



**ADVANTEST®**

**FY2022 1Q**  
**(Three months ended June 30<sup>th</sup>, 2022)**  
**Financial Briefing**

July 28<sup>th</sup>, 2022  
Advantest Corporation

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# NOTE

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## 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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# Financial Results for FY2022 1Q

Atsushi Fujita

Director, Senior Executive Officer, CFO & CCO

(Chief Financial Officer & Chief Compliance Officer),

Executive Vice President, Corporate Administration Group

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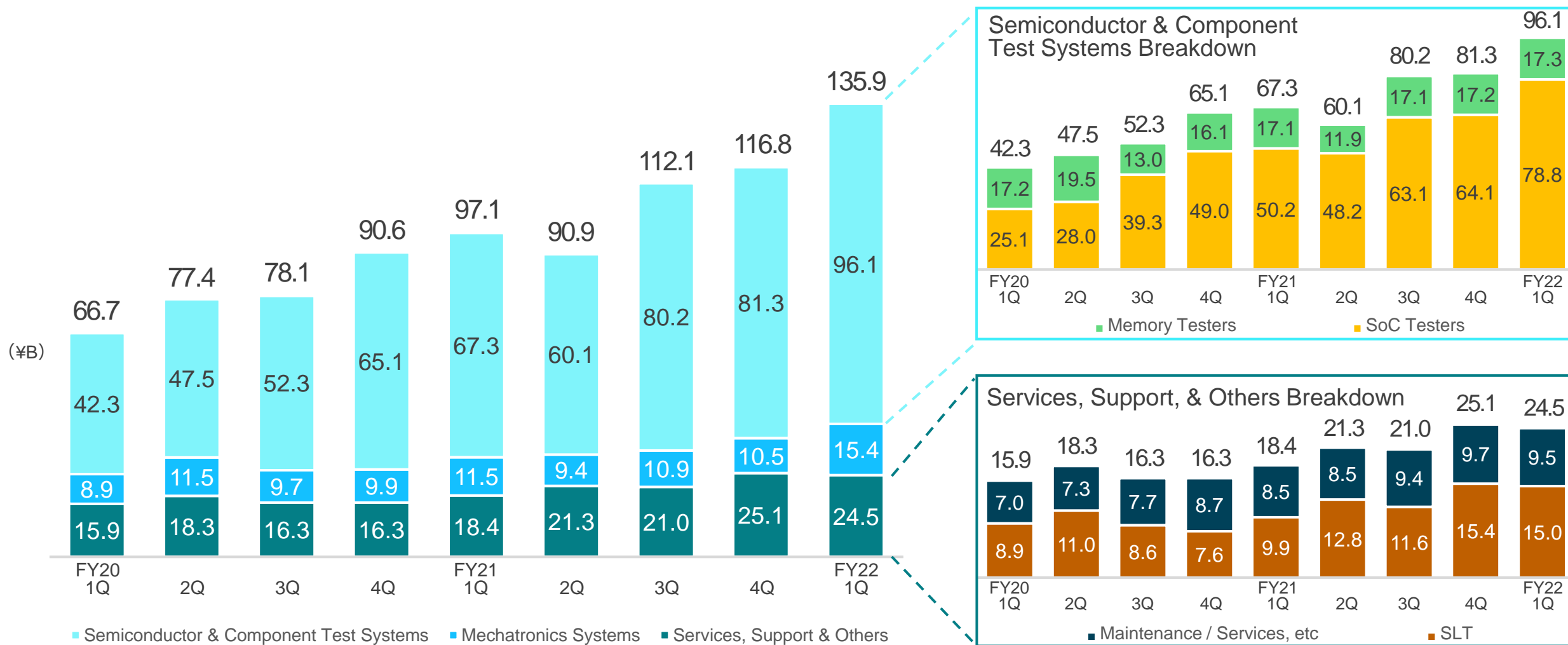
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# FY22 1Q Summary of Results

(¥B)

	FY21				FY22				
	1Q	2Q	3Q	4Q	1Q	QoQ		YoY	
						(Δ)	(%)	(Δ)	(%)
Sales	97.1	90.9	112.1	116.8	135.9	+19.1	+16.4%	+38.8	+40.0%
Gross Profit	54.7	50.1	64.8	66.3	78.9	+12.6	+19.0%	+24.2	+44.2%
Gross Margin	56.4%	55.0%	57.9%	56.7%	58.1%	+1.4pts		+1.7pts	
Operating Income	26.1	21.4	33.5	33.7	44.8	+11.1	+32.9%	+18.7	+71.4%
Operating Margin	26.9%	23.5%	29.9%	28.8%	32.9%	+4.1pts		+6.0pts	
Income Before Tax	25.7	21.6	34.0	35.0	48.4	+13.4	+38.3%	+22.7	+88.1%
Net Income	19.3	15.9	25.7	26.4	36.5	+10.1	+38.2%	+17.2	+88.7%
Net Income Margin	19.9%	17.5%	22.9%	22.6%	26.8%	+4.2pts		+6.9pts	
Exchange Rate	1 US\$	¥109	¥110	¥112	¥115	¥124	¥9 Depreciation		¥15 Depreciation
	1 Euro	¥131	¥131	¥130	¥130	¥134	¥4 Depreciation		¥3 Depreciation

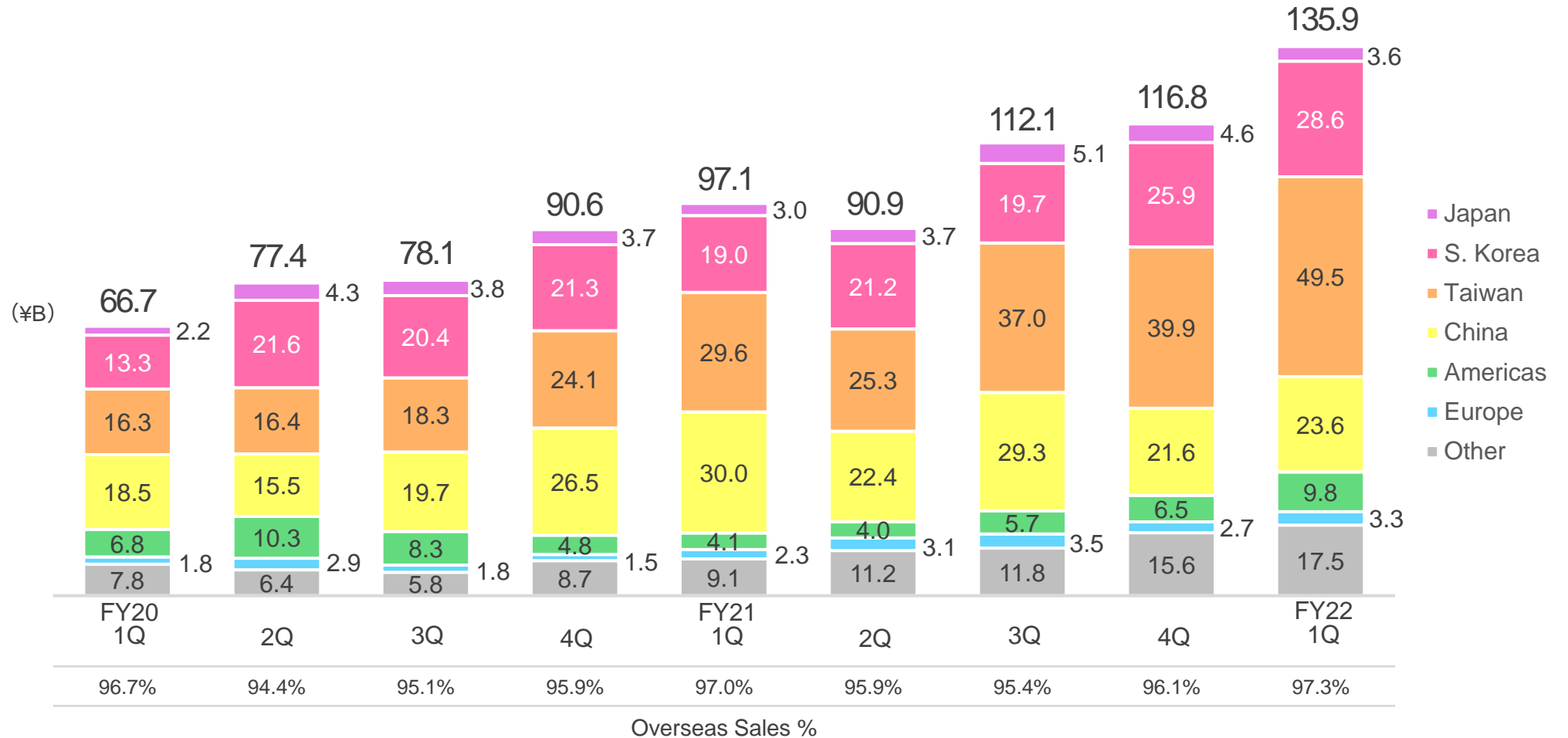
# Quarterly Sales by Segment



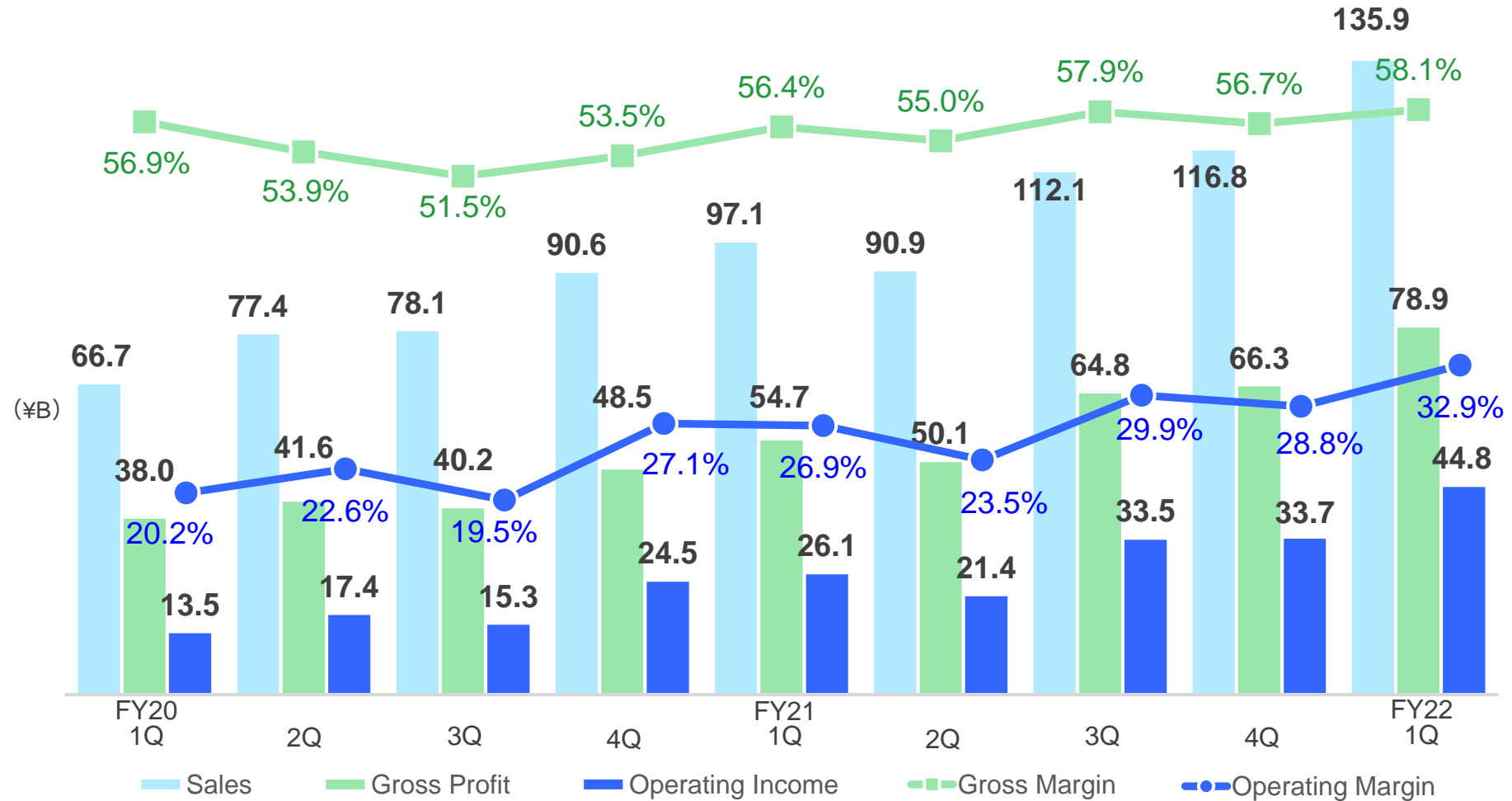
Note: Intersegment transactions have been eliminated from totals

# Quarterly Sales by Region

<Sales>



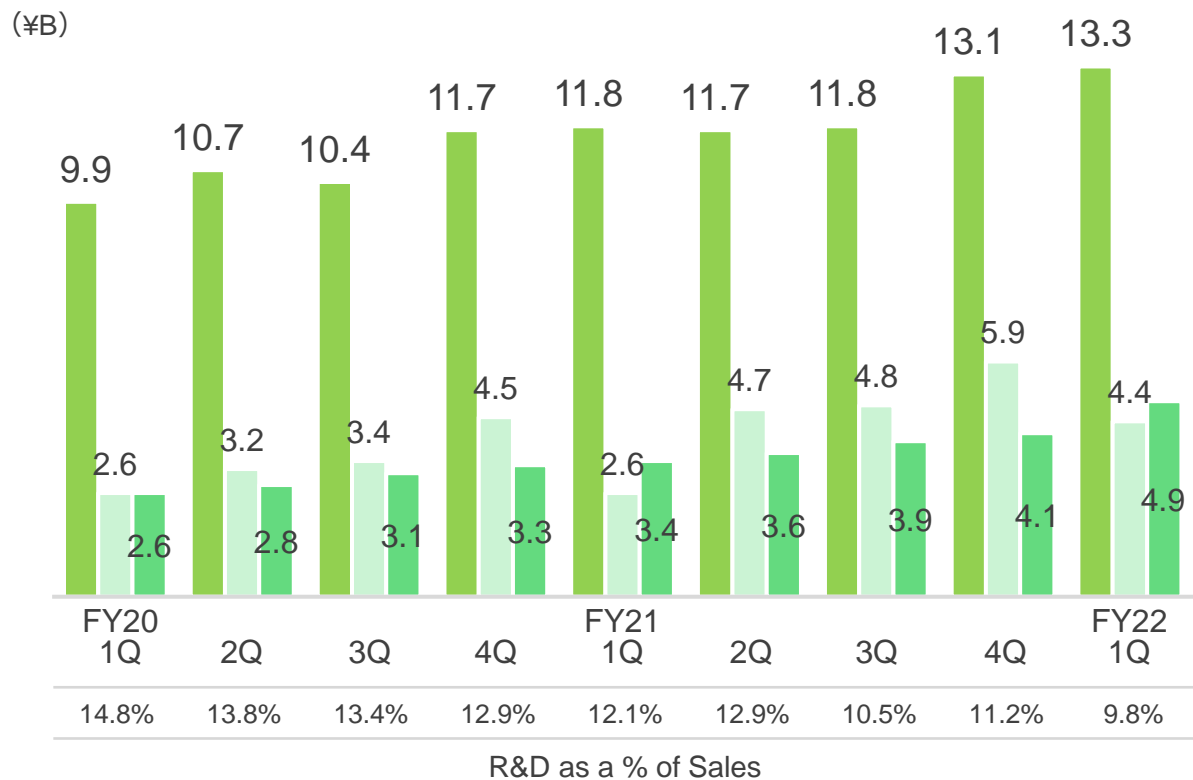
# Sales / Gross Profit / Operating Income



# Investments / Cash Flow

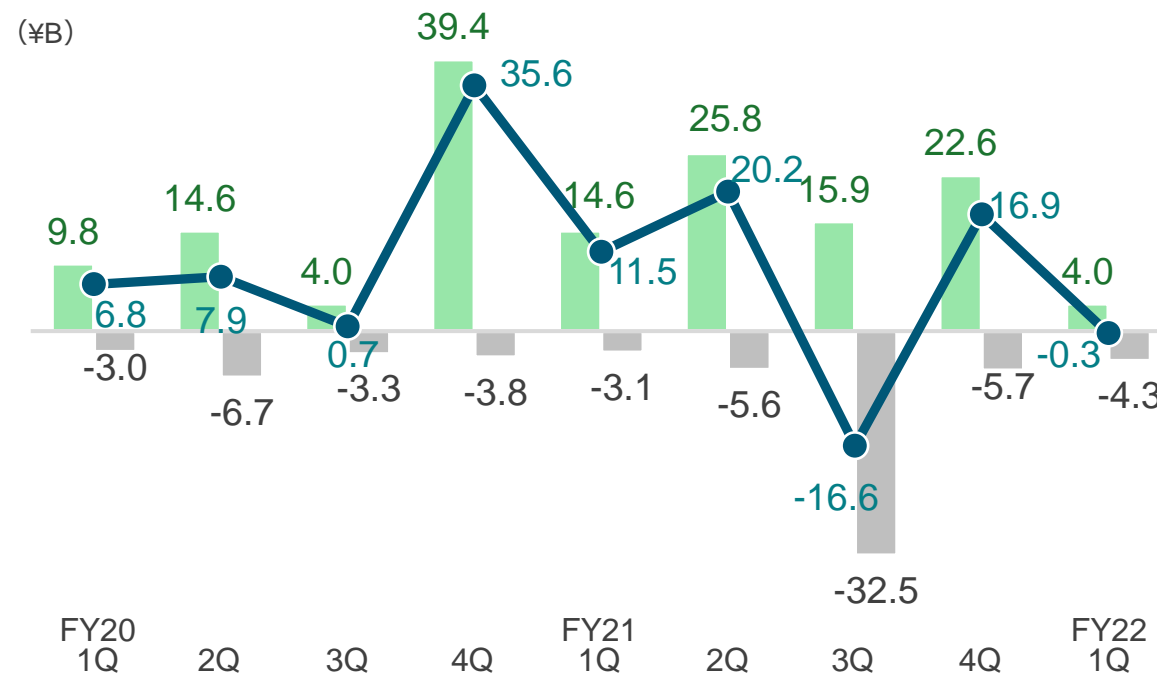
## <Investments>

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



## <Cash flow>

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

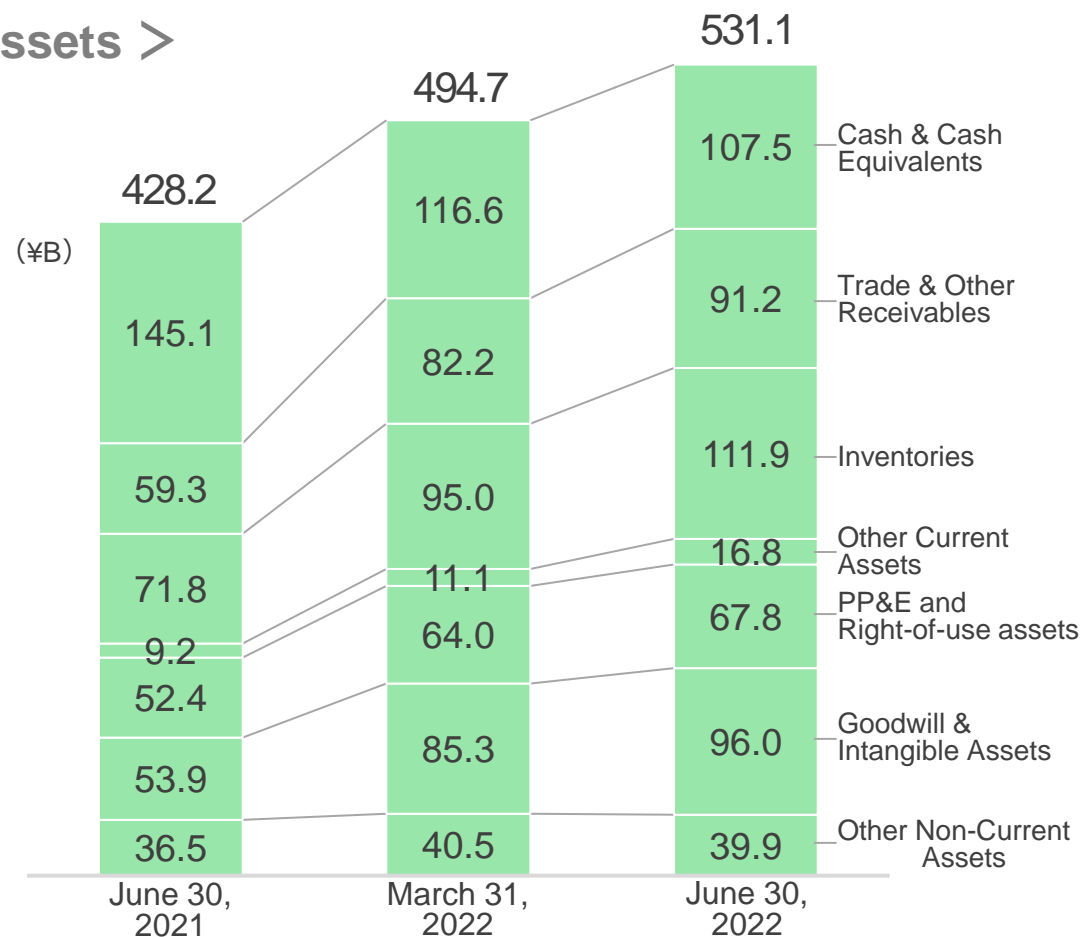


\* Free Cash Flows = Cash flows from operating activities + Cash flows from investing activities

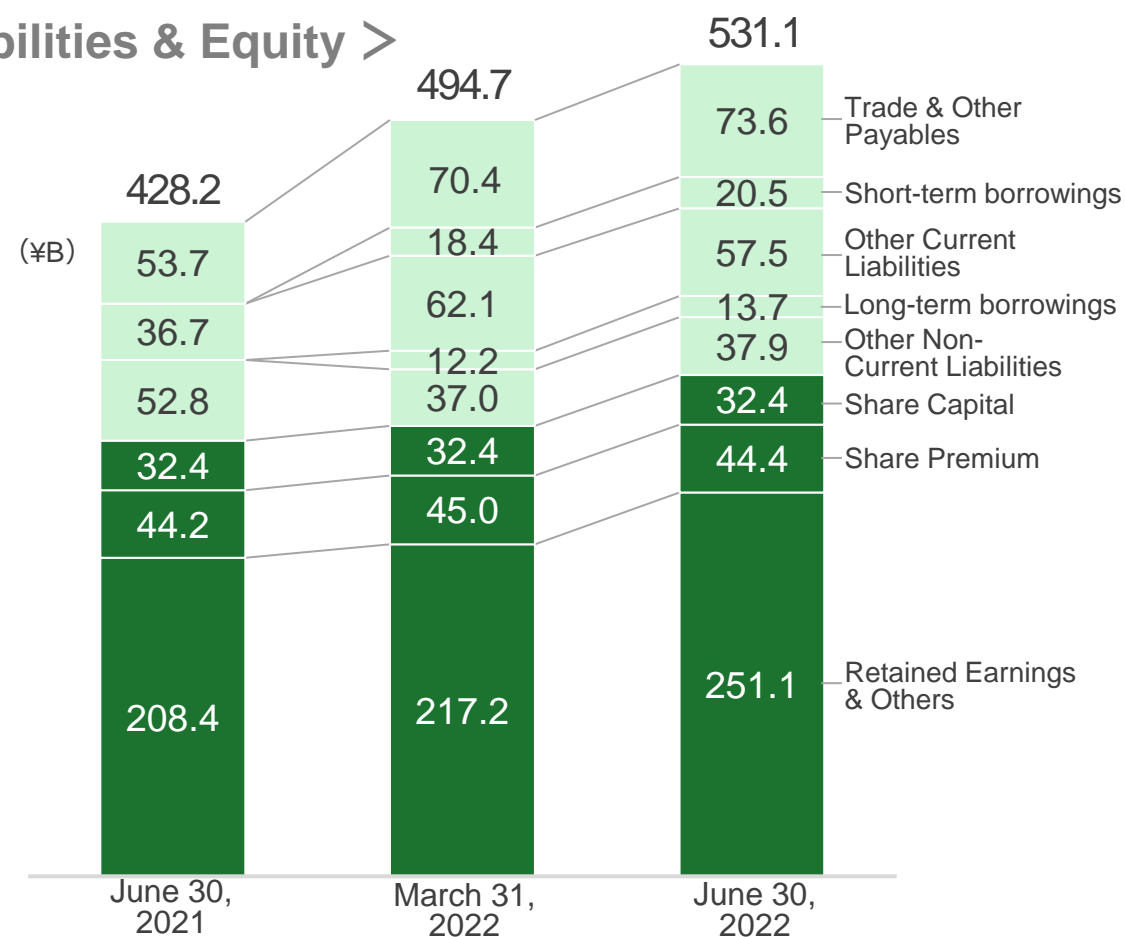


# Financial Position

## < Assets >



## < Liabilities & Equity >



Equity Attributable to Owners of the Parent	285.0	294.6	327.9
Ratio of Equity Attributable to Owners of the Parent	66.6%	59.6%	61.7%

# FY2022 Outlook

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Yoshiaki Yoshida  
Representative Director, President and CEO

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# Business Environment / Semiconductor Tester Market Trends: July 2022 Outlook

## <Business Environment>

- Uncertainty about the future of the world economy is increasing. Concerns such as the spread of new COVID-19 variants, increasing geopolitical risks, rising inflation, and tightening monetary policy around the world have raised fears of recession.

## <Semiconductor Market>

- The final demand outlook for certain consumer electronics such as smartphones, PCs, and televisions has weakened, leading to inventory adjustments in the semiconductor market.
- On the other hand, the digital transformation is continuing, and chipmakers continue to actively develop and mass-produce high-performance computing (HPC) devices for data centers and AI-related semiconductors. In addition, there are still shortages of semiconductors for automobiles—more and more of which are EVs—and industrial equipment.

## <Semiconductor Tester Market>

- Although there are concerns about falling tester utilization rates due to slowing demand for consumer products, the trend for higher functionality and stronger quality guarantees for high-end semiconductors, such as data center HPC devices and high-end memory, to support tester demand remains solid.

	CY21 Actual	CY22 Estimate	New CY22 Estimates vs April Estimates
SoC Tester Market	Approx. \$4.3B	Approx. \$4.4-4.8B (April estimate: Approx. \$4.2B - 5.0B)	The range has been adjusted due to actual and expected product sales and large chipmakers' tester installations.
Memory Tester Market	Approx. \$1.3B	Approx. \$1.2-1.3B (April estimate: Approx. \$1.3B - 1.4B)	The weak yen has reduced dollar-based estimates, but yen-based estimates remain unchanged.

Source: Advantest

# FY22 Forecast

	(¥B)									
	FY21	FY22						Change vs. Prior Full-Year Forecast		
		Results	1Q Results	2Q Forecast	1H Forecast	2H Forecast	Full-Year Forecast	vs. FY21		FY22 Forecast as of April
							(Δ)	(%)		
Sales*1	416.9	135.9	134.1	270.0	280.0	550.0	+133.1	+31.9%	510.0	+40.0
Operating Income	114.7	44.8	40.5	85.3	84.7	170.0	+55.3	+48.2%	150.0	+20.0
Operating Margin	27.5%	32.9%	30.2%	31.6%	30.3%	30.9%	+3.4pts		29.4%	+1.5pts
Income Before Tax	116.3	48.4	40.9	89.3	84.7	174.0	+57.7	+49.6%	150.0	+24.0
Net Income	87.3	36.5	30.5	67.0	63.0	130.0	+42.7	+48.9%	112.5	+17.5
Net Income Margin	20.9%	26.8%	22.7%	24.8%	22.5%	23.6%	+2.7pts		22.1%	+1.5pts
R&D Expenses	48.4	13.3	15.2	28.5	31.5	60.0	+11.6	+24.0%	60.0	-
CapEx	18.0	4.4	7.6	12.0	15.0	27.0	+9.0	+50.0%	27.0	-
D&A	15.0	4.9	4.3	9.2	8.8	18.0	+3.0	+20.0%	16.8	+1.2
Exchange Rate*2	1 US\$	¥112	¥124	¥130	¥127	¥130	¥129	¥17 Depreciation	¥120	¥9 Depreciation
	1 Euro	¥130	¥134	¥140	¥137	¥140	¥139	¥9 Depreciation	¥135	¥4 Depreciation

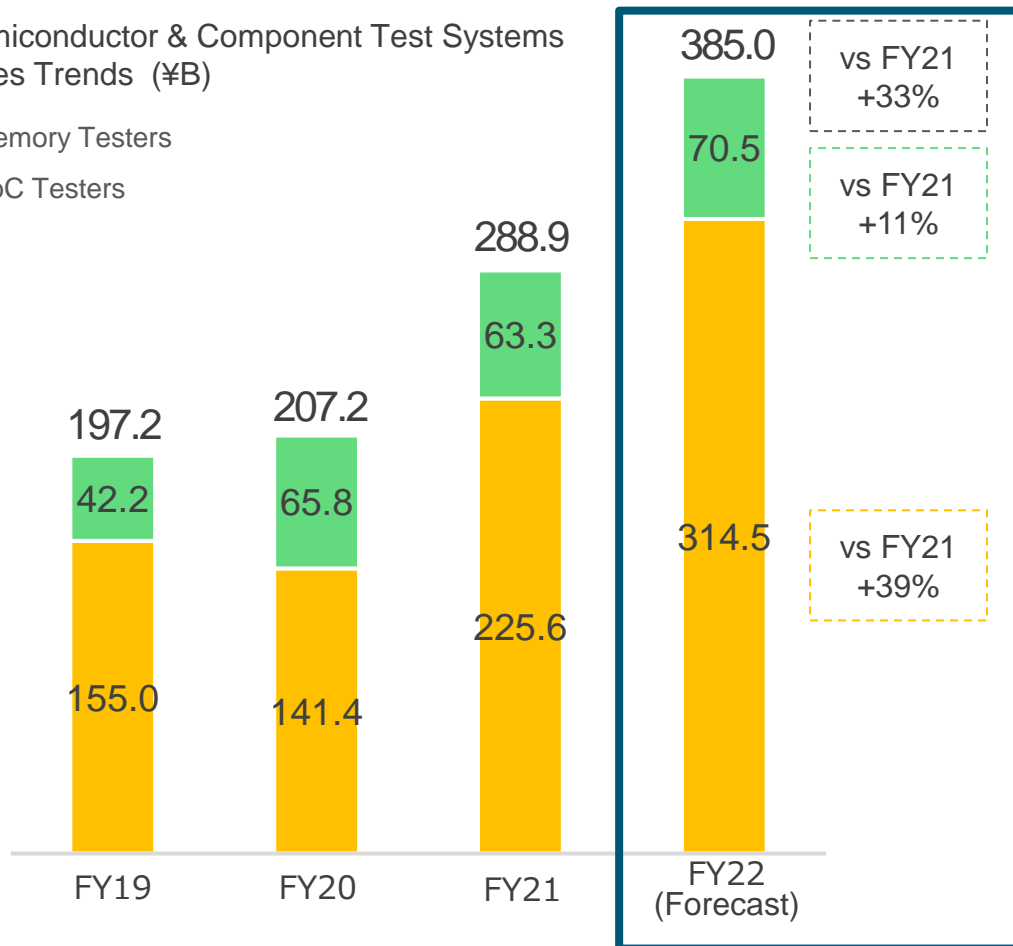
\*1: Intersegment transactions have been eliminated from totals

\*2: Our latest forecast for the impact of exchange rate fluctuations on FY22 operating income is plus ¥1.3 billion per 1 yen of JPY depreciation vs USD, and minus ¥0.2 billion per 1 yen of JPY depreciation vs Euro

# FY22 Outlook by Segment

Semiconductor & Component Test Systems Sales Trends (¥B)

- Memory Testers
- SoC Testers



## Semiconductor & Component Test Systems

### < SoC Testers > (+¥28.5B vs April forecast)

- Stronger test demand from diversification and increased production volumes of advanced-node HPC devices and automotive semiconductors will offset weakness in the consumer related market.

Applications	FY19	FY20	FY21	FY22*2
Computing / Comms	70%	55%	60%	70%
Automotive / Industrial / Consumer / DDIC*1	30%	45%	40%	30%

Numbers are rounded to the nearest 5%

### < Memory Testers > (+¥1.5B vs April forecast)

- Demand for higher-speed DRAM / wider bandwidths is steadily increasing in response to the strong demand for data center HPC devices.

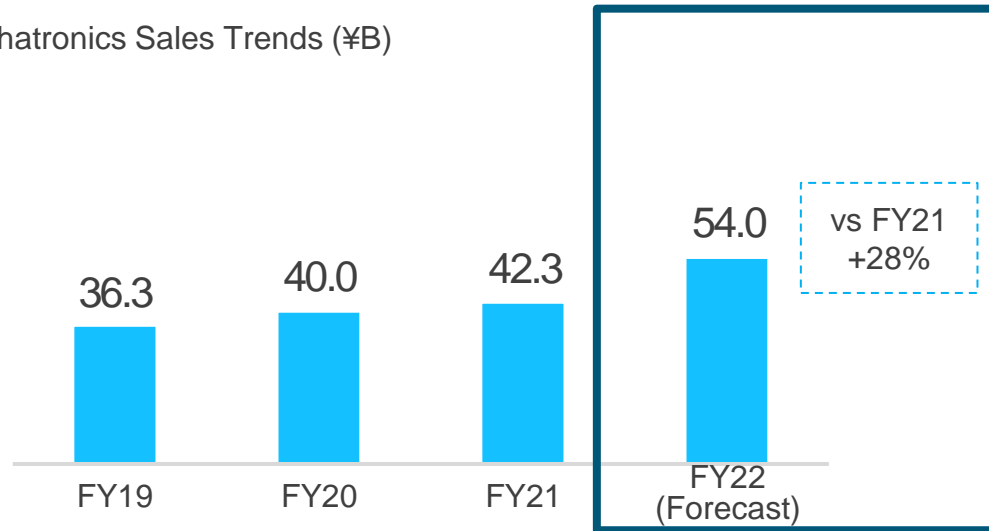
Applications	FY19	FY20	FY21	FY22*2
DRAM	70%	60%	60%	65%
NVM*3	30%	40%	40%	35%

Numbers are rounded to the nearest 5%

\*1 DDIC : Display Driver IC \*2 FY22 figures are forecasts \*3 NVM : Non-Volatile Memory

# FY22 Outlook by Segment

Mechatronics Sales Trends (¥B)

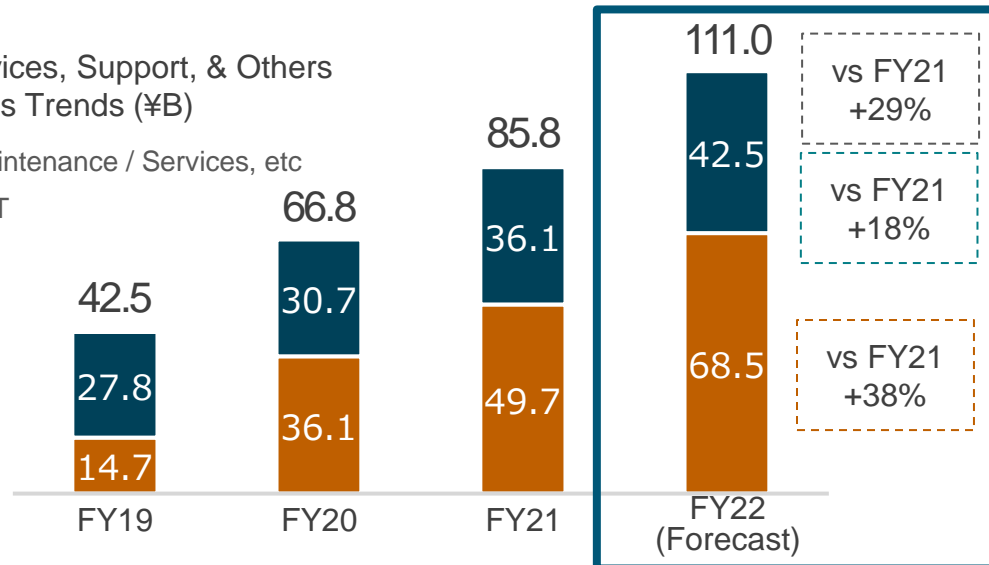


## Mechatronics Systems (+¥4.0B vs April forecast)

- Strong demand for device interface products expected in line with demand for testers
- In addition to the spreading adoption of EUV lithography, growing demand for masks for mature processes is driving demand for SEM metrology products

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

- Maintenance / Services, etc
- SLT



## Services, Support, & Others (+¥6.0B vs April forecast)

- Increasing needs for device reliability are driving an increase in the number of product types that require system-level test, and an increase in demand for high-precision consumables
- Demand for maintenance services is increasing due to steady growth in our installed base



# 2nd Mid-Term Management Plan (MTP2) Update (Revised July 28<sup>th</sup>, 2022)

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# Advantest's Purpose & Mission and Growth Strategy: Our Grand Design

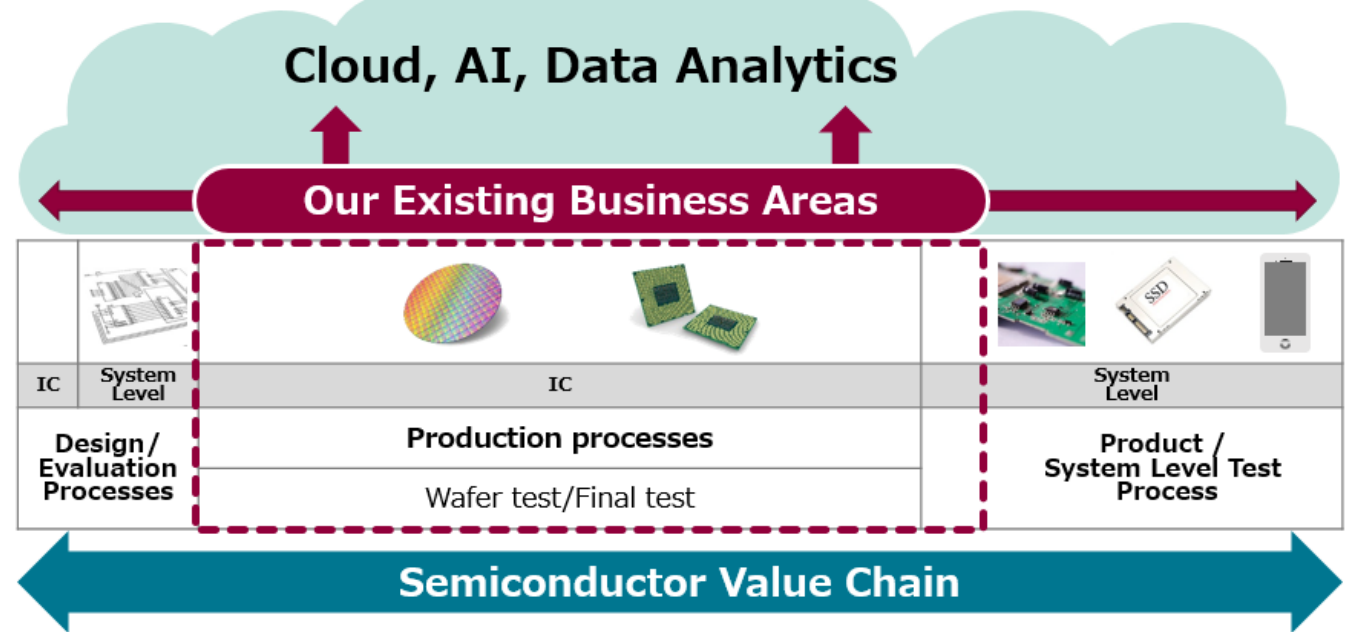
Corporate Purpose & Mission

Enabling Leading-Edge Technologies

Vision Statement

Adding Customer Value in an Evolving Semiconductor Value Chain

- Advantest will further contribute to the semiconductor industry by enriching, expanding, and integrating our test and measurement solutions throughout the entire semiconductor value chain



The above graph was formulated in 2018 to illustrate our Grand Design, launched in that year. It shows how we will realize our management vision. Since then, we have been working to add customer value in line with the concept shown above.



# MTP2 (FY2021-FY2023): Growth Strategies & 1st-Year Progress Report

We are steadily implementing the 5 strategies set forth in our Grand Design.

## Strategies

- 1 Reinforce Core Businesses, Invest Strategically
- 2 Seek Operational Excellence
- 3 Explore Value to Reach a Higher Level
- 4 Pioneer New Business Fields
- 5 Enhance ESG initiatives

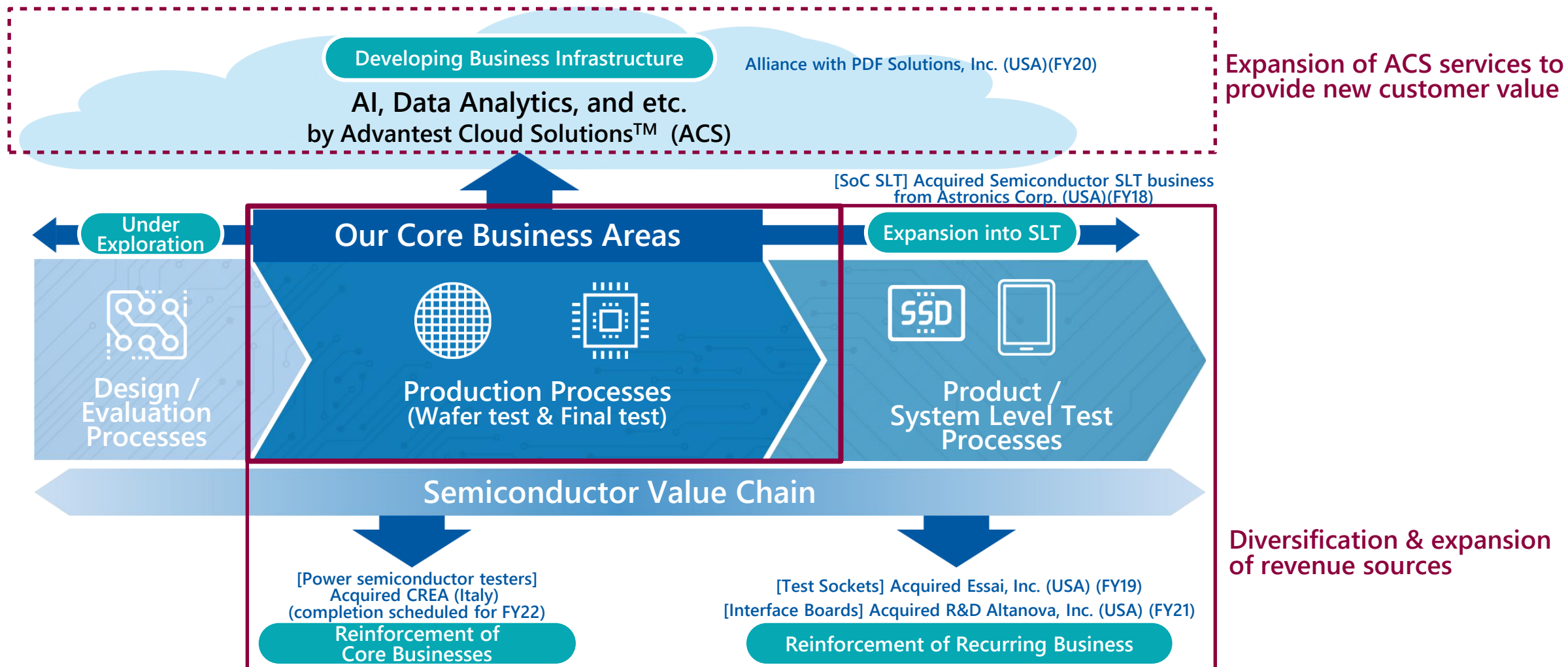


## Key 1st-Year Achievements

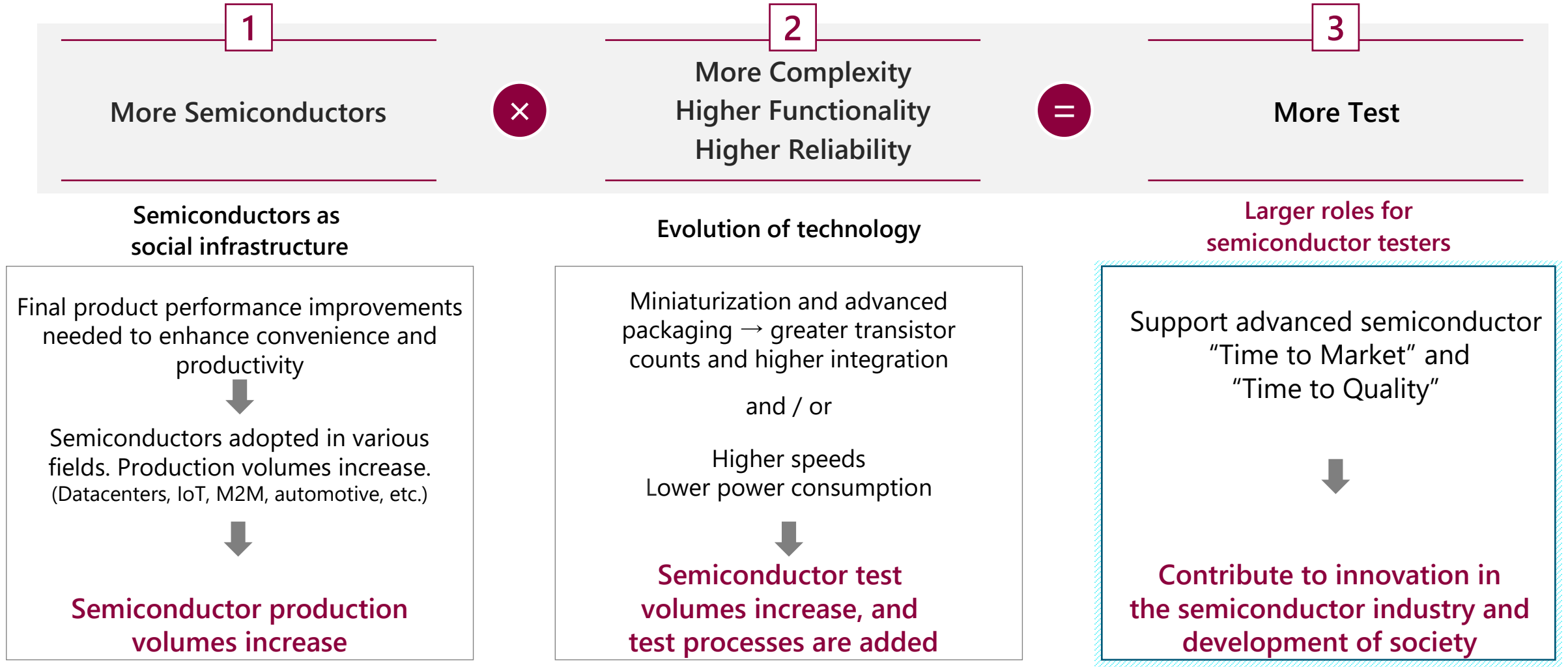
- In order to further enhance our mid/long-term presence in the tester market, we reinforced the lineup of modules for our V93000 EXA Scale SoC tester, and introduced two new memory testers.
- We executed R&D based on a long-term roadmap aligned with semiconductor technology trends. At the same time, by hiring more sales / support personnel, we expanded our tailored solutions for diverse customers and applications.
- To expand our SLT business, we cultivated HPC and smartphone-related demand and focused on sales to the automotive market.
- We acquired US company R&D Altanova, strengthening our test interface business.
- We expanded our Advantest Cloud Solutions(TM) (ACS) services, and implemented hiring with a view to future business expansion.
- The TechInsights Customer Satisfaction Survey named Advantest the SPE industry leader for the third consecutive year.
- We reviewed our global executive system to strengthen earning power, and introduced a CxO system.
- We formulated an ESG Action Plan to promote ESG understanding company-wide.

# Where We Are Now: Expansion of Business Domains Based on Our Grand Design

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



# No Change to Growth Trends in Demand for Semiconductor Testers and Their Roles



## Future Focus of MTP2

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Our view that we are in a phase abounding with various mid/long-term growth opportunities remains unchanged. While basically following the growth measures set forth last year, we will promote various measures to strengthen our growth base for the future.

### Company-Wide

- Amidst long-term growth expectations in the semiconductor market, we will strengthen our growth foundation by strengthening supply chain management, DX / AI investment, capital investment, and human resources investment in order to secure our growth potential and reinforce robustness of our business.
- Respond quickly to technological evolution by strengthening partnerships with leading customers in the semiconductor value chain.

### Semiconductor and Component Test System Segment

- Capture the expanding demand for test equipment for SoC semiconductors, including HPC devices, a sector which is expected to grow robustly over the mid/long-term, by leveraging the strengths of the new V93000 EXA Scale.
- Establish a leading position in test for millimeter-wave related devices, a sector that will commence full-scale growth during the period of MTP2
- Capture demand in emerging markets such as power semiconductors and silicon photonics devices.
- Maintain a strong business foundation for DRAM and non-volatile memory device test.

### Mechatronics System Segment

- Expand sales opportunities by providing test cell environments that deliver better test quality.

### Services, Support, and Others Segment

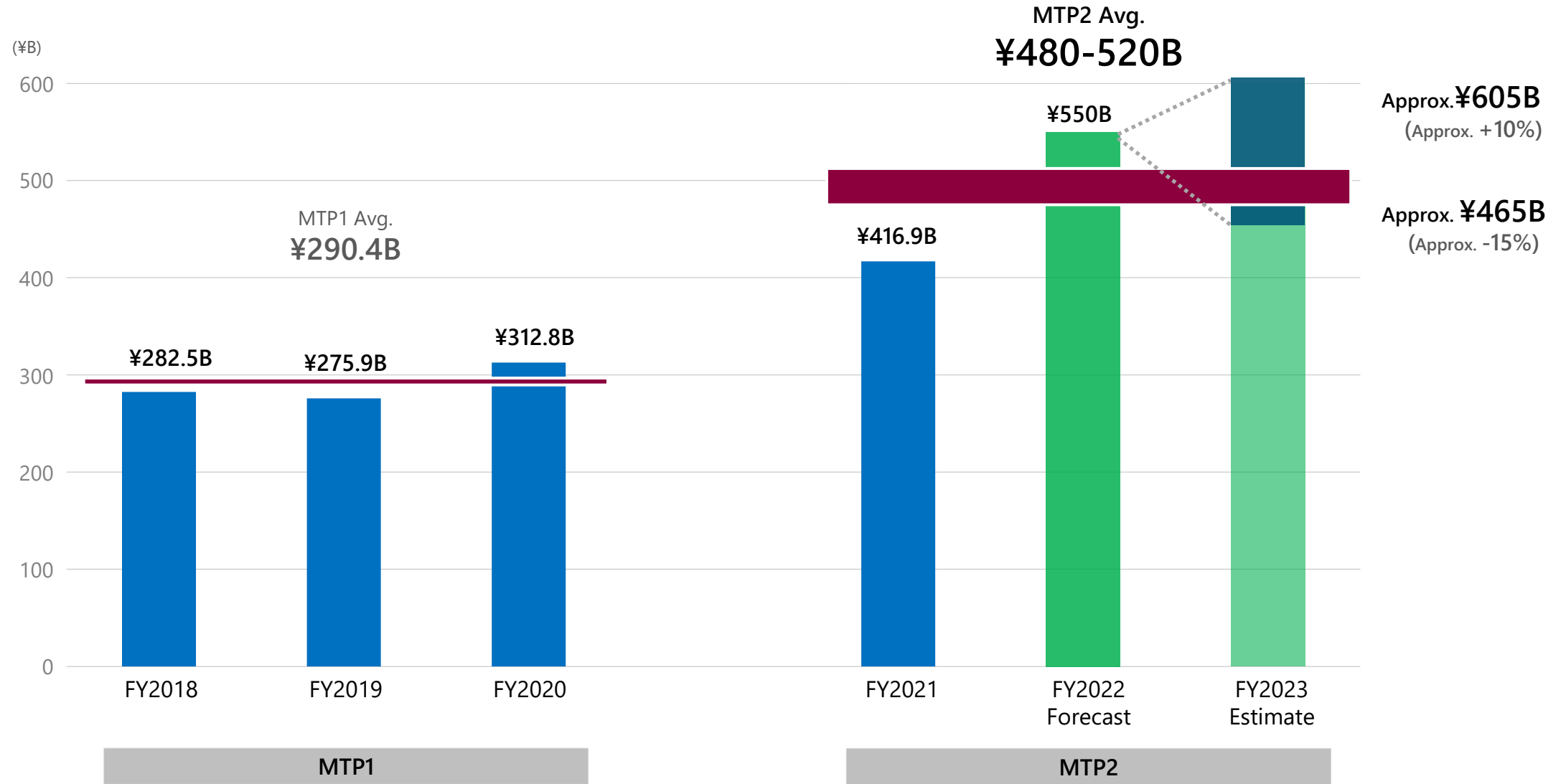
- As demand for system level testing (SLT) increases, win more customers in mobile, HPC, automotive, memory / storage, etc. In addition, actively promote expansion of recurring business for consumables.
- Invest to refine our business model in the data analytics field and further develop infrastructure for this business.

## Regarding These MTP2 Revisions

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- The market outlook for FY2023 is currently uncertain, but inventories of some semiconductors related to consumer final products are in an adjustment phase. We recognize that Advantest is also in a phase where a certain degree of future slowdown needs to be taken into account.
- Despite these temporary adjustments, it is expected that the tester market will be supported in the future by demand from the automotive and industrial sectors, where semiconductor shortages continue, and demand for high-end SoCs and memory semiconductors, where customers are strongly motivated to make technology investments.
- In addition, our business structure has changed, and we do not anticipate a large-scale, long-term sales decline such as we sometimes encountered in the past.
- Based on these factors, we currently expect FY2023 year-on-year sales growth to be in the range of approximately -15% to +10%.
- Each of our MTP2 management metrics and related indicators has been revised in consideration of this market outlook, our sales forecast for FY2022-23, and past performance trends, assuming that the current slowdown in the global economy will remain within moderate bounds.

# Revised Sales Target



## Revised Management Metrics

	MTP1 Results Avg. of FY2018-20	Previous MTP2 Targets <sup>*2</sup> (announced May 2021) Avg. of FY2021-23	MTP2 Targets <sup>*3</sup> (revised July 2022) Avg. of FY2021-23
Sales	¥290.4 <sub>B</sub>	¥350-380 <sub>B</sub>	¥480-520 <sub>B</sub>
Operating Margin	22.3% <sup>*1</sup>	23-25%	27-30%
Net Income	¥60.1 <sub>B</sub>	¥62-70 <sub>B</sub>	¥98-120 <sub>B</sub>
ROE	29.1%	20% or more	30-35%
EPS	¥309	¥320-370	¥510-630

\* 1. In MTP1 period, Advantest recorded one-off profit of approximately 12 billion yen.

\* 2. The exchange rates used in the previous announcement were 1 USD = 105 JPY and 1 euro = 130 JPY.

\* 3. The revised targets use exchange rates for FY2022 2Q-4Q and FY2023: 1 USD = 130 JPY and 1 euro = 140 JPY (actual rates in FY2021 were 1 USD = 112 JPY and 1 euro = 130 JPY, FY2022 1Q rates were 1 USD = 124 JPY and 1 euro = 134 JPY).

## Revised Cost / Profit Model

### Aiming for further profitability improvements while reinforcing our business

- We will further strengthen our R&D investments, human capital, and material procurement capabilities to create long-term sustainable corporate value.
- We will focus especially on maintaining a high level of R&D investment, which is key to increasing added value and maintaining sustainable competitiveness.
- Our revised MTP2 targets call for a cumulative total R&D investment of approximately ¥170B during the MPT2 period (total cumulative investment in MPT1: approximately ¥120B, previous MPT2 cumulative forecast: approximately ¥150B).
- We will respond flexibly to external changes amid considerable uncertainty in the global economy and our business environment.

	MTP1 Results (FY2018-20 Avg.)	Previous MTP2 Targets (announced May 2021) (FY2021-23 Avg.)	MTP2 Targets (revised July 2022) (FY2021-23 Avg.)
Sales	¥290.4B	¥350-380B	¥480-520B
Cost of Goods Sold	45%	45-46%	42-43%
SG&A as % of Sales	33%	30-31%	28-30%
Operating Margin	22%	23-25%	27-30%



# Revised Growth Investment & Shareholder Returns Policy

While prioritizing active investments, expand shareholder returns

## Capital Expenditures

- Amid long-term semiconductor market expansion and further semiconductor performance gains, we plan to increase R&D and production capital investment to ¥70B (previously announced value: ¥40B).

## Strategic Investment in M&A, etc.

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

	FY2018-20 Results	FY2021-23 Investment Targets
Capital Expenditure	¥30.2B	¥70B
Strategic Investments e.g. M&A	¥47.7B	¥100B

## Shareholder Return Policy

- To maintain stable and sustainable dividend payments, we will continue to issue a minimum dividend of ¥50 per share for half a year and ¥100 for the full year.
- We continue to target a full-year total return ratio,\* including acquisitions of treasury stock, of 50% or more.

(However, there is a possibility that we may not be able to disburse the targeted level of shareholder returns due to the occurrence of investment growth opportunities that require more funds than expected, and / or the deterioration of business performance due to changes in our market environment.)

	FY2018-20 Results	FY2021-23 Estimate
Shareholder Returns (Dividend + Share buybacks)	¥61.7B	¥210B or more

\*Total return ratio: (Dividend amount + Share buybacks)/consolidated net income

# Revised Capital Policy & Capital Allocation Outlook

Allocate cash flow to investments and shareholder returns, while maintaining financial soundness, to improve capital efficiency

## Operating cash flow outlook

- Expected to total ¥280-360B cumulatively during MTP2 period (previously announced value: ¥220B or more)

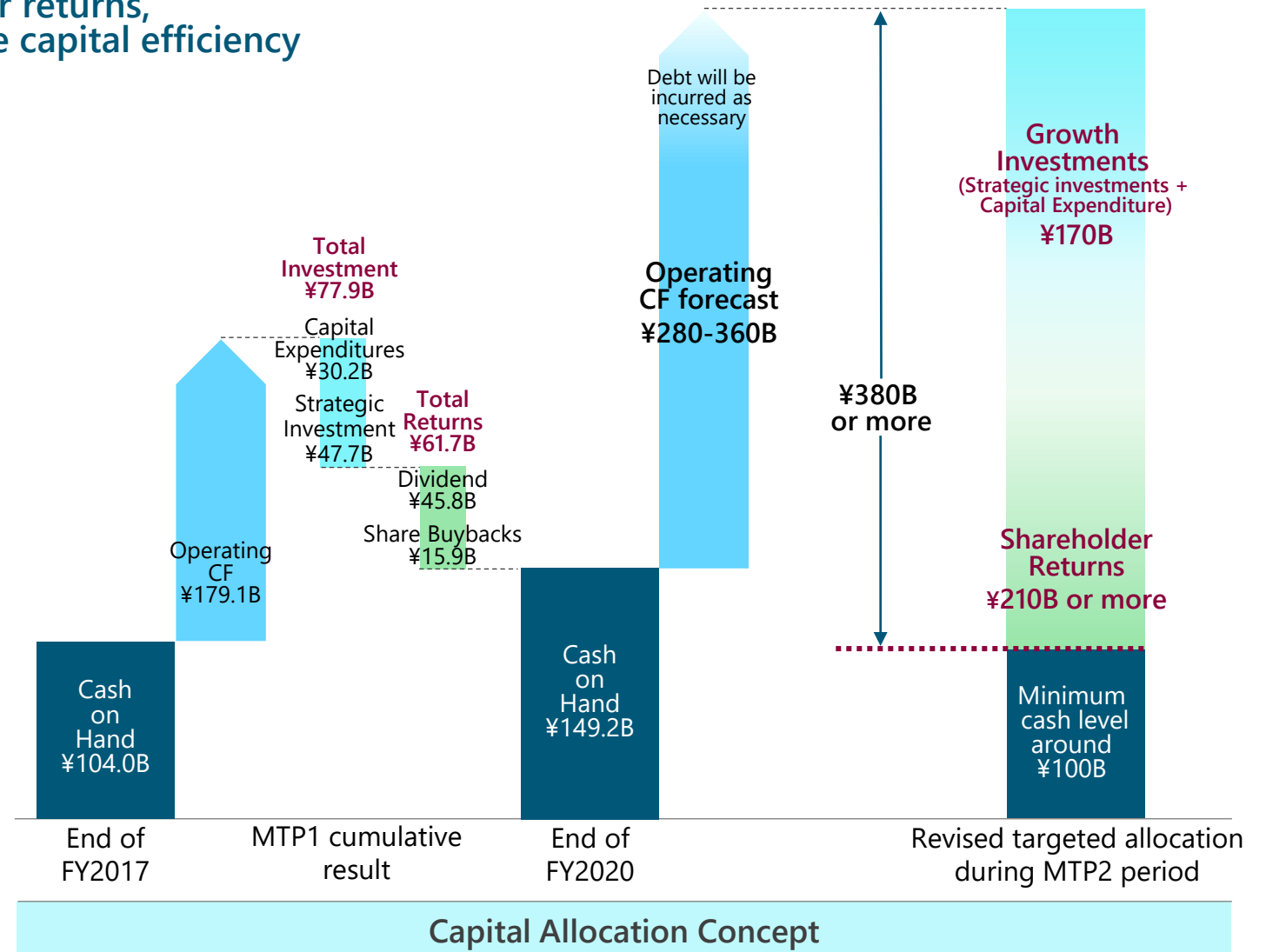
## Minimum cash reserves

- Expected to be around ¥100B under normal business conditions
- Increased from the previously announced value of about ¥80B due to business expansion

## Balance sheet KPI

: Foundation for further growth and shareholder returns

- Financial soundness: Seek appropriate capital level with shareholder equity ratio of 50% or more
- Capital efficiency: ROE 30-35% (previously announced value: 20% or more)
- ROIC-based business / investment management



## Shareholder Returns in FY22

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### < Dividend Forecast >

- Interim: 65 yen    Year-end: TBD    Annual total: TBD

### < Share Repurchase >

- Total cost of acquisition: Up to 50 billion yen
- Total number of shares to be acquired: Up to 10 million shares (Equivalent to 5.3% of outstanding shares excluding treasury stock)
- Period of acquisition: From August 1, 2022 to December 23, 2022

### < Cancellation of Treasury Shares >

- Total number of shares to be cancelled: 8 million shares (Equivalent to 4.0% of outstanding shares)
- Scheduled cancellation date : September 9, 2022

## ESG & External Evaluation (April-July 2022)

Named the top supplier in TechInsights' customer satisfaction survey for the 3rd consecutive year



Awarded an "A" in MSCI ESG Ratings



As of 2022, ADVANTEST CORPORATION received an MSCI ESG Rating of A. THE USE BY ADVANTEST CORPORATION OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF ADVANTEST CORPORATION BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

New video introducing the biotope at Advantest's Gunma R&D Center, which contributes to the conservation of biodiversity



[\(Link\)](#)

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