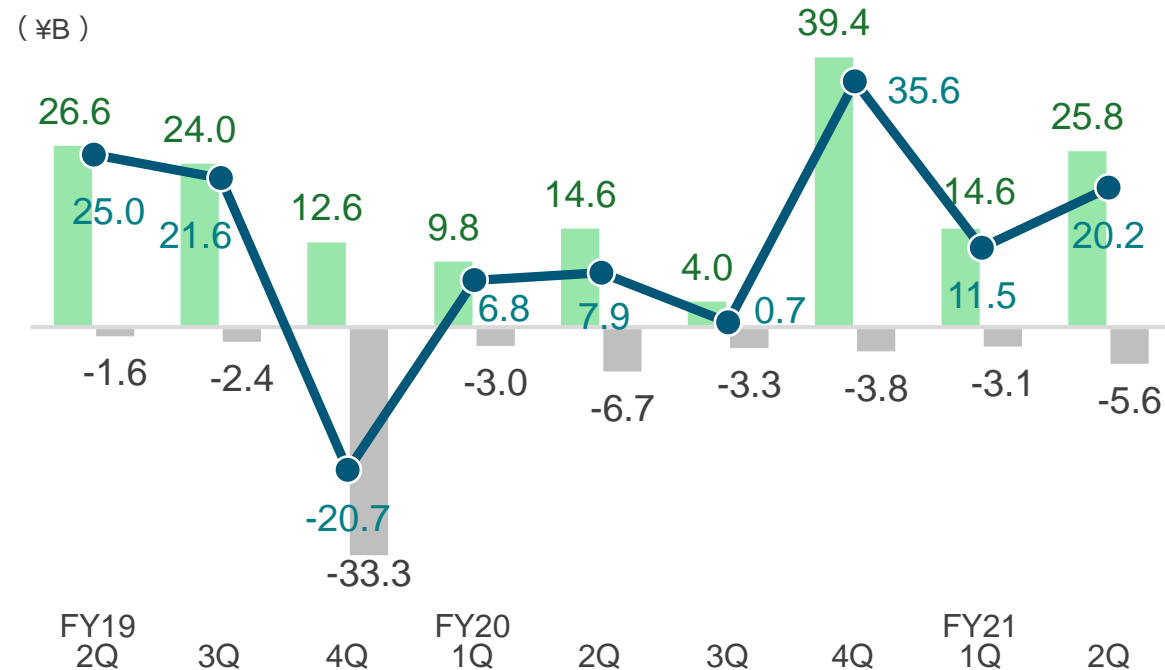
<Investments>

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



<Cash flow>

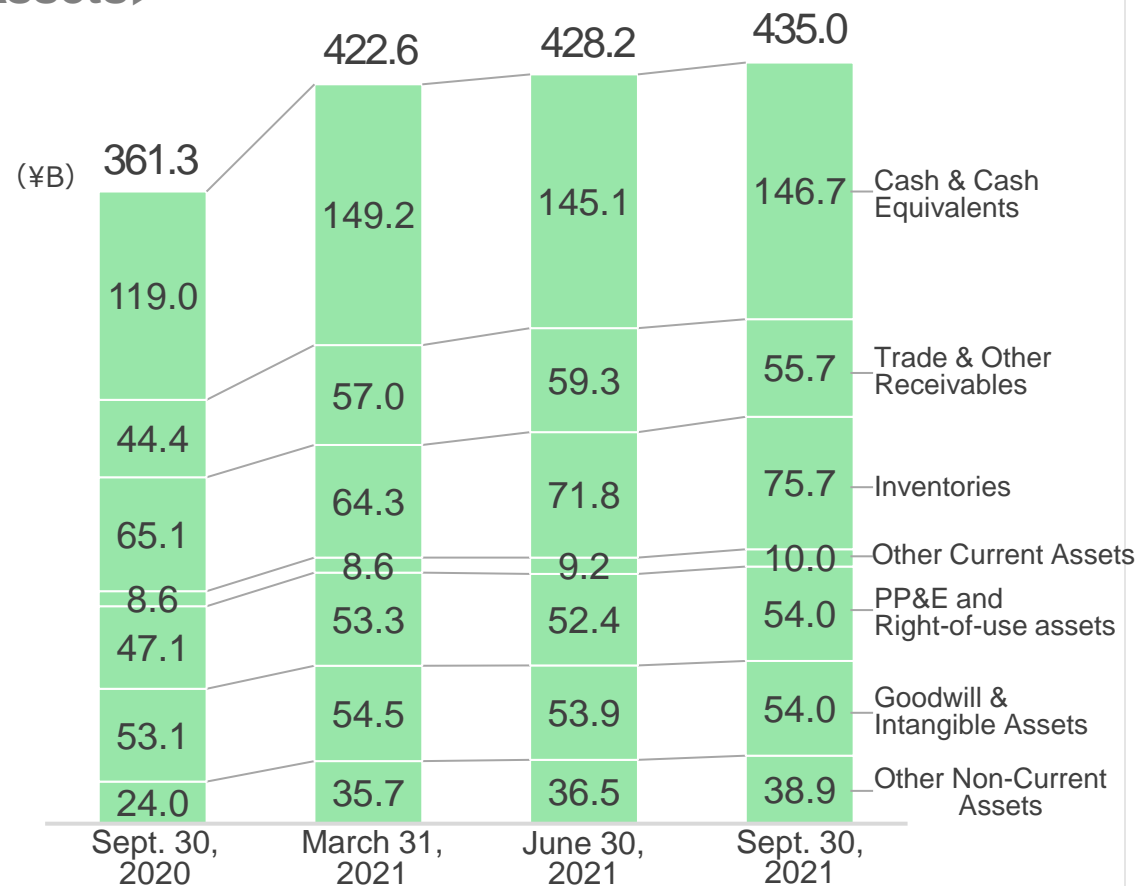
- Cash flows from operating activities
- Cash flows from investing activities
- Free cash flows



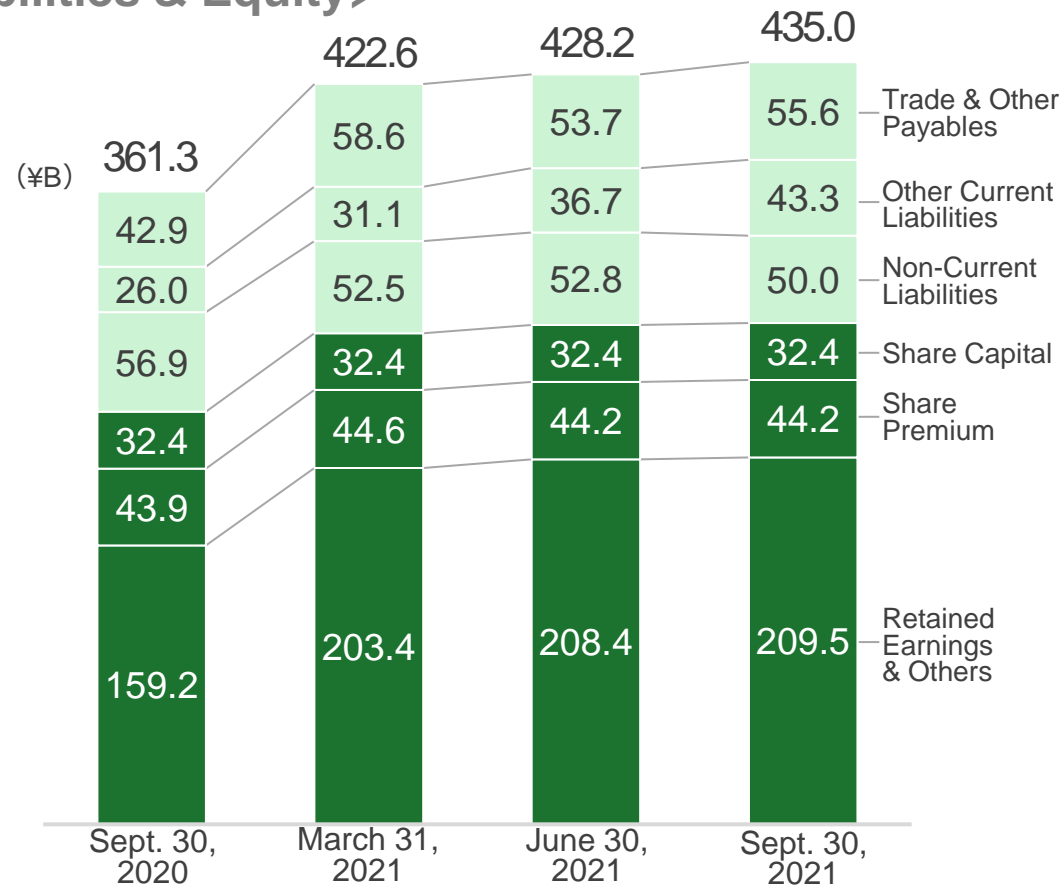
*Free Cash Flows = Cash flows from operating activities + Cash flows from investing activities

Financial Position

<Assets>



<Liabilities & Equity>



Equity Attributable to Owners of the Parent	235.5	280.4	285.0	286.1
Ratio of Equity Attributable to Owners of the Parent	65.2%	66.3%	66.6%	65.8%

FY2021 Outlook

Yoshiaki Yoshida
Representative Director, President and CEO

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Semiconductor Tester Market Trends: October 2021 Outlook

CY21 Estimate

We expect the overall semiconductor tester market to be worth approximately \$5.5B in CY21 (+ 30% YoY) due to the progress of aggressive investments in higher semiconductor performance and active investments in production capacity expansion

- SoC tester market estimate: approx. \$4.1B (Revised upwards from July forecast)
 - Investments in test capacity expansion for leading-edge nodes, such as those used for high-end SoCs, is strongly driving market expansion.
 - In addition, chipmakers are making aggressive capacity-building investments for various semiconductors manufactured at trailing-edge nodes.
- Memory tester market estimate: approx. \$1.4B (Unchanged from July forecast)
 - Device evolution (miniaturization, multilayering, higher speed and bandwidth) is continuously driving tester demand.

	CY20 Actual	CY21 Estimate
SoC Tester Market	Approx. \$3.0B	Approx. \$4.1B (July estimate: \$3.8B)
Memory Tester Market	Approx. \$1.2B	Approx. \$1.4B (July estimate: \$1.4B)

Source: Advantest

FY21 Forecast

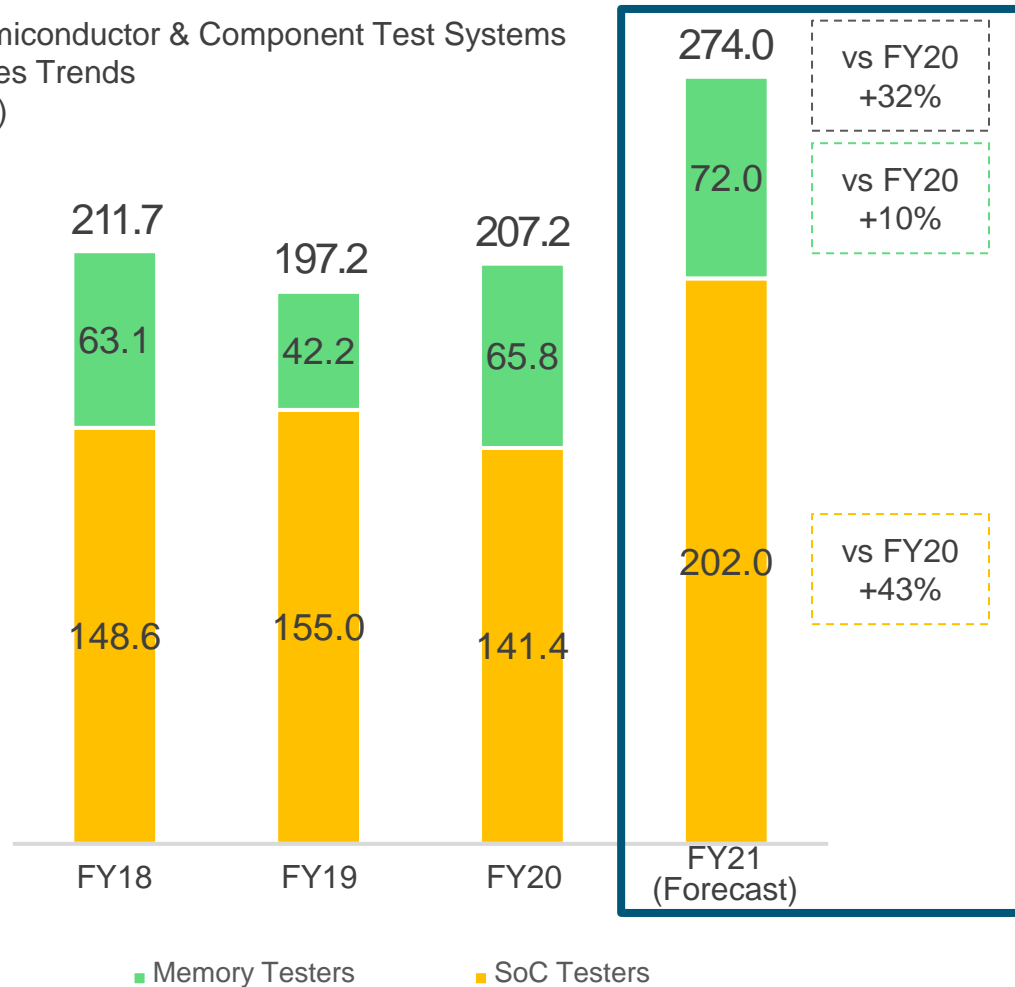
	(¥B)								vs. New Full-Year Forecast	
	FY20	FY21						vs. FY20		
	Results	1Q Results	2Q Results	1H Results	2H Forecast	Full-Year Forecast	(Δ)	(%)	FY21 Forecast as of July	(Δ)
Orders	330.6	161.2	203.8	365.0	200.0	565.0	+234.4	+70.9%	400.0	+165.0
Sales*1	312.8	97.1	90.9	188.0	212.0	400.0	+87.2	+27.9%	385.0	+15.0
Operating Income	70.7	26.1	21.4	47.5	57.5	105.0	+34.3	+48.5%	100.0	+5.0
Operating Margin	22.6%	26.9%	23.5%	25.3%	27.1%	26.3%	+3.7pts		26.0%	+0.3pts
Income Before Tax	69.6	25.7	21.6	47.3	57.7	105.0	+35.4	+50.8%	100.0	+5.0
Net Income	69.8	19.3	15.9	35.2	43.6	78.8	+9.0	+12.8%	75.0	+3.8
Net Income Margin	22.3%	19.9%	17.5%	18.7%	20.5%	19.7%	-2.6pts		19.5%	+0.2pts
Backlog	108.8	172.9	285.8	285.8	273.8	273.8	+165.0	+2.5x	123.8	+150.0
R&D Expenses	42.7	11.8	11.7	23.5	24.5	48.0	+5.3	+12.4%	47.0	+1.0
Capex	13.7	2.6	4.7	7.3	16.7	24.0	+10.3	+75.2%	15.0	+9.0
D&A	11.8	3.4	3.6	7.0	7.5	14.5	+2.7	+22.9%	13.5	+1.0
Exchange Rate*2	1 US\$	¥106	¥109	¥110	¥110	¥110	¥4 Depreciation		¥110	-
	1 Euro	¥123	¥131	¥131	¥131	¥133	¥10 Depreciation		¥134	¥1 Appreciation

*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

FY21 Outlook by Segment

Semiconductor & Component Test Systems
Sales Trends
(¥B)



Semiconductor & Component Test Systems

<SoC Testers> (+¥8.0B vs July forecast)

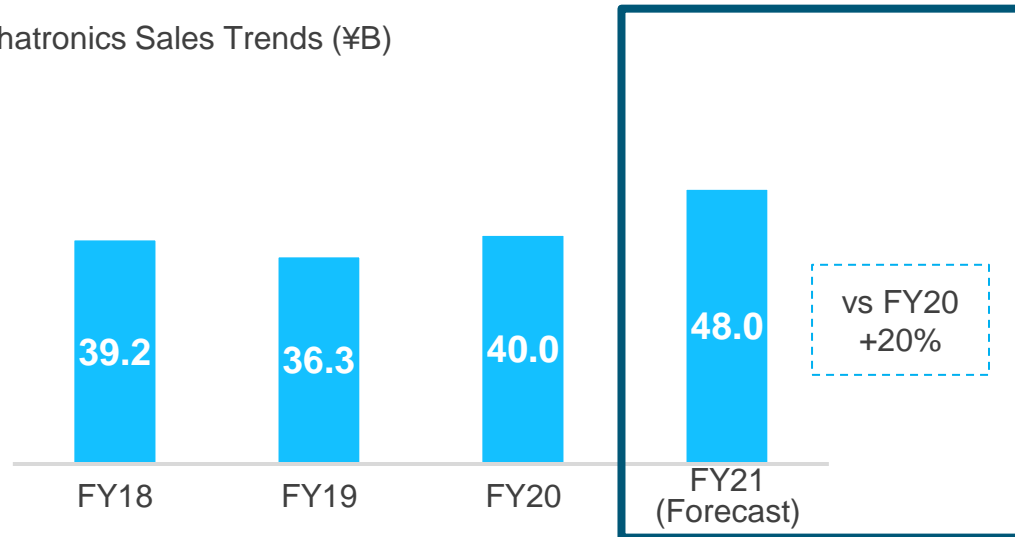
- Growth in demand for leading-edge products such as APUs and HPC devices will drive results in FY21
- Customers continue to make strong additional tester investments for automobiles, industrial equipment, consumer electronics, and other sectors

<Memory Testers> (+¥3.0B vs July forecast)

- Demand for non-volatile memory is picking up, in addition to strong high-speed DRAM test demand

FY21 Outlook by Segment

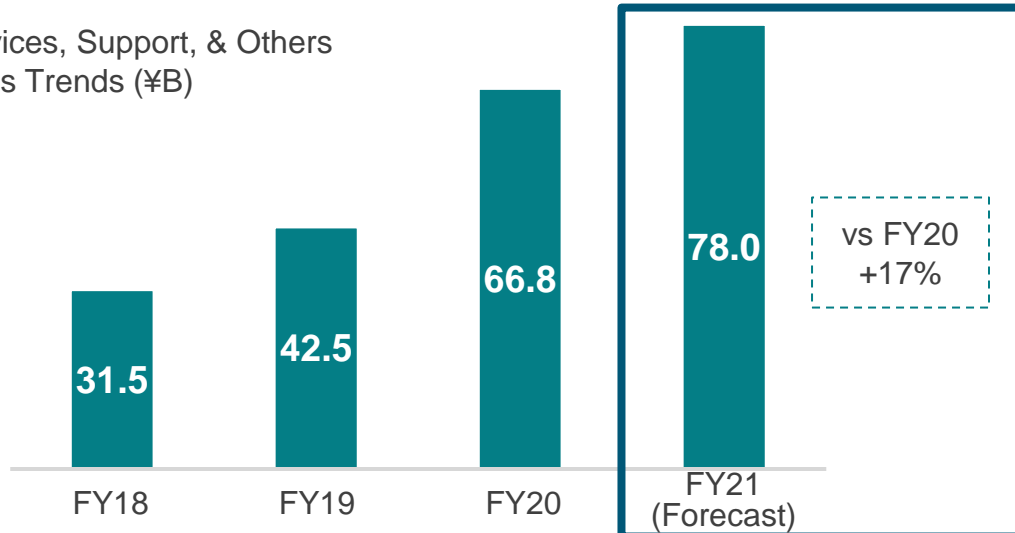
Mechatronics Sales Trends (¥B)



Mechatronics Systems (Forecast unchanged from July)

- Demand for testers is also driving correlated demand for device interfaces and test handlers
- Amidst the adoption of EUV lithography, sales of nanotechnology products are also trending positively

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



Services, Support, & Others (+¥4.0B vs July Forecast)

- Demand for system-level test products is steadily growing
- Field service revenues also continue to be strong, due to the steady growth of our installed base

Mid/Long-Term Initiatives

Grand Design (Mid/Long-Term Management Policy FY18-27)

Vision Statement: **Adding Customer Value in an Evolving Semiconductor Value Chain**

Management goal: **Early Achievement of ¥400B in Sales**

2nd Mid-Term Management Plan (MTP2, FY21-23)

We will strengthen our foundation for sustainable growth along the following two axes:

- ① **Leverage existing strengths to expand our business domains**
- ② **Build up new businesses, a mid/long-term theme**

	FY2021-23 Avg.
Sales	¥350.0-380.0B
Operating Margin	23-25%
Net Income	¥62.0-70.0B
ROE	>20%
Earnings Per Share (EPS)	¥320-370



MTP2 Growth Investments

Strategic investments in M&A etc.: ¥100.0B

- ✓ Search for good targets with potential synergies in areas that will lead to strengthening our end-to-end test solutions serving our customers' needs
- ✓ Additionally, execute initiatives in line with mid/long-term strategy such as ramping up new businesses

R&D investments: ¥150.0B

- ✓ Maintain a high level of R&D investment as a driving force for value creation and ESG contributions

Capital investments: ¥40.0B

- ✓ Mainly for improving development & production capabilities and work efficiency to strengthen growth foundation, as well as employee engagement

We are making active investments in FY21 in accord with the above.

Business Expansion / Reinforcement Initiatives Based on Grand Design



Expansion to cloud, software, and data analytics areas using Advantest Cloud Solutions as a platform

We prioritize building high-value solutions and exploring innovative business models to provide new customer value

Past Achievements

Business and capital alliance with PDF Solutions, Inc. (FY20)
(Cloud solutions)

Acquisition of SLT business from Astronics, Inc. (FY18)
(SoC system level test)

Acquisition of Essai, Inc. (FY19)
(Final test, SoC system level test)

Our Present Business Areas

IC	System Level	IC		System Level			
Design / Evaluation Processes		Volume Production Test Processes			Product / System Level Test Processes		
		Wafer Test / Final Test					

We are reinforcing our business in high-end fields where test demand is growing, such as HPC, 5G, and IoT

- ✓ Plan to invest in system-level test product manufacturing capacity expansion
- ✓ Currently in the process of acquiring R&D Altanova to reinforce our test interface board business

Acquisition of R&D Altanova, Inc.

Overview

- R&D Altanova is a leading supplier of consumable test interface boards headquartered in New Jersey, USA. It is an unlisted company.
- The closing of the transaction is tied to regulatory approvals, which are expected within CY2021.
- At the moment, the impact on FY21 results is expected to be minor.



Strategic Significance

- R&D Altanova's engineering and manufacturing capabilities, excellent customer base, and first-rate technical team will complement Advantest's semiconductor test equipment business, enhancing our end-to-end solutions.
- Additionally, this acquisition will help serve our customers' needs and strengthen our presence in growing markets such as HPC.
- The acquisition will directly strengthen our recurring business and will thus contribute to diversifying and stabilizing our earnings base.



High-quality end-to-end solutions that are indispensable for future high-end semiconductor test

Summary

- The semiconductor market continues to expand, and we expect that test equipment investments will continue to hold a high level
- Our resolute implementation of business expansion strategies provides a foundation for ongoing diversification of our earnings base
- We are responding to surging customer demand by reinforcing our production capabilities and stabilizing parts procurement
- We aim to achieve the targets of the mid-term management plan while being fully alert to the following risks:
 - ① Issues with parts procurement due to supply chain bottlenecks and logistical difficulties
 - ② Decrease in demand due to slowdowns in the highly-anticipated global economic recovery
 - ③ Potential impacts from US-China conflict and economic security policies on the semiconductor industry

ESG & External Evaluation (April – October 2021)

Advantest's Gunma Factory Achieves 100% Renewable Energy Use

- Achieved RE100 at all US and European subsidiaries (as of the end of FY20)
- 50% of the entire Group's energy needs are expected to be sourced from renewables by the end of FY21.

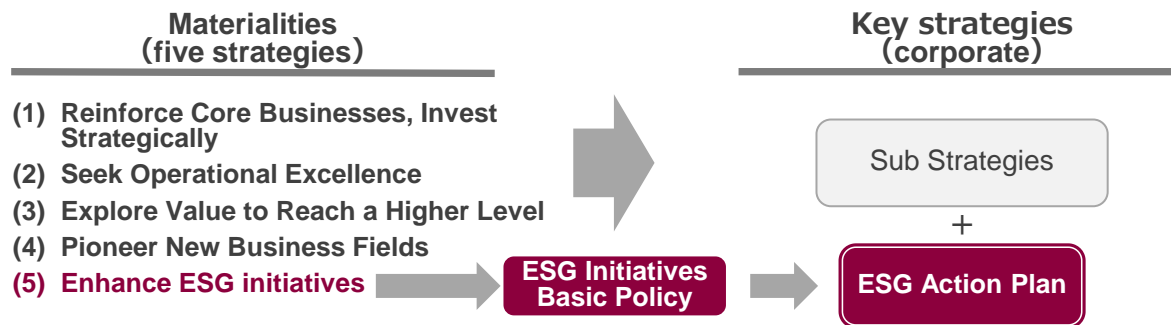


Advantest Again Named THE BEST Supplier of Chip Making Equipment in VLSIresearch Customer Satisfaction Survey



Formulated ESG Basic Policy and ESG Action Plan 2021

- Accelerated the development of company-wide ESG measures under our second mid-term management plan



Published Integrated Annual Report 2021

- Reinforced sustainability disclosure centering on our climate change initiatives ([Link](#))

