

The background of the slide is a grayscale image of a complex circuit board, showing various traces, components, and connectors. The image is slightly blurred and serves as a backdrop for the text.

ADVANTEST[®]

FY2023 3Q
(Three months ended December 31st, 2023)

Financial Briefing

January 31st, 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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Financial Results for FY2023 3Q

Yasuo Mihashi

Senior Executive Officer, CFO & CSO (Chief Strategy Officer)

Executive Vice President, Corporate Strategy Group

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FY23 3Q Summary of Results

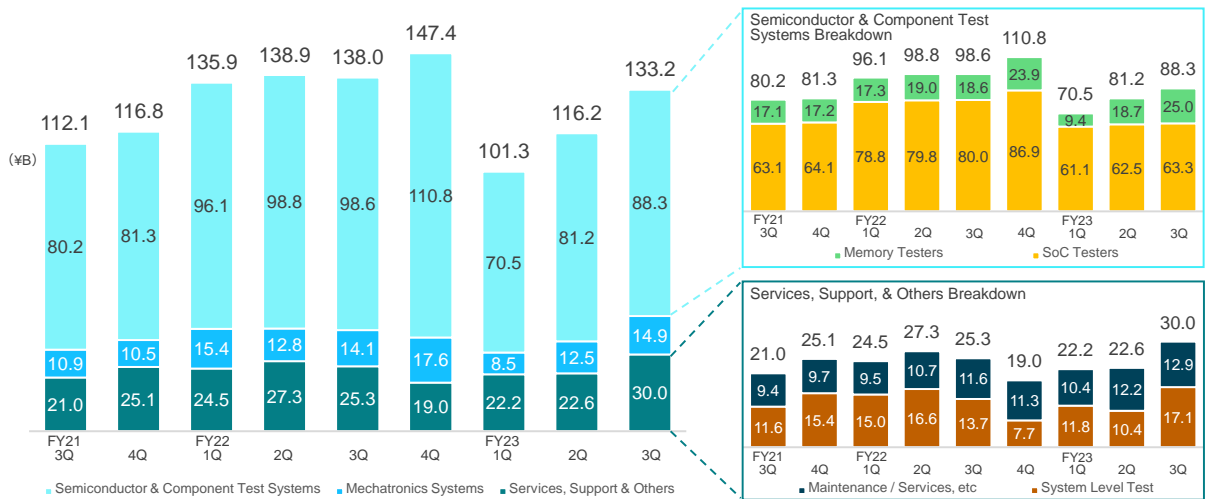
	FY22				FY23							(¥B)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ		YoY		
								Change	(%)	Change	(%)	
Sales	135.9	138.9	138.0	147.4	101.3	116.2	133.2	+17.0	+14.6%	-4.8	-3.4%	
Gross Profit	78.9	79.9	81.6	78.7	51.0	58.0	67.4	+9.3	+16.1%	-14.2	-17.4%	
Gross Margin %	58.1%	57.5%	59.1%	53.4%	50.3%	49.9%	50.6%	+0.7pts		-8.5pts		
Operating Income	44.8	43.1	41.2	38.6	14.3	21.0	26.8	+5.8	+27.8%	-14.4	-34.9%	
Operating Margin %	32.9%	31.1%	29.9%	26.2%	14.1%	18.1%	20.1%	+2.0pts		-9.8pts		
Income Before Tax	48.4	46.8	37.7	38.4	13.0	20.3	26.3	+5.9	+29.0%	-11.4	-30.2%	
Net Income	36.5	34.7	28.6	30.6	9.2	16.7	21.2	+4.5	+26.7%	-7.4	-26.0%	
Net Income Margin %	26.8%	25.0%	20.8%	20.8%	9.1%	14.4%	15.9%	+1.5pts		-4.9pts		
Exchange Rate	1 US\$	¥124	¥135	¥144	¥133	¥135	¥142	¥149	¥7 Depreciation		¥5 Depreciation	
	1 Euro	¥134	¥139	¥144	¥142	¥146	¥156	¥159	¥3 Depreciation		¥15 Depreciation	
Dividend Per Share*1	-	¥65	-	¥70	-	¥65	-	-	-	-	-	

*1: Advantest enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023. FY22 dividend and FY23 interim dividend present the amount prior to the share split.

○ FY23 3Q Summary of Results

- The 3rd quarter sales and profits exceeded those of the 2nd quarter.
- Unfortunately, they are still trending in negative territory YoY, but signs of recovery are starting to emerge.
- In the area of generative AI, sales grew by responding to robust demand for memory testers. In addition, sales of testers for some high-performance SoC semiconductors and system level test (SLT) increased QoQ.
- Details will be explained sequentially in the following pages.

Quarterly Sales by Segment



Note: Intersegment transactions have been eliminated from totals

○ FY23 3Q Sales by Segment

- All segments recorded an increase in sales QoQ.

○ Semiconductor & Component Test Systems

- SoC tester sales were ¥63.3 billion, almost flat QoQ.
- Sales for mature processes such as automotive and industrial applications decreased QoQ, as there was a lull in customer investment after an elevated level of delivery up until the previous quarter. On the other hand, for advanced processes, an increase in sales for application processors (APU) in addition to high-performance computing (HPC) offset a decrease in sales for mature processes, although such increase in sales does not represent full-fledged recovery.
- Memory tester sales were ¥25.0 billion, an increase of ¥6.2 billion QoQ. Sales for high-performance DRAM for generative AI increased.

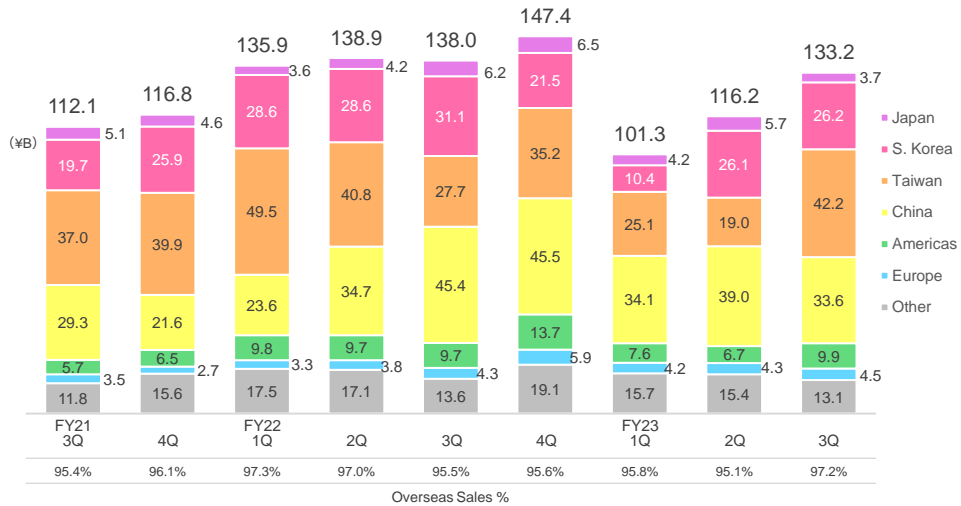
○ Mechatronics Systems

- Sales of device interface products increased in tandem with an increase in tester sales.

○ Service, Support, & Others

- In SLT business, sales increased for high end SoC.

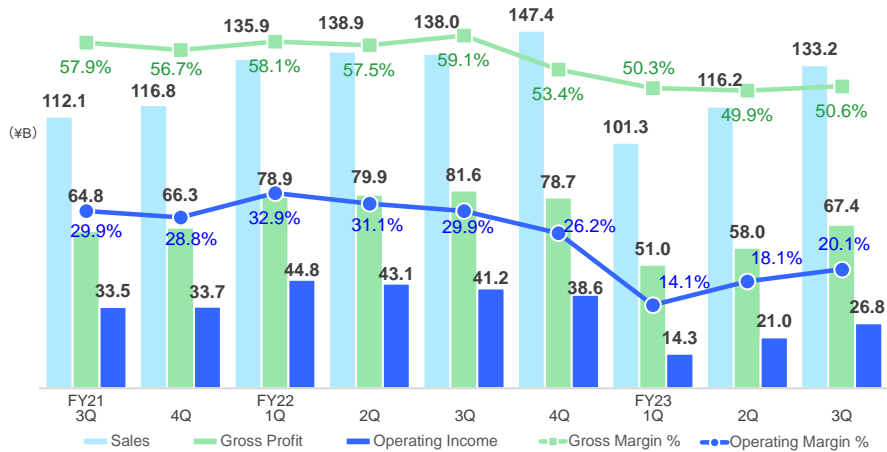
Quarterly Sales by Region



○ FY23 3Q Sales by Region

- Taiwan
In addition to a large increase in sales of SoC tester sales for high end SoC, sales of SLT increased.
- South Korea
While SoC tester sales declined, memory tester sales increased mainly for DRAM. As a result, total sales remained elevated as in the previous quarter.
- China
Despite a decline in sales for high end SoC, the overall level of sales remained at a high level.

Sales / Gross Profit / Operating Income



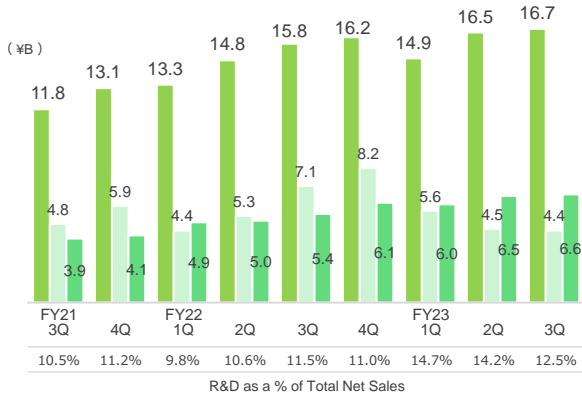
○ FY23 3Q Sales / Gross Profit / Operating Income

- While sales increased QoQ, gross profit margin increased only slightly QoQ.
- SG&A (including other income and expenses) increased ¥3.5 billion QoQ. However, 2Q includes approximately ¥3.2 billion of other incomes which includes settlement income. Therefore, SG&A was effectively on par with 2Q.

Investments / Cash Flow

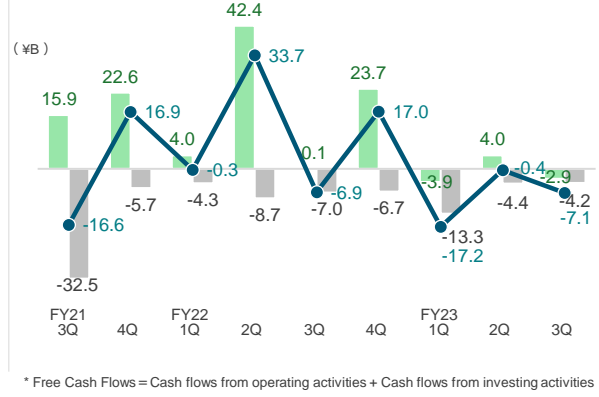
<Investments>

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



<Cash Flow>

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



FY23 3Q R&D/CapEx/D&A

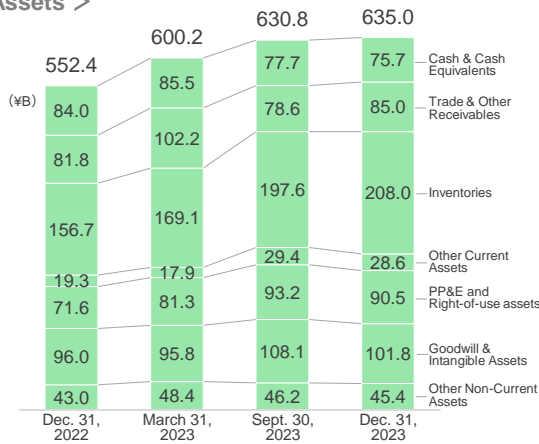
- R&D, CapEx, and D&A remained on par with the previous quarter.

FY23 3Q Cash Flow

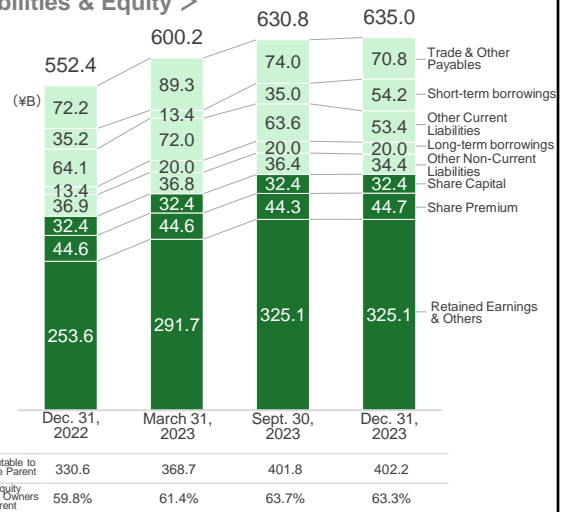
- Free cashflow was an outflow of ¥7.1 billion due to payment of bonuses and income taxes based on FY22 income.

Financial Position

< Assets >



< Liabilities & Equity >



○ Balance Sheet for Period Ending December 31st, 2023

- Inventories remained at an elevated level, as supply capacity expansion is being implemented for businesses with robust demand such as high-performance memory, while responding to requests for push-out from some customers in other businesses.
- On the liabilities side, taking into account the working capital needs, we have taken on additional debt funding.
- In order to monetize inventories as quickly as possible, we will make efforts to refine our supply chain management.



FY2023 Outlook

Yoshiaki Yoshida
Representative Director, President, Group CEO

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

< Business Environment >

- Despite the ongoing post-COVID normalization, the global economy remains highly uncertain in CY24 with recessionary concerns in the U.S. and elsewhere, the expansion of geopolitical risks, the risk of sharp exchange rate fluctuations, etc.
- The semiconductor market is finally showing signs of improvement for inventory adjustment, and investment related to generative AI expected to become active

<Semiconductor Tester Market>

- In CY23, the semiconductor tester market is experiencing prolonged demand stagnation in major consumer electronics applications such as smartphones and PCs, and cut back on CapEx on related semiconductors is lasting longer than expected. The recovery slope is expected to take place in the 2nd half of CY24
- Tester demand is expected to increase in tandem with growing demand for generative AI. The SoC tester market is expected to see a rise in demand in the 2nd half of CY24, centered on HPC/AI applications. The memory tester market is expected to rise rapidly, driven by demand for high-performance DRAM

	CY22 Actual	CY23 Actual (Prelim.)	CY24 Estimate
SoC Tester Market	Approx. \$4.0B	Approx. \$3.3B - 3.4B (October estimate: approx. \$3.3B - 3.4B)	Approx. \$3.3B - 3.6B
Memory Tester Market	Approx. \$1.2B	Approx. \$1.1B (October estimate: approx. \$1.0B - 1.1B)	Approx. \$1.3B - 1.6B

○ Business Environment / Semiconductor Tester Market Trends

- CY23 semiconductor market was more sluggish than expected. Due to delayed recovery of major consumer electronics applications such as smartphones and PCs, ramp up of tester demand which was expected to take place in the 2nd half of CY23 in our initial forecast as of the beginning of CY23, has also been delayed.
- Therefore, we estimate CY23 SoC tester market size to have been between \$3.3 billion to \$3.4 billion. In CY24, we expect demand ramp up to take place in the 2nd half, led by high-performance semiconductors such as HPC/AI. We estimate CY24 SoC tester market size to be between \$3.3 billion to \$3.6 billion.
- We estimate CY23 memory tester market size to have been approximately \$1.1 billion. In CY24, we estimate memory tester market to be between \$1.3 billion to \$1.6 billion. While non-volatile memory is expected to gradually show tester demand recovery from the 2nd half of CY24, high-performance DRAM tester demand is likely to ramp up rapidly and stay active throughout the year in tandem with customers' increased production plan and rising quality assurance requirements.
- We estimate that our market share for both SoC testers and memory testers have reached the upper 50% range in CY23.

FY23 Forecast

									(¥B)	
	FY22	FY23					vs. FY22		Change vs. Prior Full-Year Forecast	
	Results	1Q Results	2Q Results	3Q Results	4Q Forecast	Full-Year Forecast	Change	(%)	FY23 Forecast as of Oct.	Change
Sales*1	560.2	101.3	116.2	133.2	129.3	480.0	-80.2	-14.3%	470.0	+10.0
Operating Income	167.7	14.3	21.0	26.8	22.9	85.0	-82.7	-49.3%	80.0	+5.0
Operating Margin %	29.9%	14.1%	18.1%	20.1%	17.7%	17.7%	-12.2pts		17.0%	+0.7pts
Income Before Tax	171.3	13.0	20.3	26.3	22.9	82.5	-88.8	-51.8%	78.5	+4.0
Net Income	130.4	9.2	16.7	21.2	17.4	64.5	-65.9	-50.5%	60.0	+4.5
Net Income Margin %	23.3%	9.1%	14.4%	15.9%	13.4%	13.4%	-9.9pts		12.8%	+0.6pts
R&D Expenses	60.1	14.9	16.5	16.7	15.9	64.0	+3.9	+6.5%	64.0	-
CapEx	25.0	5.6	4.5	4.4	6.5	21.0	-4.0	-16.0%	21.0	-
D&A	21.4	6.0	6.5	6.6	6.9	26.0	+4.6	+21.5%	26.0	-
Exchange Rate*2	1 US\$	¥134	¥135	¥142	¥149	¥145	¥143	¥9 Depreciation	¥142	¥1 Depreciation
	1 Euro	¥140	¥146	¥156	¥159	¥155	¥154	¥14 Depreciation	¥153	¥1 Depreciation

*1: Intersegment transactions have been eliminated from totals

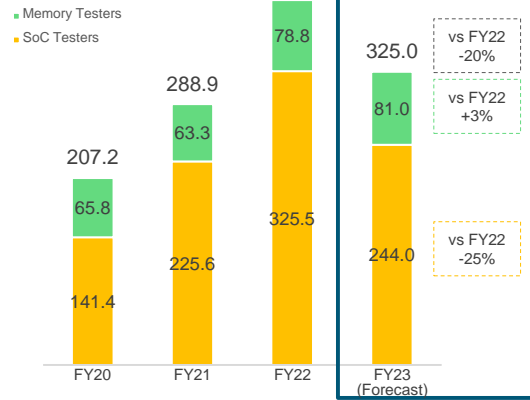
*2: Our latest forecast for the impact of exchange rate fluctuations on FY23 operating income is plus ¥0.8 billion per 1 yen of JPY depreciation vs USD, and minus ¥0.3 billion per 1 yen of JPY depreciation vs the Euro

○ FY23 Forecast

- Based on the performance in the first nine-month period and an outlook for 4Q, we are revising up our full-year consolidated forecasts.
- Sales forecast is revised up by ¥10 billion to ¥480 billion due to factors including increased demand for memory testers.
- Gross profit margin forecast remains unchanged from the previous forecast of approximately 50%.
- Operating income forecast is revised up by ¥5 billion, as there is no change in the forecast for SG&A.
- Exchange rate assumptions for 4Q are 145 yen for the US dollar and 155 yen for the Euro.
- Our latest forecast for the impact of exchange rate fluctuations on FY23 operating income is plus ¥0.8 billion per 1 yen of JPY depreciation vs USD, and minus ¥0.3 billion per 1 yen of JPY depreciation vs the Euro. Due to the expected decline in sales from the U.S. dollar-based transactions, we have lowered our sensitivity estimate for the U.S. dollar by ¥0.1 billion from October.

FY23 Outlook by Segment

Semiconductor & Component Test Systems Sales Trends (¥B)



Semiconductor & Component Test Systems

< SoC Testers > (-¥4.0B vs Oct. forecast)

– A gradual recovery in demand for high-performance semiconductors is observed, but full-fledged recovery is expected to take some time due to factors including weakening demand for automotive and industrial applications

Applications	FY20	FY21	FY22	FY23e
Computing / Comms	55%	60%	65%	55%
Automotive / Industrial / Consumer / DDIC*1	45%	40%	35%	45%

*1 DDIC : Display Driver IC

Numbers are rounded to the nearest 5%

< Memory Testers > (+¥5.0B vs Oct. forecast)

– An increase in sales is expected due to capacity expansion of tester supply, mainly for high-performance DRAM, where robust customer investment is expected

Applications	FY20	FY21	FY22	FY23e
DRAM	60%	60%	60%	90%
Non-Volatile Memory	40%	40%	40%	10%

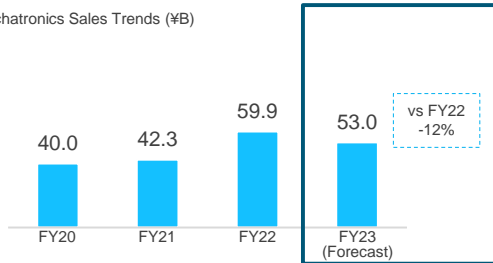
Numbers are rounded to the nearest 5%

○ FY23 Semiconductor & Component Test Systems Outlook

- FY23 SoC tester sales forecast is ¥ 244 billion, which is ¥4 billion lower compared to the October forecast.
- For advanced processes, demand recovery is gradually observed. On the other hand, for mature processes, such as automotive and industrial applications, the level of tester delivery, which had stayed elevated, appears to be taking a pause toward the 2nd half.
- For advanced processes, despite customers' production for increased demand in areas such as generative AI, which are gradually prompting the digestion of excess tester capacity, full-fledged recovery of tester demand is likely to take a while longer.
- FY23 memory tester sales forecast is ¥ 81 billion, which is ¥5 billion higher compared to the October forecast.
- In high-performance DRAM applications such as HBM, which is related to generative AI, robust demand is expected against the backdrop of medium-term demand growth and high reliability requirement. In order to respond to such demand, we are working on expanding our supply capacity and have raised our sales forecast.

FY23 Outlook by Segment

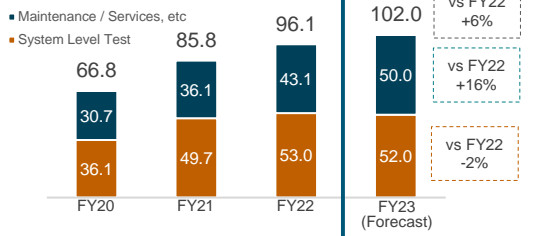
Mechatronics Sales Trends (¥B)



Mechatronics Systems (+¥5.0B vs Oct. forecast)

– Owing to an upward sales revision of memory testers, sales forecast for related device interface products is revised up

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



Services, Support, & Others (+¥4.0B vs Oct. forecast)

– Demand for maintenance service is solid due to the steady growth of our installed base

– Sales of the system level test business is expected to be flat year-on-year due to the impact of customers' investment trends affected by the sluggish semiconductor market environment

○ FY23 Mechatronics / Service, Support, & Others Business Outlook

- FY23 Mechatronics Systems sales forecast is revised up by ¥5 billion compared to the October forecast.
- Owing to an upward sales revision of memory testers, sales forecast for related device interfaces is revised up.
- FY23 Services, Support, and Other sales forecast is revised up by ¥4 billion compared to the October forecast.
- For maintenance services, solid demand is expected due to the steady growth of our installed base.
- System Level Test business is expected to be flat year-on-year due to the impact of specific customers' investment trends affected by the sluggish semiconductor market conditions. Going forward, we will pursue a med/long-term sales growth as well as profitability improvement, as we move forward to provide solutions and expand our customer base into areas such as for HPC/AI, where we can expect adoption of the System Level Test.

Summary

- Sales forecast is revised up by ¥10.0B. Given growing demand of testers for high-performance memory, supply capacity structure is being expanded
- Prolonged inventory adjustment of semiconductors for consumer applications has affected the pace of digesting excess capacity caused by the elevated level of SoC tester delivery in the last fiscal year
- In CY24, increasing demand for semiconductors related to generative AI is expected to drive related CapEx, leading to tester demand in the 2nd half
- Grasp the changes in the semiconductor value chain driven by further evolution of generative AI technology and provide new solutions to expand the customer base
- Promote measures to improve profitability
 - Refine our supply chain management to improve responsiveness to demand fluctuations
 - Step up efforts to provide higher value-added solutions, to review pricing, to reduce costs, etc.

○ Summary

- We have been expanding our supply capacity structure in response to tester demand growth for high-performance memory. We have revised up our sales forecast by ¥10 billion from the October forecast of ¥470 billion.
- On the other hand, recovery of SoC tester demand is slower than expected. While tester demand for high-performance semiconductors such as HPC/AI is turning upward, digestion of excess tester capacity is taking longer than originally expected at the beginning of the fiscal year, although signs of recovery are emerging.
- In 2024, supply-demand balance improvement of semiconductors is expected. In addition to demand recovery of semiconductors for consumer applications, increasing demand of semiconductors and capacity increases on the supply side for generative AI is expected to lead to related CapEx and drive tester demand in the 2nd half.
- In the med/long-term, as generative AI technology advances, structure of industries as well as society at large are likely to change. We aim to expand the scale of our customer base by grasping changes in the semiconductor value chain and providing new solutions in order to pursue further growth.
- Finally, I would like to touch on profitability improvement. Changes in the past year were significant. However, semiconductor demand is likely to continue to fluctuate going forward. We will work to refine our supply chain management to improve our responsiveness to demand fluctuations.
- The basic approach to improving profitability will be through the provision of higher value-added solutions in response to technological evolution of new high-performance devices. In parallel, we will review selling prices in light of rising materials procurement costs and strengthen our cost reduction activities.

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