

FY2015 3Q Information Meeting

**January 27th, 2016
Advantest Corporation**

NOTE

•**Prepared in accordance with US GAAP**

•**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, a discussion of Advantest's business strategy, outlook and expectations as to market and business developments, production and capacity plans. These forward-looking statements can be identified by use of forward-looking terminology 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. These factors include: (i) changes in demand for the products and services produced and offered by Advantest's customers, including semiconductors, communications services and electronic goods; (ii) circumstances relating to Advantest's investment in technology, including its ability to develop in a timely fashion products that meet the changing needs of semiconductor manufacturers and communications network equipment and component makers and service providers; (iii) significant changes in the competitive environment in the major markets where Advantest purchases materials, components and supplies for the production of its products or where its products are produced, distributed or sold; and (iv) changes in economic conditions, currency exchange rates or political stability in the major markets where Advantest procures materials, components and supplies for the production of its principal products or where its products are produced, distributed or sold. A discussion of these and other factors which may affect Advantest's actual results, levels of activity, performance or achievements is contained in the "Operating and Financial Review and Prospects", "Key Information - Risk Factors" and "Information on the Company" sections and elsewhere in Advantest's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission.

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**Financial Results
for 3rd Quarter of FY2015
(Period ended December 31, 2015)**

**Advantest Corporation
Hiroshi Nakamura
Director and Managing Executive Officer**

Summary of Results

(¥B)

	FY2014				FY2015						
	1Q	2Q	3Q	4Q	1Q	2Q	Results	3Q			
								QoQ		YoY	
							¥B	%	¥B	%	
Orders	49.2	38.2	38.7	50.2	44.0	27.1	39.8	+12.7	+47.0%	+1.2	+3.0%
Sales	36.8	42.1	41.0	43.4	40.3	46.4	29.9	-16.4	-35.4%	-11.0	-26.8%
Gross Profit	20.3	22.9	23.4	23.8	22.6	24.4	18.0	-6.3	-26.0%	-5.3	-22.8%
Operating Income	2.4	4.0	3.4	4.8	2.7	4.0	-0.5	-4.6	-	-4.0	-
Income Before Tax	3.2	4.8	5.3	5.6	2.8	3.5	0.2	-3.3	-95.4%	-5.1	-97.0%
Net Income	1.3	3.3	4.6	3.7	1.9	2.5	-0.8	-3.3	-	-5.5	-
Backlog	44.4	40.4	38.1	45.0	48.7	29.4	39.2	+9.8	+33.4%	+1.1	+2.9%

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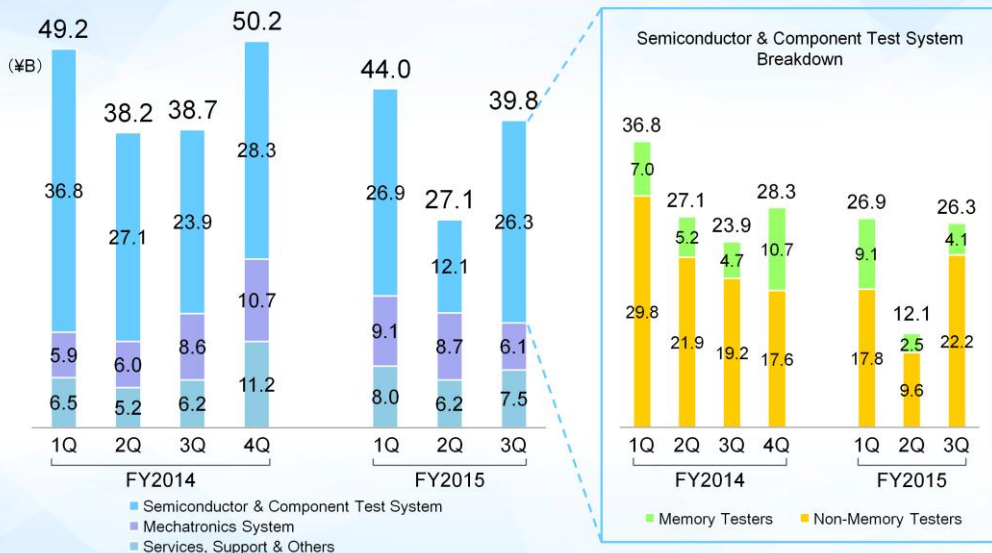
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○ FY2015 3Q Results Summary

- Orders ¥39.8 billion +47.0% QoQ
 - Sales ¥29.9 billion -35.4% QoQ
 - Operating Income -¥ 0.5 billion -¥4.6 billion QoQ
 - Income Before Tax ¥ 0.2 billion -¥3.3 billion QoQ
 - Net Income -¥ 0.8 billion -¥3.3 billion QoQ
- Customer investment in testers grew, chiefly for non-memory semiconductors, and orders improved significantly over the previous quarter.
 - Sales of ¥29.9 billion reflected lower orders in 2Q.
 - Operating income sank into the red, due to lower sales, but an improved gross profit margin and slimmer operating costs kept the decline relatively slight.
 - Backlog ¥39.2 billion +¥9.8 billion QoQ
Backlog growth lays the foundation for an expected sales recovery.

Orders by Quarter and Business Segment



Note: Intersegment transactions have been eliminated from totals

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○ FY2015 3Q Orders by Segment

○ Semiconductor & Component Test System

- +117% QoQ ¥26.3 billion
 - Non-memory Testers: ¥22.2 billion
 - Memory Testers: ¥4.1 billion

- Non-memory tester orders greatly surpassed the previous quarter and the same quarter in the previous fiscal year, fuelled by smartphone and Chinese 4G base station demand.
- Memory tester orders recovered from the previous period, but the relatively low level of smartphone sales in the period, as well as lumpiness in customer production line ramp schedules, held orders below our expectations.

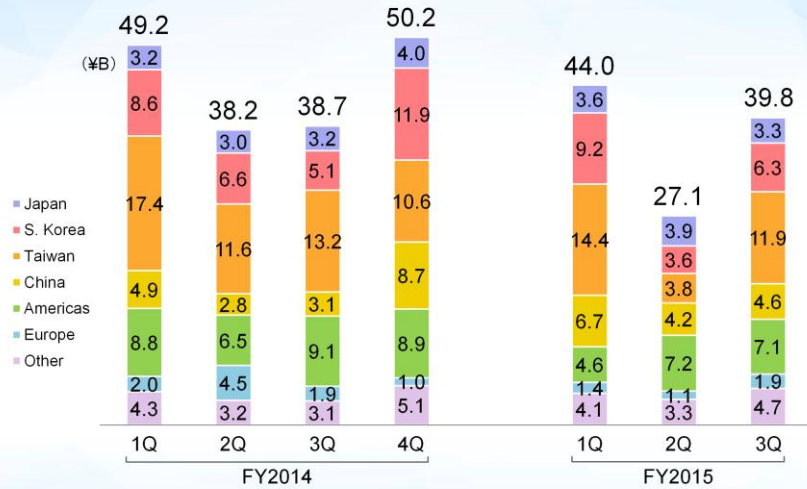
○ Mechatronics System

- -30% QoQ ¥6.1 billion
- Device interface orders declined, in step with the pause in the memory tester market.
- Although customer interest in nanotechnology products remains high, business results did not achieve the levels seen in 1H.

○ Services, Support & Others

- +19% QoQ ¥7.5 billion
- Maintenance contract numbers rose.

Orders by Quarter and Region



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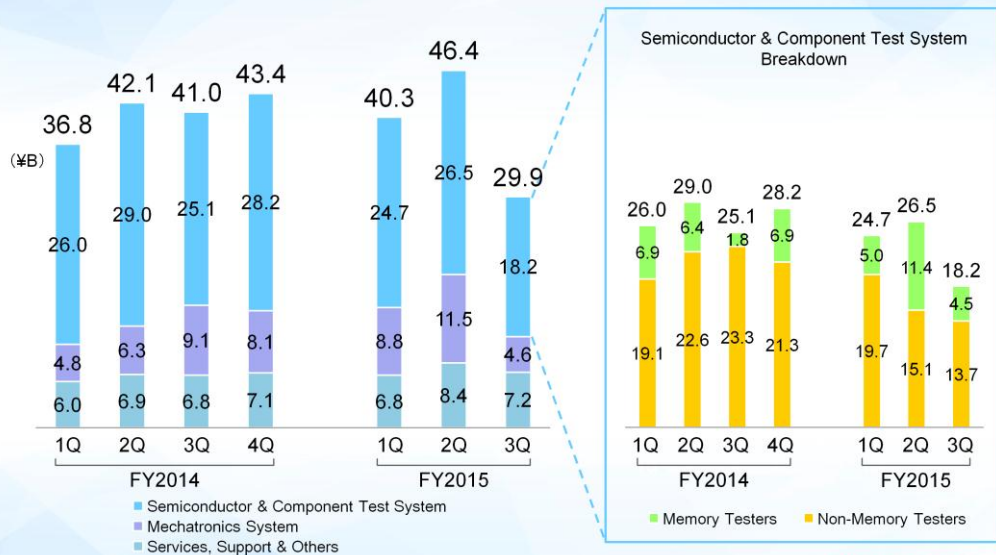
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○ FY2015 3Q Orders by Region

- Taiwan
Non-memory tester orders for applications processors and other devices recovered.
- South Korea
DRAM tester orders grew.

Sales by Quarter and Business Segment



Note: Intersegment transactions have been eliminated from totals

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- FY2015 3Q Sales by Segment
- Semiconductor & Component Test System
 - -31% QoQ ¥18.2 billion
 - Non-memory Testers: ¥13.7 billion
 - Memory Testers: ¥4.5 billion
 - Reflecting lower orders in 2Q, both non-memory and memory tester sales declined.
- Mechatronics System
 - -60% QoQ ¥4.6 billion
 - Device interface sales were impacted by the pause in the memory tester market.
 - As with orders, nanotechnology sales did not achieve the levels seen in 1H.
- Services, Support & Others
 - -15% QoQ ¥7.2 billion
 - SSD tester sales leveled off.

Sales by Quarter and Region



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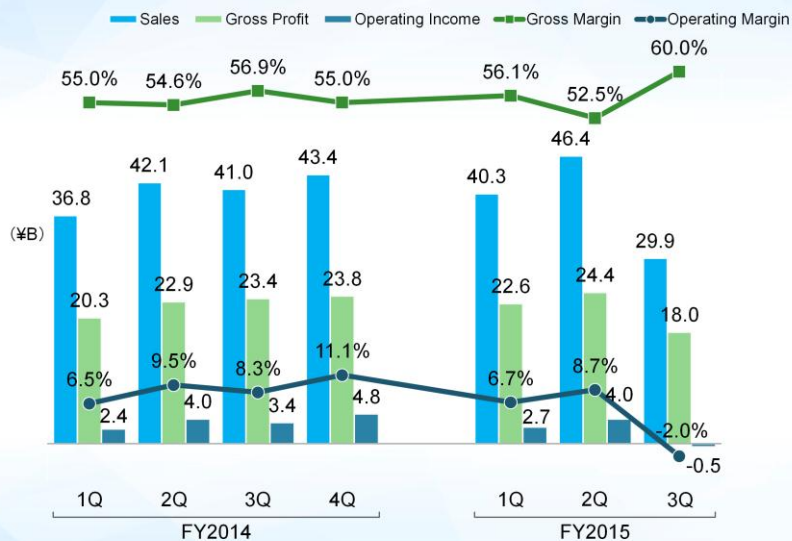
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○ FY2015 3Q Sales by Region

- Americas
Nanotechnology and non-memory tester sales slumped.
- Taiwan
Display driver IC tester sales slowed.
- China
Sales of memory testers and device interfaces declined.
- South Korea
Memory tester sales declined.
- As a result of the above, 88.3% of sales in the period were to customers outside Japan.

Sales / Gross Profit / Operating Income



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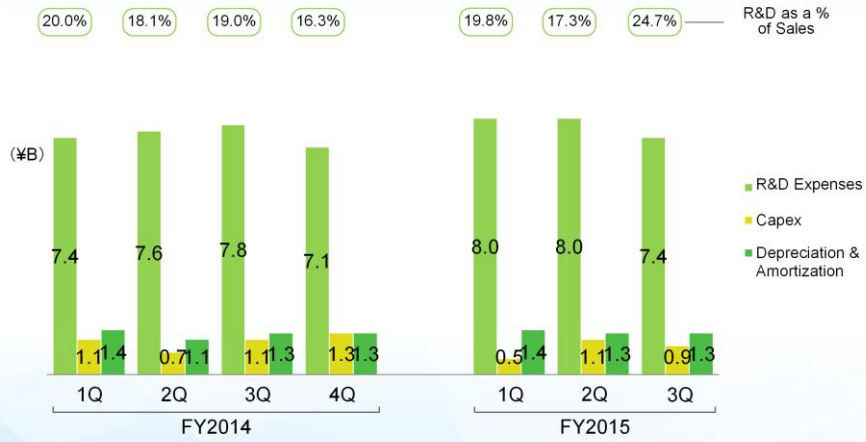
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○ FY2015 3Q Sales / Gross Profit / Operating Income

- Gross Profit -¥6.3 billion QoQ ¥18.0 billion
Gross profit declined in step with lower sales.
- Gross Margin +7.5 points QoQ 60.0%
Highly profitable non-memory testers rose in our sales mix.
- Operating Expenses -¥1.7 billion QoQ ¥18.5 billion
Accrued bonuses were lower, in line with P/L.
- Operating Loss ¥0.5 billion
- Operating Margin -2.0%

R&D Expenses / Capex / Depreciation and Amortization



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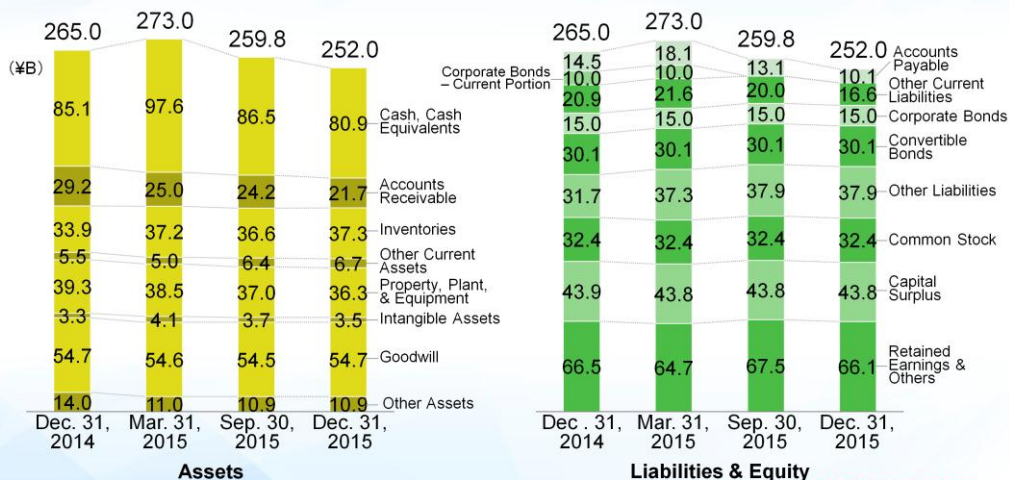
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○ FY2015 3Q R&D Expenses / Capex / Depreciation and Amortization

- R&D Expenses ¥7.4 billion
- Capex ¥0.9 billion
- Depreciation and Amortization ¥1.3 billion

Balance Sheet

(Shareholders' Equity)	142.8	140.9	143.7	142.3
(Equity-to-Assets Ratio)	53.9%	51.6%	55.3%	56.5%



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○ Balance Sheet for Period Ending December 31, 2015

○ Assets

- Cash & Cash Equivalents
¥80.9 billion -¥5.6 billion QoQ
- Total Assets
¥252.0 billion -¥7.8 billion QoQ

○ Liabilities & Equity

- Shareholder Equity ¥142.3 billion
- Equity-to-Assets Ratio 56.5% up 1.2 points QoQ

FY2015 Business Outlook

Advantest Corporation
Shinichiro Kuroe
Representative Director, President & CEO

FY2015 Financial Results Forecast

For References:
Previous Forecast
(October)
1 US\$ = ¥120
1 Euro = ¥135

(¥B) Exchange Rate Assumptions for FY2015 4Q Forecasts: 1 US\$ = ¥ 120, 1 Euro = ¥130

	FY2014 Full Year	FY2015 1Q	FY2015 2Q	FY2015 1H	FY2015 3Q	FY2015 4Q (forecast)	FY2015 2H (forecast)	FY2015 Full Year (forecast)	vs. FY2014	FY2015 Full Year (forecast)
Orders	176.3	44.0	27.1	71.1	39.8	39.1	78.9	150.0	-14.9%	150.0
Backlog	45.0	48.7	29.4	29.4	39.2	35.0	35.0	35.0	-22.2%	35.0
Sales	163.3	40.3	46.4	86.7	29.9	43.4	73.3	160.0	-2.0%	160.0
Operating Income	14.6	2.7	4.0	6.7	-0.5	4.3	3.8	10.5	-28.2%	10.0
Operating Income Margin	9.0%	6.7%	8.7%	7.8%	-2.0%	10.0%	5.1%	6.6%	-2.4pts	6.3%
Income Before Tax	18.9	2.8	3.5	6.3	0.2	4.3	4.5	10.8	-42.7%	9.5
Net Income	12.9	1.9	2.5	4.4	-0.8	3.1	2.3	6.7	-48.3%	6.7
Net Income Margin	7.9%	4.7%	5.5%	5.1%	-2.7%	7.1%	3.1%	4.2%	-3.7pts	4.2%

Orders and sales forecasts remain unchanged from the figures published in October 2015.
 Expectations of a more profitable sales mix in 4Q have prompted a revision of our operating income and income before income tax forecasts.
 Our net income forecast remains unchanged, taking into account increased tax expenses associated with overseas income.

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○ FY2015 Financial Results Forecast

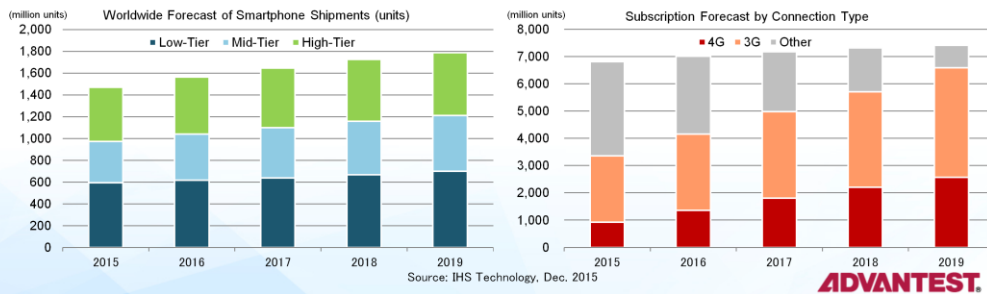
- Based on 3Q consolidated results and near-term environmental factors, our forecast published in October 2015 remains virtually unchanged.
- Orders and sales forecasts remain unchanged from the figures published in October 2015.
- Expectations of a more profitable sales mix in 4Q have prompted a revision of our operating income and income before income tax forecasts.
- Our net income forecast remains unchanged, taking into account increased tax expenses associated with overseas income.
- FY2015 4Q Forecast
 - Orders ¥39.1 billion
 - Sales ¥43.4 billion
 - Operating Income ¥4.3 billion
 - Net Income ¥3.1 billion
- FY2015 Full Year Forecast
 - Orders ¥150.0 billion
 - Sales ¥160.0 billion
 - Operating Income ¥10.5 billion
 - Net Income ¥6.7 billion
- An uptick in the Chinese smartphone market underpinned orders growth in 3Q. The outlook for the Chinese economy and the global economy remains murky, precluding optimism with regards to 4Q orders.
- 3Q sales hit a trough, reflecting 2Q order figures. Profit also slumped. However, our growing order backlog provides grounds to believe that our 2H profit targets can be achieved.

Outlook by Segment (Highlights)

■ Semiconductor & Component Test System

Non-Memory Testers

- ✓ Orders environment should rebound from 2Q trough with improving customer utilization ratios.
- ✓ Faster mobile networks, low-end / mid-range smartphone shipment growth, and better performance will stimulate demand for testers.
- ✓ We broadened our customer base in 2015, when customers adopted Advantest testers for PMIC, MCU, automotive IC, and sensor test.



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○ Non-Memory Testers

- Non-memory tester utilization ratios have been gradually turning upward since October. Correspondingly, our orders environment bottomed out in 2Q and is now recovering.
- Globally, the adoption of low-end and mid-range smartphones is proceeding. Unit growth in high-end smartphones may have slowed, but we predict an uptick in logic IC production utilizing leading-edge manufacturing processes.
- Our goal of stable revenues makes it a priority for us to expand our presence in non-smartphone-linked markets. In 2015, we successfully won new customers in the PMIC, MCU, automotive IC, and sensor segments, increasing our share in these markets.
- We will continue to broaden our customer base in a wide range of market segments.

Outlook by Segment (Highlights)

■ Semiconductor & Component Test System

Memory Testers

- ✓ The accelerating shift to LPDDR4 will promote adoption of high-speed DRAM testers.
- ✓ Expanding 3D NAND volume production is expected to drive NAND flash tester demand growth in 2016.
- ✓ New testers are needed to support high-speed NAND interfaces, with system-level testers in particular expected to see demand growth.



New T5851 Memory Test System for System-Level Test

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○ Memory Testers

- Memory tester orders and sales did not meet our initial expectations in 3Q. However, we anticipate heavier customer investment in the mid-range and high-end smartphone segments going forward.
- In the DRAM segment, LPDDR4, and in the NAND flash segment, 3D NAND and high-speed interfaces are shifting to the mainstream, raising expectations for production volume growth.
- The new generation of mobile NAND flash memory for smartphones utilizes high-speed interfaces such as UFS and PCIe. Like SSDs, these devices require system-level test that supports protocol test. A new tester market is taking shape to address the broad system-level test needs created by interface protocol advances .

Outlook by Segment (Highlights)

■ Mechatronics System

- ✓ **Device Interfaces:** We are building our non-memory DI business into a solid revenue-generator that is relatively immune to swings in the tester market.
- ✓ **Nanotechnology:** While maintaining our share of the photomask market, we will continue to explore a broad range of new non-semiconductor markets.

■ Services, Support & Others

- ✓ **Services:** We aim to further grow sales by enriching our line-up of services that comprehensively support customer productivity gains.
- ✓ **SSD Testers:** In addition to SSD shipment growth, the gradual introduction of advanced interface standards that cannot be tested in conventional measurement environments should drive demand for our SSD testers.

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○ Mechatronics Systems and Services, Support & Others

- Our device interfaces business is strongly correlated at present to the memory tester market. We aim to expand our non-memory DI business.
- Amid growing interest in our EB technology, we plan to expand this business beyond photomasks and other semiconductor-related markets, targeting new arenas unrelated to the semiconductor industry.
- Our field services business, the heart of our Services, Support & Others segment, has continually grown its profits for several years based on increasing numbers of maintenance contracts, but we plan to go beyond this approach to reinforce our offerings of comprehensive solutions that contribute to customer productivity, with the goal of growing sales in future.
- Our SSD tester business is presently showing the strongest growth of all our new businesses. As well as the NAND flash test needs touched on earlier, there is a growing need for performance and reliability test for flash storage media. We are positioned to gain ground in this growing market, with a focus on maximizing our penetration of the enterprise SSD test market by winning new and repeat customers who require support for high-speed protocol test.

Takeaways

- ✓ Based on 3Q results and customer trends, 2H results are expected to closely match our forecast published in October.
- ✓ In 2015, our non-memory tester business continued to gain new customers, including in the PMIC, MCU, automotive IC, and sensor segments. We will further broaden our customer base to improve the profitability of this business.
- ✓ Our memory tester business is expected to grow on demand for DRAM back-end and NAND devices utilizing high-speed interfaces.
- ✓ Further expansion of our mechatronics and service, support, and others segments continues to be a priority.

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○ Takeaways

- Based on 3Q results and customer trends, 2H results are expected to closely match our forecast published in October.
- In 2015, our non-memory tester business continued to gain new customers, including in the MCU, automotive IC, and other segments. We will further broaden our customer base to improve profitability.
- Our memory tester business is expected to grow as a result of demand for DRAM back-end and NAND devices utilizing high-speed interfaces.
- Cultivation of our mechatronics segment and the new businesses within our service, support, and others segment continues to be a priority. By successfully ramping up these and other new businesses, we will reinforce our ability to grow revenues and profits even when the semiconductor tester market is in a downturn.