

Advantest Corporation  
Information Meeting

# Financial Results for the 2nd Quarter of Fiscal 2008

October 30, 2008

Presentation:

Yuichi Kurita

Director, Managing Executive Officer

## 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.

# Summary of Achievements

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(In Billions of Yen)

	FY'07				FY'08			
	1Q	2Q	3Q	4Q	1Q	2Q	Q on Q (%)	Y on Y (%)
Orders	53.2	42.0	31.2	35.8	18.2	<b>18.1</b>	-0.1	-56.8
Sales	57.1	57.8	35.0	32.9	26.5	<b>26.0</b>	-1.5	-54.9
Operating Income/loss	11.7	12.9	1.0	-2.9	-1.8	<b>-2.1</b>	—	—
Non-operating Income/loss	3.4	-0.6	1.0	-3.0	1.5	<b>-2.5</b>	—	—
Income/loss before Tax	15.1	12.3	2.0	-5.9	-0.3	<b>-4.6</b>	—	—
Net Income/loss	9.9	7.0	3.0	-3.3	-0.2	<b>-2.7</b>	—	—
Backlog	49.0	33.2	29.5	32.4	24.1	<b>16.2</b>	-32.9	-51.4

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## ○ Summary of Results for the Second Quarter of Fiscal 2008

- Orders : 18.1 billion yen
- Sales : 26 billion yen
- Operating loss : 2.1 billion yen

Orders, sales, and operating loss were at nearly the same level as the previous quarter.

- Net loss before tax: 4.6 billion yen

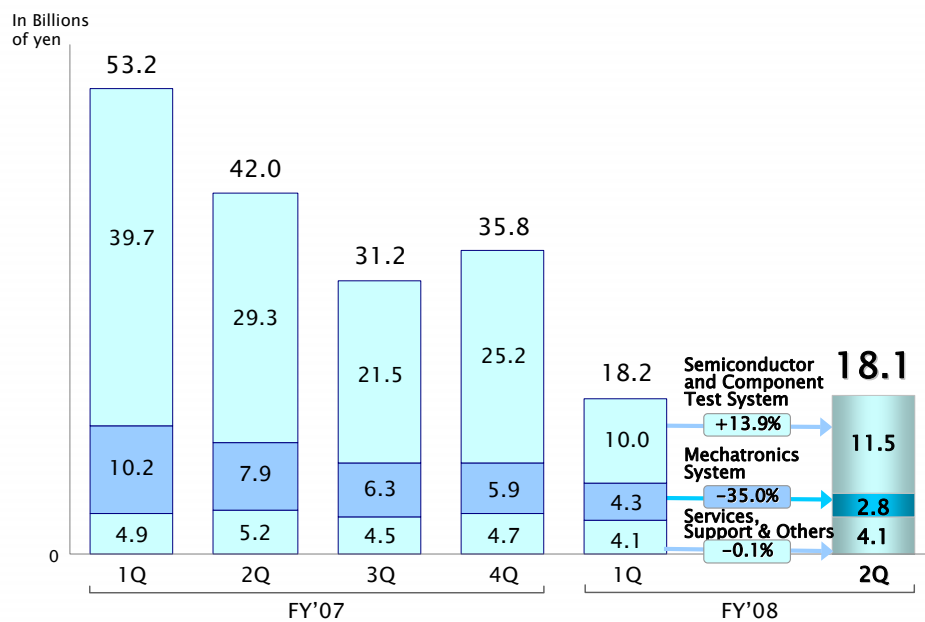
Main reasons ⇒ 1) Losses linked to exchange rate fluctuations

Yen appreciation vs. the dollar and euro resulted in losses showing up in our closing data

- 2) Losses from impairment of investment securities

## Orders by Business Segment

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### ○ Second Quarter Fiscal 2008

Looking at orders by business segment

### ○ Semiconductor and component test systems

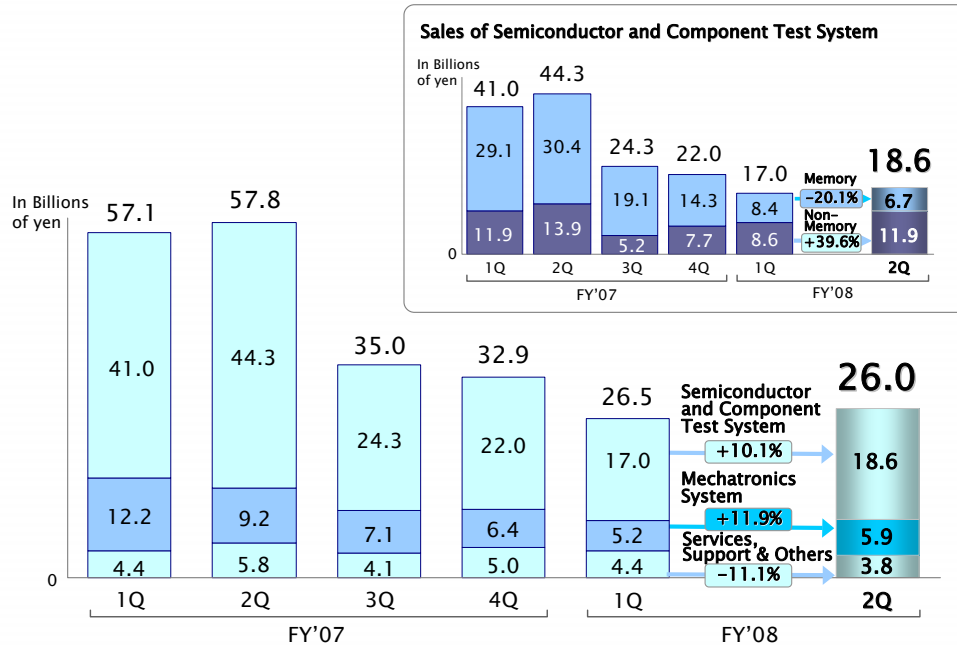
- 11.5 billion yen, a 13.9% increase from the previous quarter
- Memory test systems:  
In the second half of the quarter, we received orders for memory test systems for graphic DRAM and DDR3.
- Non-memory test systems:  
We are seeing firm demand for T2000 modules

### ○ Mechatronics

- 2.8 billion yen, a 35% drop from the previous quarter
- Demand for test systems for mass production has not recovered, and orders were weak, particularly for handlers.

# Sales by Business Segment

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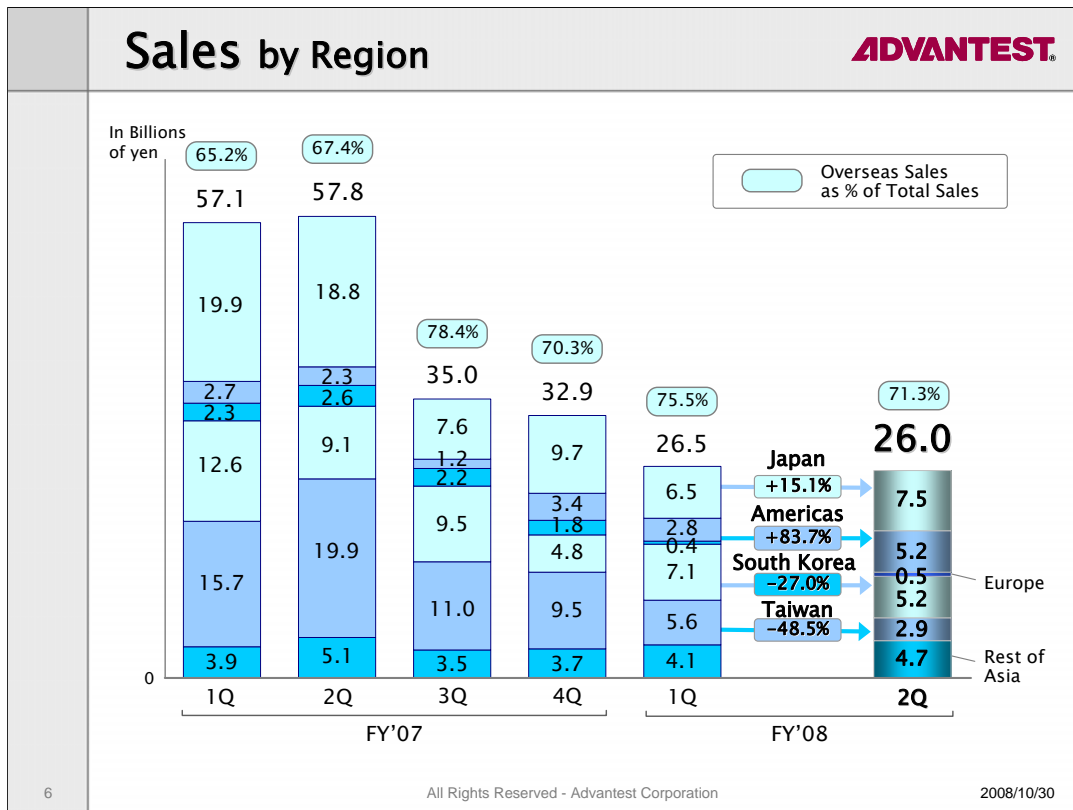


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- Second Quarter Fiscal 2008  
Sales by Business Segment
- As shown in the graph above,
  - Sales of memory test systems fell 20.1% from the previous quarter
  - Sales of non-memory test systems increased 39.6% from the previous quarter
- Total sales for semiconductor and component test systems:
  - 18.6 billion yen, an increase of 10.1% from the previous quarter
  - Non-memory test system T2000 contributed higher sales:
    - We acquired new customers, chiefly Japanese manufacturers of consumer ICs
    - Demand for next-generation MPU test modules was firm



○ Second Quarter Fiscal 2008  
Sales by Region

○ Regions with higher sales from previous quarter:

- Japan: 7.5 billion yen,  
(15.1% increase from previous quarter)
- Americas: 5.2 billion yen,  
(83.7% increase from previous quarter)

Increases were principally driven by higher sales of the T2000.

○ Regions with lower sales from previous quarter:

- Taiwan: 2.9 billion yen,  
(48.5% drop from previous quarter)

This decline was principally due to reduced sales of DRAM test systems and LCD driver IC test systems.

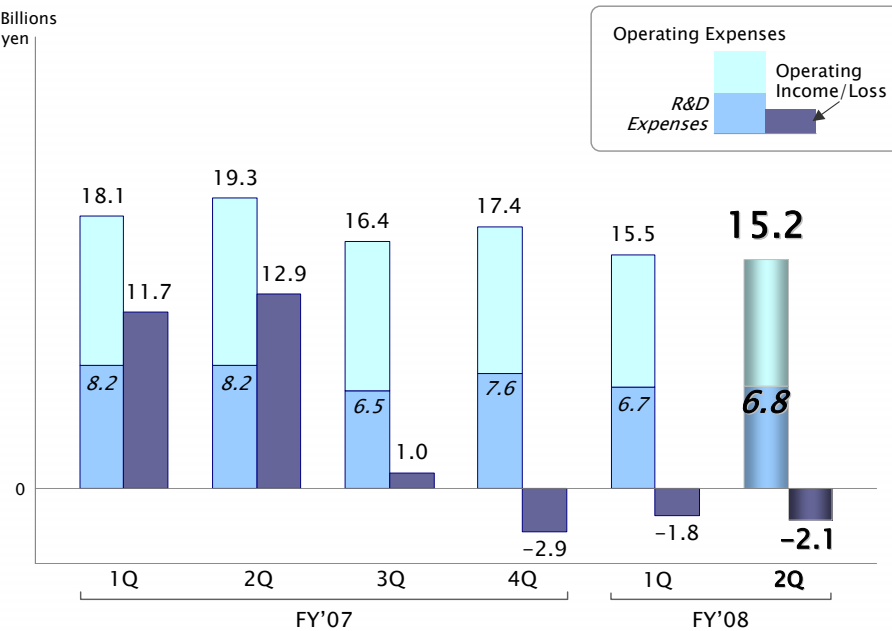
- South Korea: 5.2 billion yen,  
(27% drop from previous quarter)

This decline was principally due to reduced sales of DRAM test systems.

## Operating Expenses and Operating Income/Loss

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In Billions of yen



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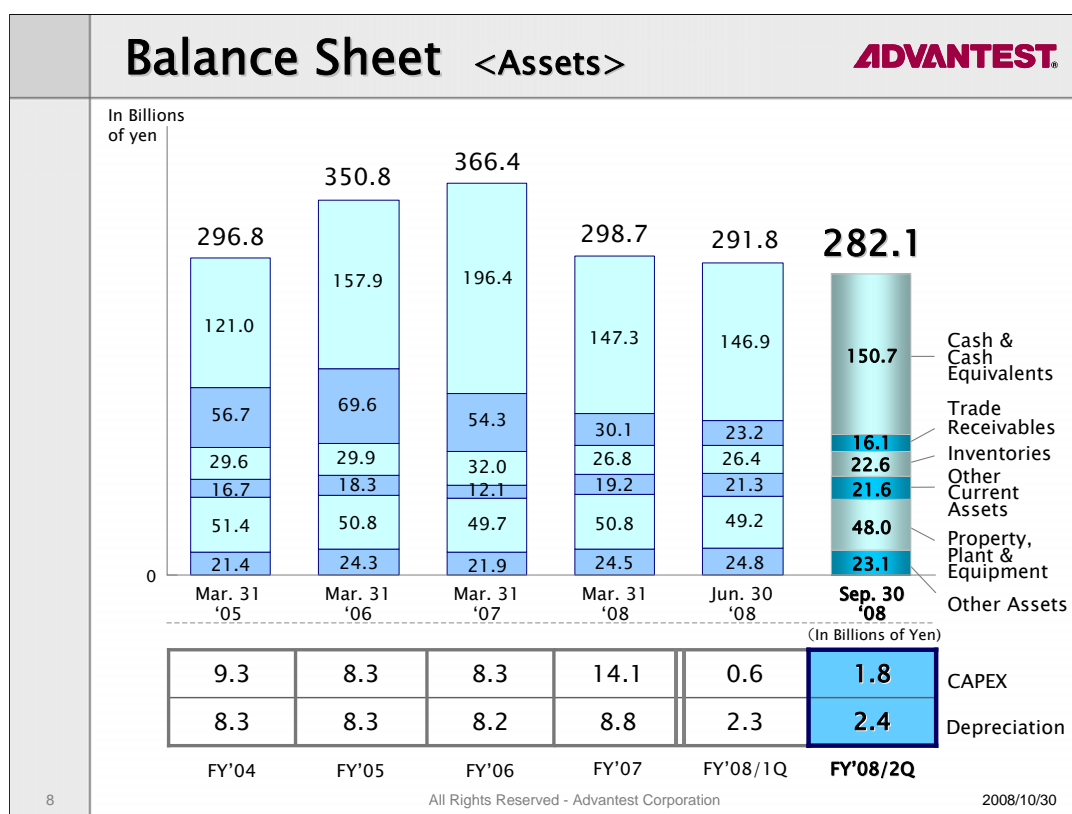
### ○ Second Quarter Fiscal 2008

- Operating expenses: 15.2 billion yen

This represents a slight reduction from previous quarter and a significant reduction from the same quarter last year. We will continue to strive to cut expenses further.

- Operating expenses include:  
R&D expenses: 6.8 billion yen

This expense is at nearly the same level as the previous quarter, but is significantly down from the same quarter last year.



○ Balance Sheet as of the end of September 2008

Assets:

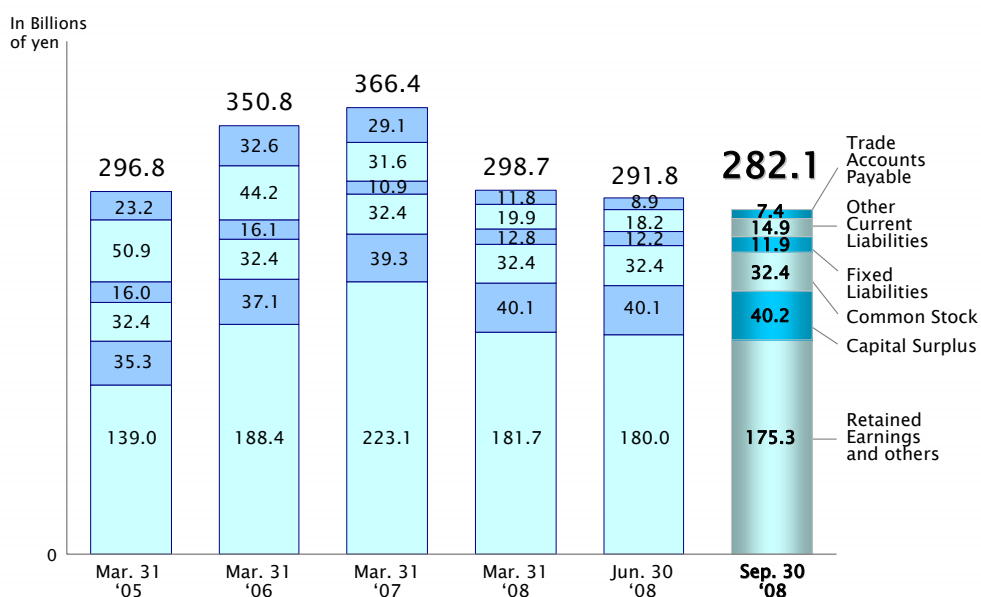
- Total assets:  
282.1 billion yen  
( - 9.7 billion yen compared to the end of June 2008)
- Cash and cash equivalents:  
150.7 billion yen (+3.8 billion yen)
- Trade receivables:  
16.1 billion yen ( -7.1 billion yen)
- Inventories  
22.6 billion yen ( -3.8 billion yen)

- Capital expenditures  
1.8 billion yen  
(+1.2 billion yen compared to 1Q/FY2008)

- Depreciation  
2.4 billion yen (Same level as 1Q/FY2008)



## Balance Sheet <Liabilities & Equity> **ADVANTEST.**



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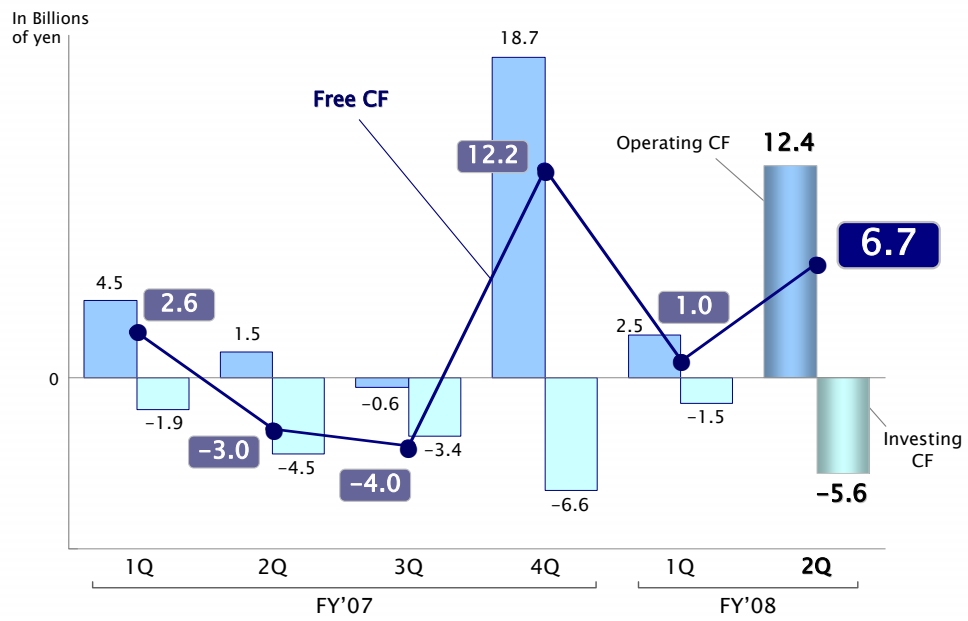
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### ○ Balance Sheet as of the end of September 2008 Liabilities and Equity

- Other current liabilities:  
14.9 billion yen  
(-3.3 billion yen compared to the end of June 2008)
- Retained earnings and others:  
175.3 billion yen  
(-4.7 billion yen compared to the end of June 2008)

# Cash Flow

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## ○ Second Quarter Fiscal 2008 Cash Flow (CF)

- Free cash flow:  
+ 6.7 billion yen

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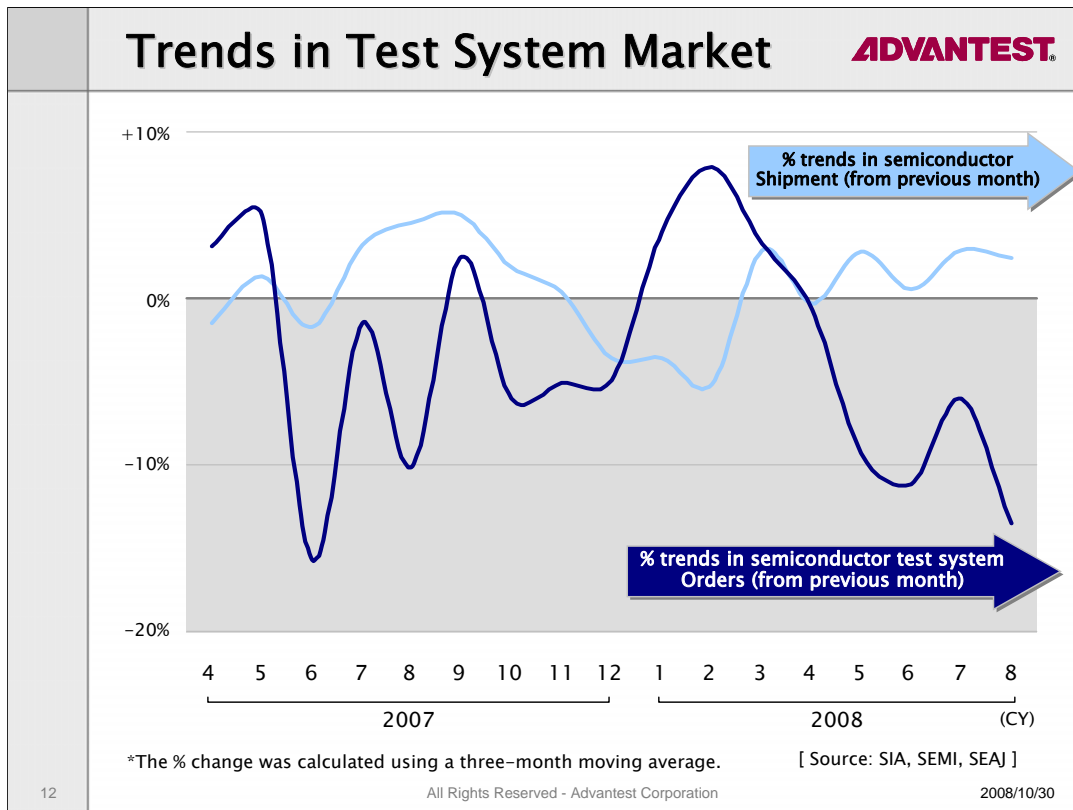
# Present Business Situation

October 30, 2008

Presentation:

Toshio Maruyama

Representative Board Director, President and CEO



○ Status of the semiconductor market and the test system market:

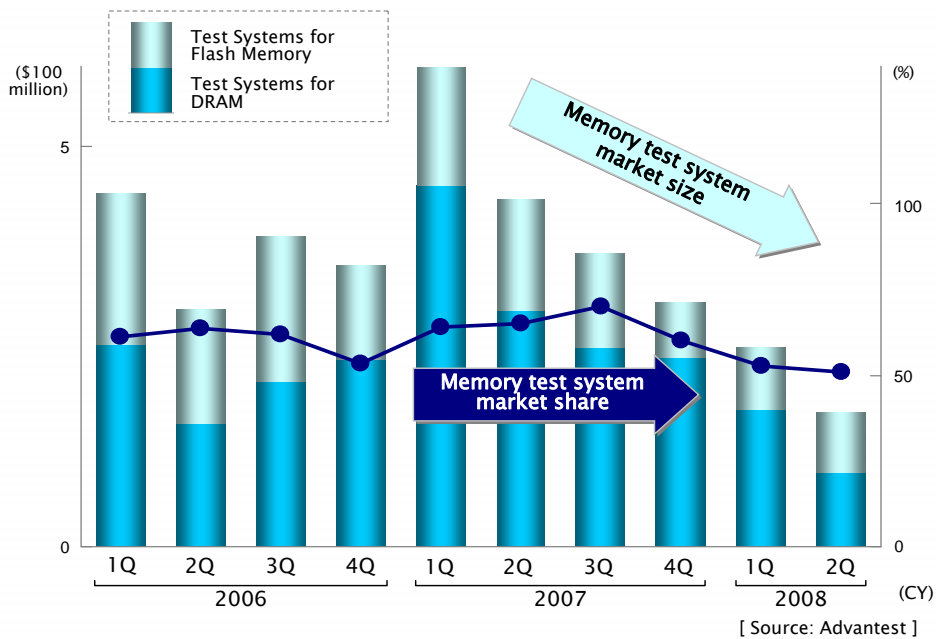
- Semiconductor market

Trends are generally fluctuating around  $\pm 5\%$  from the 0% line.

- On the other hand,

for the test system market, sales have remained weak since last fiscal year and throughout this fiscal year, and the fluctuation ranges from + 8% to - 16%, a range 2.4 times larger than that of the the semiconductor market.

## Memory Test System Market Trends **ADVANTEST.**



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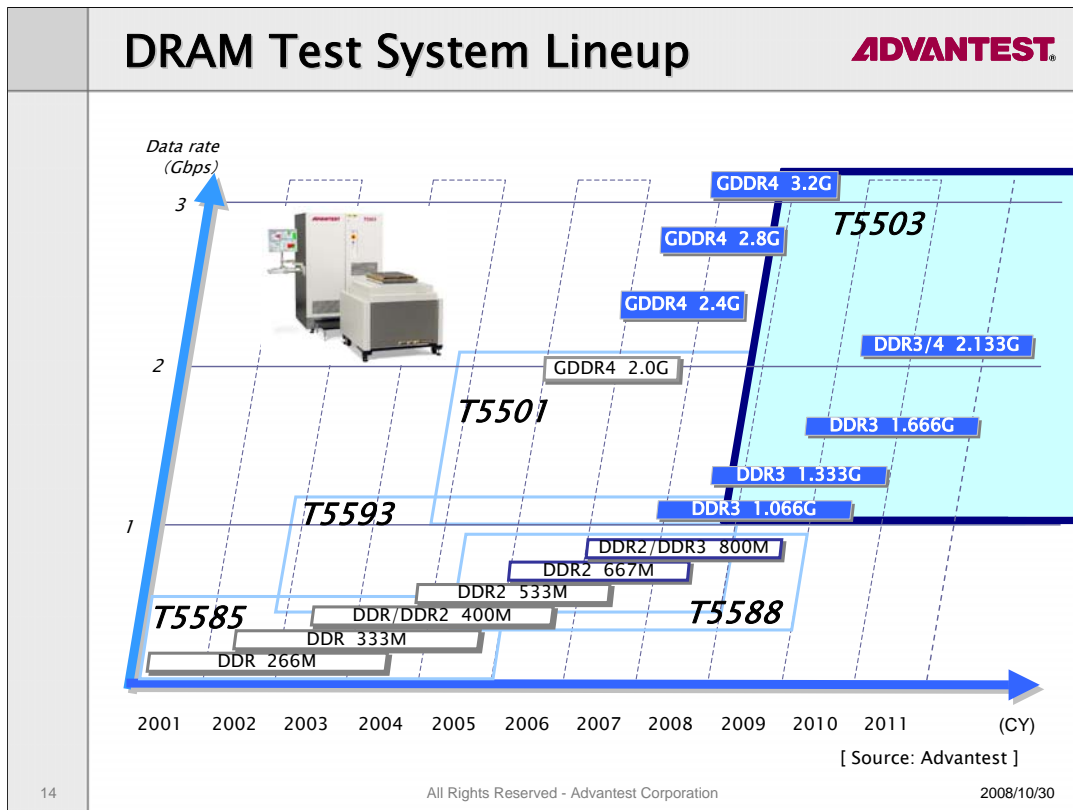
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### ○ Memory test system market:

- The market has shrunk significantly in size due to postponing and freezing of capital expenditures provoked by the decline of DRAM and NAND flash memory prices.

### ○ Our market share:

- Despite the widespread freeze on investment in DRAM test systems, our market share in the memory test system sector is holding steady.



○ Strategies for Market Share Expansion

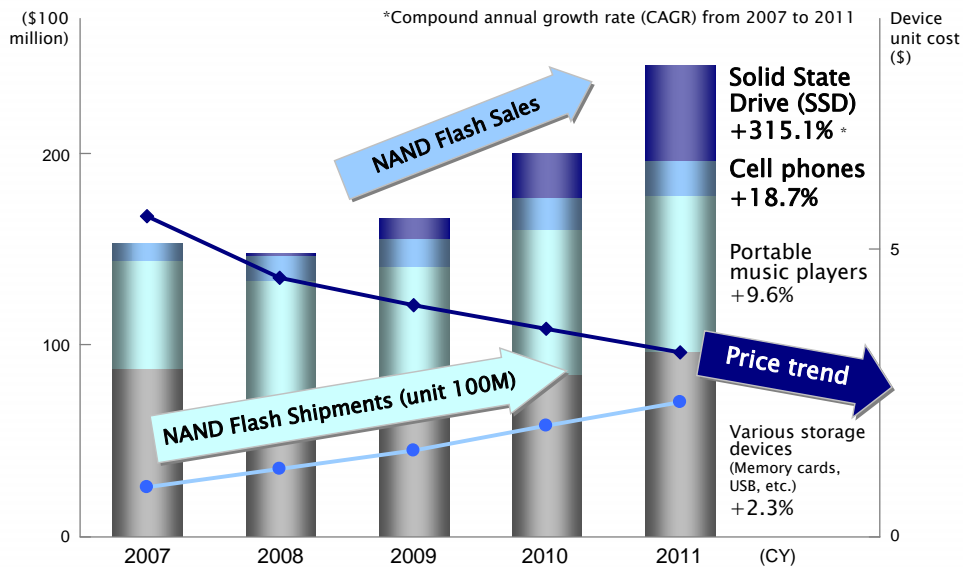
○ DRAM test systems

- Migration from DDR2 to higher-speed DDR3 will occur in conjunction with the launch of next generation MPUs.
- DRAM manufacturers are preparing for the volume production of DDR3 starting from next year.
- Our test system for high-speed DDR3 volume production is the T5503.
- It is already delivered and under evaluation by customers.

## Flash Memory Test Systems Market Share Expansion

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### 【Entering the Low Cost Test System Market】



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#### ○ Flash Memory Test Systems

#### ○ Flash memory devices

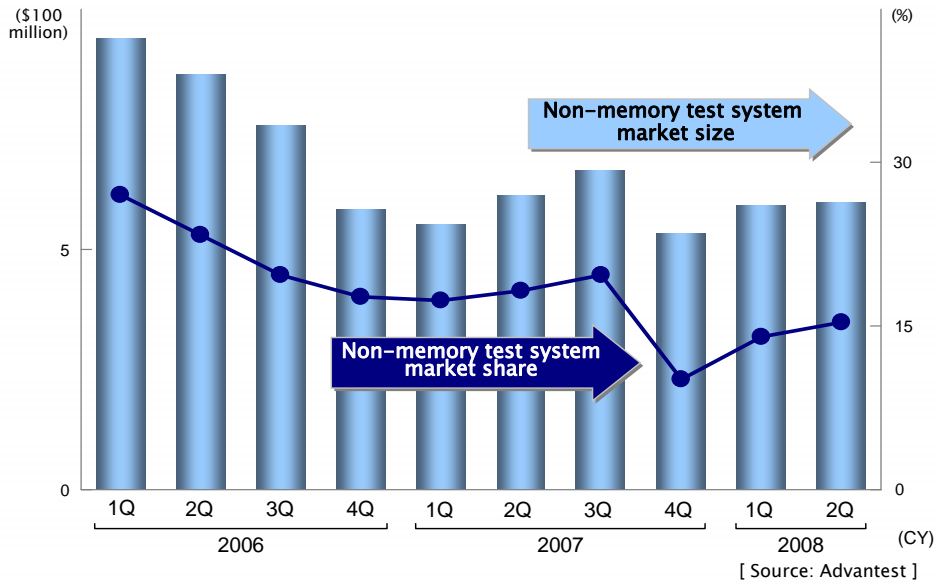
- Although demand has been increasing in terms of quantity, unit prices continue to drop.
- There is strong pressure to reduce test cost.

#### ○ Following the increased volume of MCPs in the flash memory device market, there is an expanded need for wafer level test to qualify KGDs (Known Good Dies).

#### ○ We plan to develop a new low-cost test system for front-end testing.

## Non-memory Test System Market Trends

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### ○ Non-memory test system market

- Growth has been sluggish since the end of 2006.
- One cause of sluggish growth is the lack of a killer application.

### ○ Our market share

- Shrank in the October-December 2007 quarter.
- This was due to the widespread freeze on capital expenditure by major MPU manufacturers and Japanese manufacturers of consumer ICs

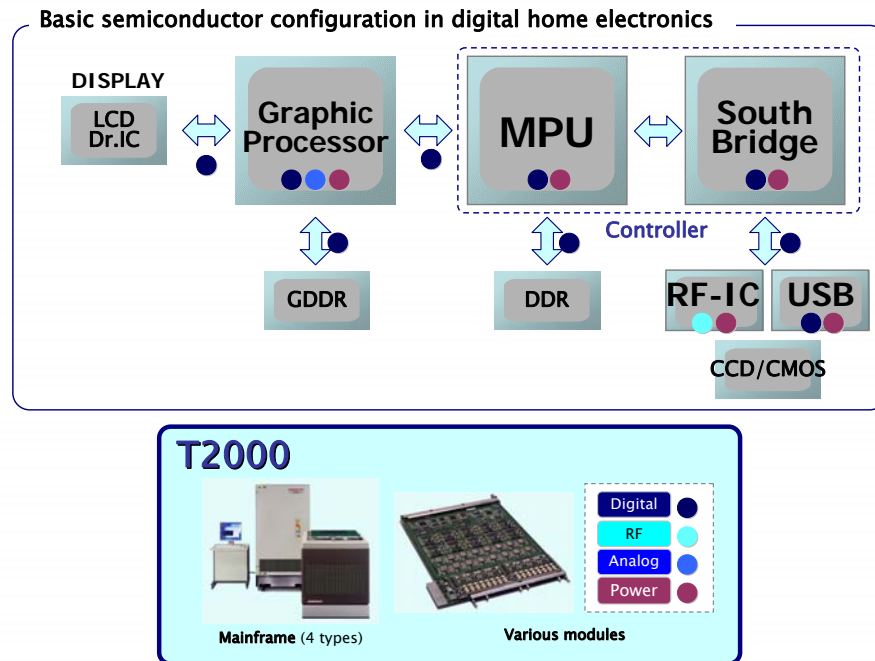
### ○ From January 2008,

- We expanded our customer base outside major MPU manufacturers.



## Expanding Share Through Diversified Test Solutions

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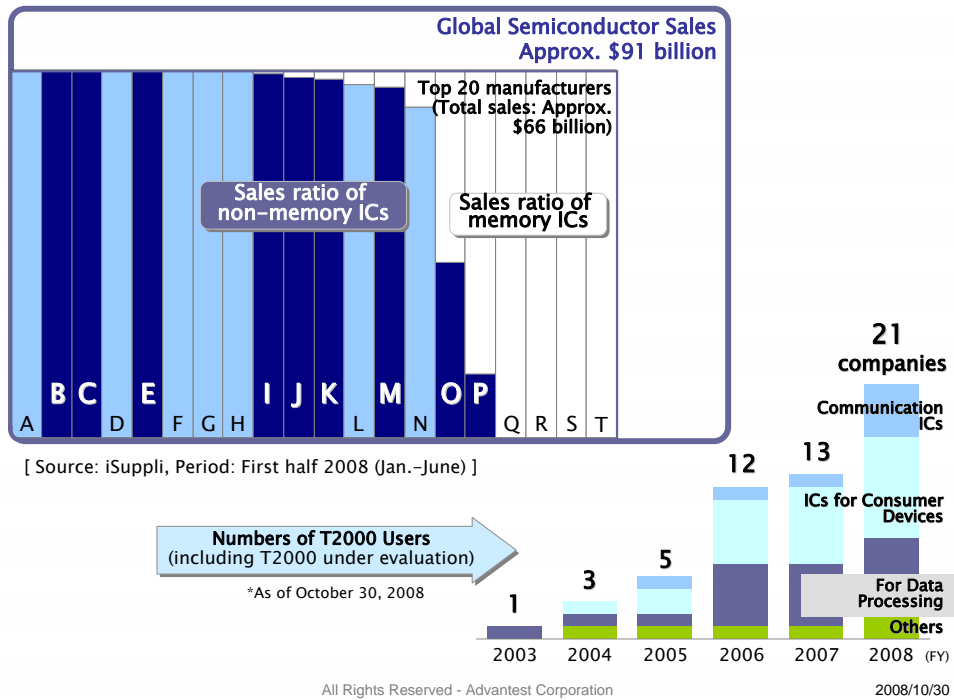
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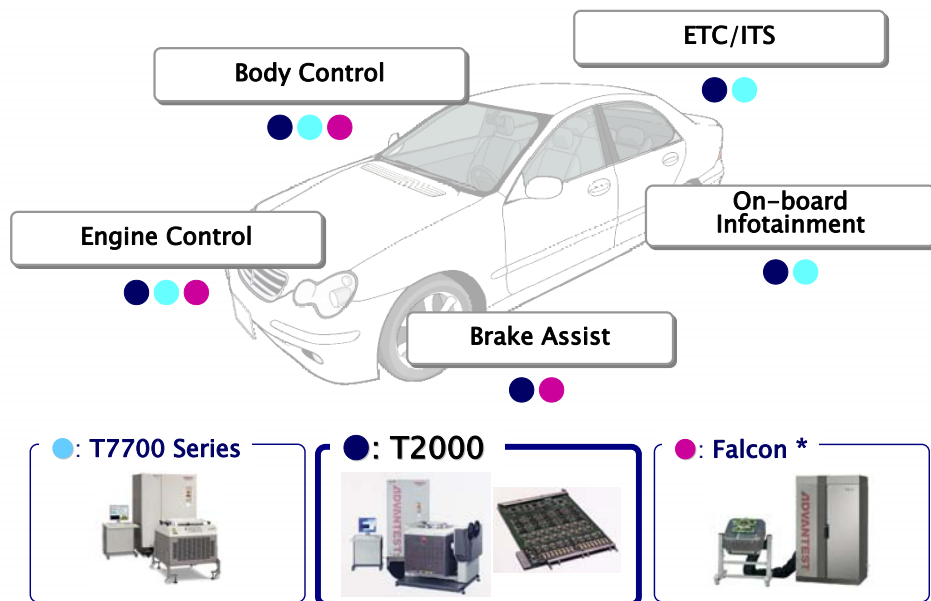
- Specific strategies for expanding market share in the non-memory test system market:
- Since last fiscal year, we have bolstered our T2000 module lineup to provide a wider range of solutions for various types of semiconductors used in mainstream applications such as personal computers and consumer electronics.
- These high-density packaged modules deliver high-throughput simultaneous testing and short testing times, distinguishing our products from competitors.

## Expanding the World of the T2000 **ADVANTEST.**



- Advantest's unique T2000 solutions have started to post expanding sales.
- Global semiconductor sales in the first half of 2008 were approximately 91 billion dollars.  
The top 20 companies accounted for about 72% (approximately 66 billion dollars) of this total.
- Since its launch in 2003, the T2000 has been installed by a total of 21 companies, including 9 of the top 20 companies.

## Focus on Automotive IC Test Systems Development **ADVANTEST.**



\* The Falcon is an Advantest Europe Systems GmbH (formerly Credence Systems GmbH(CSG)) product. Advantest acquired CSG in August, 2008.

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- In the automotive semiconductor market, the number of semiconductors per vehicle has increased and is expected to see stable growth.
- We currently have the following products in our automotive IC test system lineup:
  - 1) the T7700 series
  - 2) the Falcon
    - With our purchase in August 2008 of Credence Systems GmbH (CSG), we added the Falcon to our lineup. This system has an established reputation with major automotive IC manufacturers in Europe and Japan.
- We will proceed with development of T2000 modules for automotive ICs, making full use of the strengths of CSG, such as analog test technology.

**We will continue to strive to  
further improve  
our financial strength.**