

FY2017
(Period Ended March 31th, 2018)
Information Meeting

April 26th, 2018

Advantest Corporation
Atsushi Fujita
Managing Executive Officer

NOTE

- ◆ **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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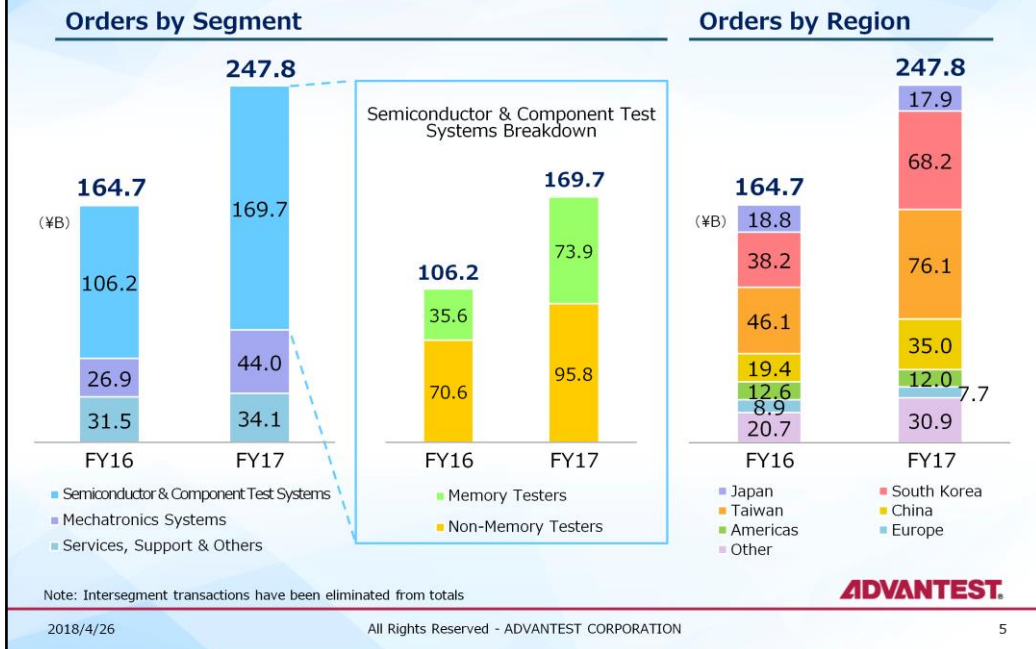
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Agenda

- **Financial Results for FY2017**
- FY2018 Business Outlook

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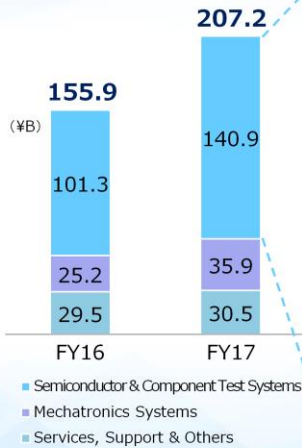
FY17 Orders by Segment / Region



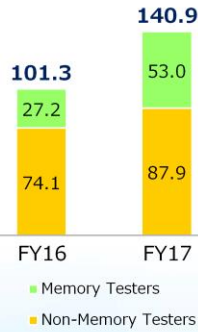
- FY2017 Orders by Segment & Region
- Semiconductor & Component Test System
 - ¥169.7 billion +60% YoY
 - Demand for memory testers has doubled amidst robust data center investment and functional improvement of high-end memory such as 3D NAND.
 - In non-memory testers, sales for automotive and display applications were strong all year, and mobile-related demand also recovered in 2H, resulting in solid orders.
- Mechatronics System
 - ¥44.0 billion +64% YoY
 - Vigorous investment in device interfaces correlated with memory tester demand.
- Services, Support & Others
 - ¥34.1 billion +8% YoY
- By Region
 - Orders increased across the board in South Korea, Taiwan, China, and other areas with sizable semiconductor production bases, including Southeast Asia.

FY17 Sales by Segment / Region

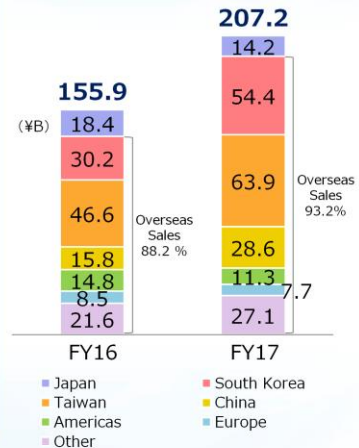
Sales by Segment



Semiconductor & Component Test Systems Breakdown



Sales by Region



Note: Intersegment transactions have been eliminated from totals

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6

○ FY2017 Sales by Segment & Region

- Reasons for sales growth or decreases in all segments were virtually identical to the reasons for variation in orders.

○ Semiconductor & Component Test System

- ¥140.9 billion +39% YoY

○ Mechatronics System

- ¥35.9 billion +43% YoY

○ Services, Support & Others

- ¥30.5 billion +3% YoY

○ By Region

- Amidst aggressive tester investment by non-Japanese chip-makers, Advantest's proportion of sales outside Japan rose to 93.2%.

FY17 4Q Summary of Results

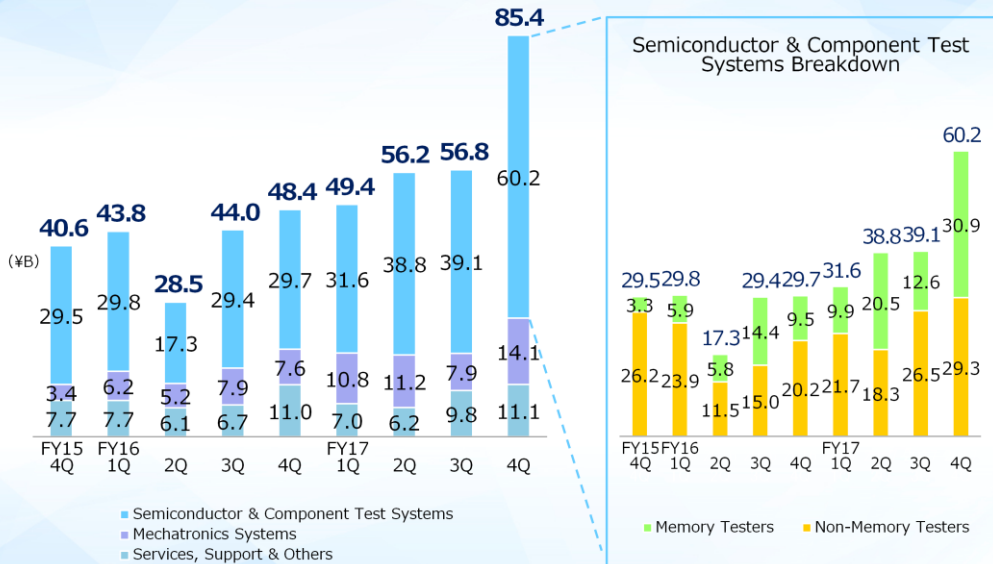
	FY16		FY17			QoQ		YoY		(¥B)
	4Q	1Q	2Q	3Q	4Q	(Δ)	(%)	(Δ)	(%)	
Orders	48.4	49.4	56.2	56.8	85.4	+28.6	+50.4%	+37.0	+76.5%	
Sales	48.3	40.7	47.7	50.9	67.9	+17.1	+33.5%	+19.6	+40.5%	
Gross Profit	25.3	20.6	24.9	23.2	37.9	+14.5	+62.5%	+12.5	+49.4%	
Gross Profit Margin	52.4%	50.6%	52.1%	45.8%	55.7%	+9.9pts		+3.3pts		
Operating Income	4.6	2.2	5.2	3.2	13.9	+10.6	+328.1%	+9.2	+200.0%	
Operating Income Margin	9.5%	5.5%	10.9%	6.4%	20.4%	+14.0pts		+10.9pts		
Income Before Tax	5.3	1.6	4.8	3.4	14.5	+11.1	+326.9%	+9.2	+175.0%	
Net Income	6.8	1.0	3.9	2.6	10.6	+8.1	+317.4%	+3.8	+55.7%	
Net Income Margin	14.1%	2.4%	8.2%	5.0%	15.6%	+10.6pts		+1.5pts		
Backlog	42.2	50.9	59.4	65.3	82.8	+17.5	+26.8%	+40.6	+96.1%	
Exchange Rate	1 US\$	¥115	¥112	¥111	¥112	¥111	¥1 Appreciation	¥4 Appreciation		
	1 Euro	¥122	¥121	¥128	¥132	¥134	¥2 Depreciation	¥13 Depreciation		

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○ FY2017 4Q Results Summary

- Orders received: 85.4 billion yen, close to the record high for quarterly orders posted in 2Q FY2000.
- Unlike in the early 2000s, when demand depended largely on the PC market, this new high reflects growth in test demand due to the present expansion of semiconductor applications and demand growth ranging across sectors from consumer electronics to infrastructure, and across device types from memory to sensors.
- Due to increased sales and better gross profit margin, operating income margin exceeded 20% for the first time since 2Q 2007, our best quarterly result in recent years.

Orders by Segment



Note: Intersegment transactions have been eliminated from totals

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○ FY2017 4Q Orders by Segment

○ Semiconductor & Component Test System

- ¥60.2 billion +54% QoQ
of which, non-memory testers ¥29.3 billion
memory testers ¥30.9 billion
- In non-memory testers, display driver demand jumped QoQ.
- In memory testers, DRAM and flash memory saw equally strong orders. We also received some inquiries for advance orders which would be posted in 1Q FY2018, boosting total orders by about 15.0 billion yen.

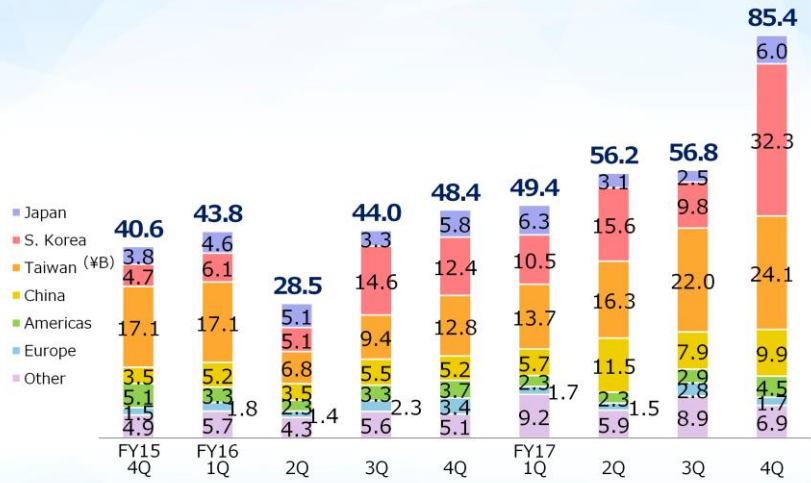
○ Mechatronics System

- ¥14.1 billion +80% QoQ
- This segment also grew strongly, reflecting the vigor of the memory tester market.

○ Services, Support & Others

- ¥11.1 billion +14% QoQ

Orders by Region



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○ FY2017 4Q Orders by Region

- Regions where orders fluctuated significantly QoQ:

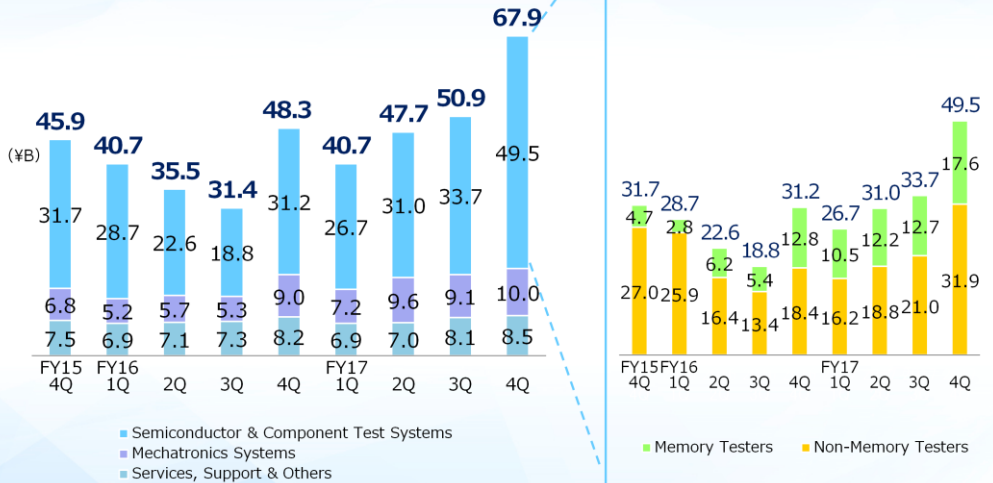
South Korea

DRAM and flash orders grew.

Taiwan

Testers for high-performance logic ICs, as well as display driver testers, saw robust demand.

Sales by Segment



Note: Intersegment transactions have been eliminated from totals

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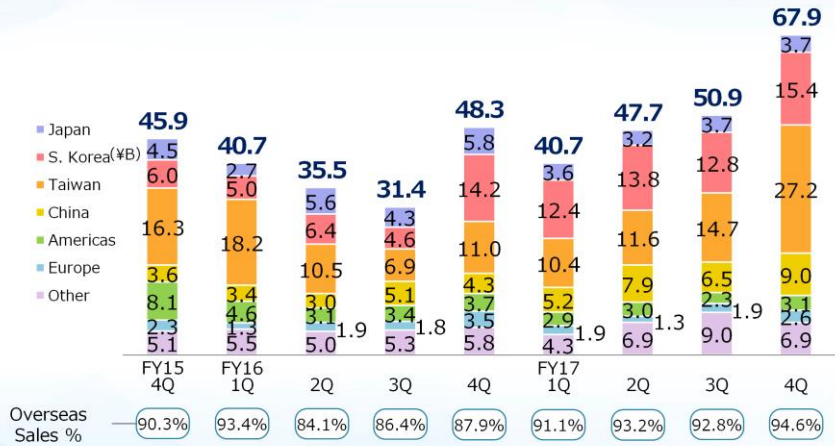
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10

- FY2017 4Q Sales by Segment
- Semiconductor & Component Test System
 - ¥49.5 billion +47% QoQ
of which, non-memory testers ¥31.9 billion
memory testers ¥17.6 billion
 - In non-memory testers, growth in the mobile and computing sectors drove total sales.
 - As mentioned earlier, memory tester sales exceeded our initial forecast.
- Mechatronics System
 - ¥10.0 billion +10% QoQ
- Services, Support & Others
 - ¥8.5 billion +5% QoQ

Sales by Region



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11

○ FY2017 4Q Sales by Region

- Taiwan
Testers for high-end SoC production utilizing advanced processes posted higher sales.
- South Korea, China
Sales of DRAM and flash memory tester sales grew.

As a result, Advantest's overseas sales ratio in 4Q was 94.6%

Sales / Gross Profit / Operating Income



	FY16	FY17
Gross Profit	89.7	1,06.6
Gross Margin	57.6%	51.4%
SG&A	75.8	82.1
Operating Income	13.9	24.5
Operating Margin	8.9%	11.8%

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12

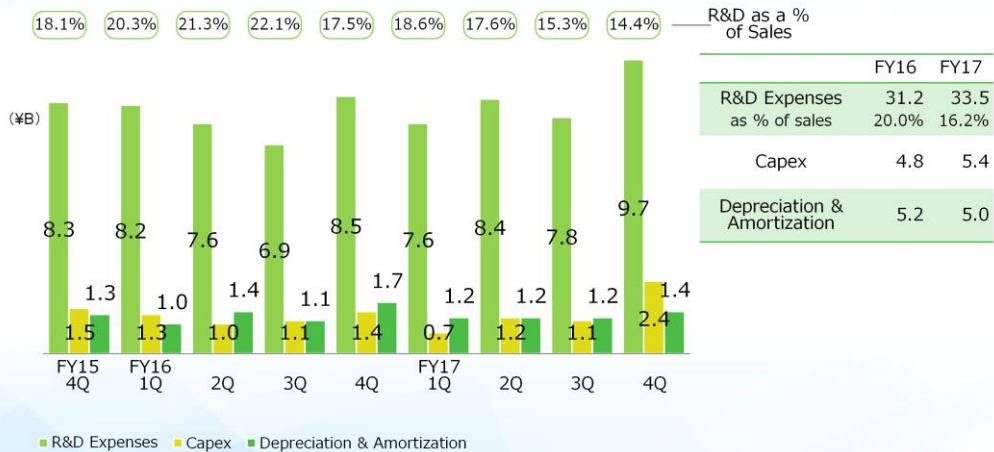
○ FY2017 4Q Sales / Gross Profit / Operating Income

- Gross Margin +9.9 points QoQ 55.7%
4Q gross margin improved due to the end of the impact of the ¥3.3 billion write-down of inventories in our nanotechnology business posted in 3Q, and increased sales of highly profitable logic testers.
- SG&A +¥3.9 billion QoQ ¥24.0 billion
Chiefly due to higher accrued bonuses
- Operating Income +¥10.6 billion QoQ ¥13.9 billion
- Operating Margin +14.0 points QoQ 20.4 %

○ FY2017 Full Year Sales / Gross Profit / Operating Income

- Gross Margin -6.2 points YoY 51.4%
Impacted by ¥3.3 billion write-down of inventories recorded in 3Q, and memory testers and mechatronics related products rising higher in our sales mix.
- Operating Margin +2.9 points QoQ 11.8%
SG&A efficiency improved, compensating for the decline in gross profit margin.

R&D Expenses/Capex/Depreciation & Amortization



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13

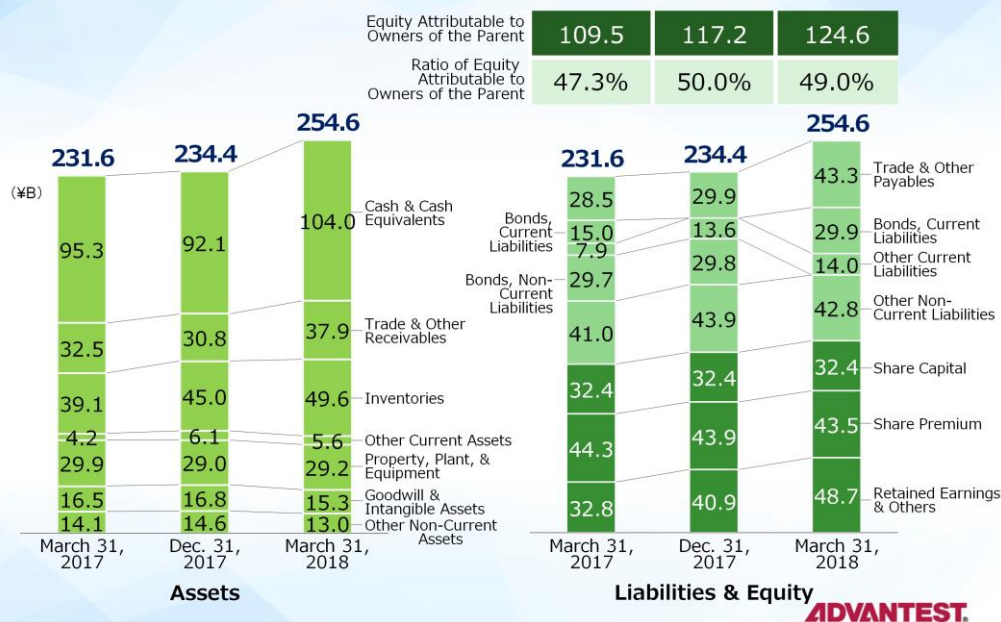
○ FY2017 4Q R&D Expenses/Capex/Depreciation and Amortization

- R&D Expenses ¥9.7 billion
- Capex ¥2.4 billion
- Depreciation and Amortization ¥1.4 billion

○ FY2017 Full Year

- R&D Expenses ¥33.5 billion
- Capex ¥5.4 billion
- Depreciation and Amortization ¥5.0 billion

FY17 Financial Position



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14

○ Balance Sheet for Period Ending March 31st, 2018

- Total Assets: ¥254.6 billion
- Cash & Cash Equivalents: ¥104.0 billion
¥8.6 billion up from the end of the previous fiscal year
- Inventories: ¥49.6 billion
¥10.5 billion up from the end of the previous fiscal year
- Equity Attributable to Owners of the Parent: ¥124.6 billion
- Ratio of Equity Attributable to Owners of the Parent: 49.0%
1.7 points up from the end of the previous fiscal year

Agenda

- Financial Results for FY2017
- **FY2018 Business Outlook**

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CY18 Market Forecast

	CY17	CY18 estimate	YoY Change
Non-memory tester market	Approx \$2,200M	Approx \$2,200~\$2,300M	+0%~5%
Memory tester market	Approx \$750M	Approx \$900M	+20%

- ✓ The semiconductor tester market is expected to continue booming in 2018
- ✓ In the non-memory tester market, we anticipate solid demand in high-performance computing, automotive and display-related sectors
- ✓ We expect the memory tester market to grow this year as well

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○ CY2018 Market Forecast

- In the CY18 non-memory tester market, growth in demand for testers for high-performance logic ICs used for AI servers and cryptocurrency mining is seen to drive market expansion.
- Smartphone-related demand is expected to be flat for the year, as smartphones are growing sluggishly in general, although some smartphones are now utilizing high-end SoCs for functionality improvements.
- Demand for automotive and liquid crystal / organic EL panels, which was hot in 2017, continues to be strong. These sectors are expected to hold the same level as the previous year.
- In non-memory testers, our previous outlook of approximately \$2,200-2,300 million remains unchanged.
- The memory test market is subject to large short-term demand fluctuations, so our CY18 forecast is speculative. However, memory demand for data centers appears strong at the moment, so we believe demand for memory testers will continue to expand over the long term. Under these circumstances, we expect that chip-makers will increase their investments in testers for premium DRAM and non-volatile memory used in servers.
- We currently estimate the size of the memory tester market in CY18 to be about \$900 M, which was the upper limit of our estimate published three months ago.

FY18 Forecast

	FY17	FY18 Forecast	(¥B)	
			vs. FY17 (Δ)	(%)
Orders	247.8	220.0	-27.8	-11.2%
Sales	207.2	230.0	+22.8	+11.0%
Semiconductor & Component Test systems	140.9	160.0	+19.1	+13.5%
Mechatronics	35.9	38.0	+2.1	+5.9%
Services, Support & Others	30.5	32.0	+1.5	+5.0%
Operating Income	24.5	34.5	+10.0	+40.9%
Operating Income Margin	11.8%	15.0%	+3.2pts	
Income Before Tax	24.3	34.8	+10.5	+43.2%
Net Income	18.1	27.8	+9.7	+53.6%
Net Income Margin	8.7%	12.1%	+3.4pts	
Backlog	82.8	72.8	-10.0	+12.1%
Exchange Rate	1 US\$	¥111	¥105	¥6 Appreciation
	1 Euro	¥129	¥135	¥6 Depreciation

* Our FY18 forecast does not reflect the impact of adopting IFRS 15

Note: Intersegment transactions have been eliminated from totals

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17

○ FY2018 Forecast

- While we anticipate that the market will grow, orders received are forecast to shrink to 220.0 billion yen. This is because we received about 15.0 billion yen orders ahead of schedule in FY2017.
- If we adjust for this, we would expect FY2018 orders to be of the same level YoY.
- Based on these expectations for orders and backlog, we anticipate an increase in revenue in FY2018.
- Gross profit margin is expected to remain at the same level YoY in FY2018. We will work to increase profits while also remaining conscious of SG&A efficiency this fiscal year.
- Operating income is forecast to be 34.5 billion yen, an increase of 10.0 billion yen, operating margin is forecast to be 15%.
- Our forecast assumes exchange rates of 1 US dollar = 105 yen, 1 euro = 135 yen.

FY18 Key Themes

■ Towards Business Growth

<Reinforce product supply capability>

Improve parts procurement ability to keep up with dramatic tester demand growth

<Mid-term measures for sustainable growth>

Reinforce partnerships with customers in promising areas such as AI, 5G comms, and ADAS

■ FY18 Investment Outlook

- ✓ R&D expenses: ¥35.0B (FY17 actual: ¥33.5B)
- ✓ Capital investment: ¥7.0B (FY17 actual: ¥5.4B)
- ✓ Depreciation and amortization: ¥5.5B (FY17 actual: ¥5.0B)

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○ FY2018 Key Themes

- While orders received continue to grow, we will further reinforce our parts procurement capacity.
- In addition, we have formulated a long-term management policy for the next 10 years and a mid-term management plan for the next three years. These policies will shape our drive for growth.
- These mid- to long-term policies, to be described later, call for R&D expenses of 35.0 billion yen, capital investment of 7.0 billion yen, and depreciation costs of 5.5 billion yen in FY2018.

FY18 Outlook by Segment

Semiconductor & Component Test System Sales trends (¥B)



■ Semiconductor & Component Test Systems <Non-Memory Testers>

- ✓ Computing areas such as AI, as well as smartphones, are growing against a backdrop of better device performance
- ✓ The automotive and display-related demand environment continues to be favorable

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19

○ FY2018 Outlook by Segment: Non-Memory Testers

- High-end SoCs and logic ICs used for smartphones and AI servers will see sharp improvements in performance and greater miniaturization this year.
- As a result, test times will become longer and test itself will become more complicated.
- We anticipate increased sales of testers due to these technological evolutionary factors.
- Demand from the automotive and display-related sectors will continue at the strong level of FY2017.
- Our non-memory tester business sales forecast for FY2018 is 93.0 billion yen, about 5.0 billion yen up from FY2017.

FY18 Outlook by Segment

Semiconductor & Component Test System Sales trends (¥B)



■ Semiconductor & Component Test Systems <Memory Testers>

- ✓ Customers will continue to reinforce their investment in DRAM back-end testers for productivity improvements and high-speed test capabilities
- ✓ More layers in NAND flash devices and expansion of reliability assurance needs should expand test demand

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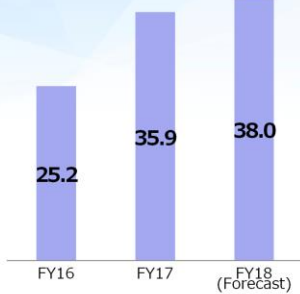
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○ FY2018 Outlook by Segment: Memory Testers

- In the midst of the current so-called supercycle, the memory tester market continues to grow
- Advantest will take advantage of our No. 1 position in this market to further increase sales.
- In DRAM, due to strong demand for server DRAM, investment in back-end DRAM testers is expected to continue steadily.
- In flash memory, investment in testers for volume production of 64-layer and 72-layer 3D NAND, and in burn-in testers to guarantee NAND reliability, is also expected to continue at a robust pace.
- In FY2017, sales for testers for non-volatile memory such as 3D NAND and DRAM testers were about equal, a trend that is expected to continue this fiscal year.
- Our memory tester business sales forecast for the current term is 67.0 billion yen, an increase of approximately 14.0 billion yen YoY.

FY18 Outlook by Segment

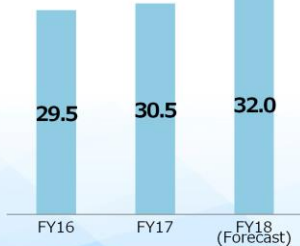
Mechatronics Sales Trends (¥B)



■ Mechatronics

- ✓ Probe card business will grow
- ✓ Handler demand for memory and automotive applications is also growing
- ✓ Our nanotech business has bottomed out

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



■ Services, Support, & Others

- ✓ SSD tester growth will contribute to overall revenue growth for this segment

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○ FY2018 Outlook by Segment: Mechatronics, Services & Others

- Demand for memory handlers and automotive handlers is showing strong growth, pointing to a sales increase.
- We estimate that our nanotech business bottomed out in FY2017.
- As a result, our FY2018 sales forecast for our mechatronics business is 38.0 billion yen.
- Our FY2018 sales forecast for our services and other business is 32.0 billion yen.
- While there will be some growth in second-hand sales and service contract revenue, SSD tester growth is expected to drive an overall increase in segment sales.

Summary

- ✓ Anticipating continued growth in the semiconductor tester market in FY2018, we aim to further boost our performance
- ✓ As strong demand for testers continues, we will further improve our parts procurement capacity
- ✓ We will also strengthen our partnerships with customers in promising areas such as AI, 5G comms, and ADAS
- ✓ Our newly formulated long-term management policy and three-year mid-term management plan kick off in FY18. All employees will work together to create customer value and enhance corporate value

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○ Summary

- This presentation has discussed our results for FY2017, our outlook for the tester market in FY2018, and our outlook by segment for the full year.