

FY2015 Information Meeting

**April 27th, 2016
Advantest Corporation**

NOTE

◆ Accounting Standards

The information presented in these slides, including financial results through FY2015 and FY2016 forecasts, was prepared in accordance with U.S. GAAP. However, Advantest will convert to IFRS standards starting with our FY2015 securities report.

◆ 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 and 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
FY2015
(Period ended March 31, 2016)

Advantest Corporation
Hiroshi Nakamura
Director and Managing Executive Officer

Summary of Results

(¥B)

	FY2014	FY2015			
		Previous Forecast (January)	Results	vs FY2014	
				(¥)	(%)
Orders	176.3	150.0	151.5	-24.9	-14.1%
Sales	163.3	160.0	162.5	-0.9	-0.5%
Gross Profit	90.4	-	92.0	+1.5	+1.7%
Operating Income	14.6	10.5	11.9	-2.7	-18.6%
Operating Income Margin	9.0%	6.6%	7.3%	-1.7pts	
Income Before Tax	18.9	10.8	11.4	-7.4	-39.3%
Net Income	12.9	6.7	7.9	-5.0	-38.7%
Net Income Margin	7.9%	4.2%	4.9%	-3.0pts	
Backlog	45.0	35.0	34.0	-11.0	-24.5%

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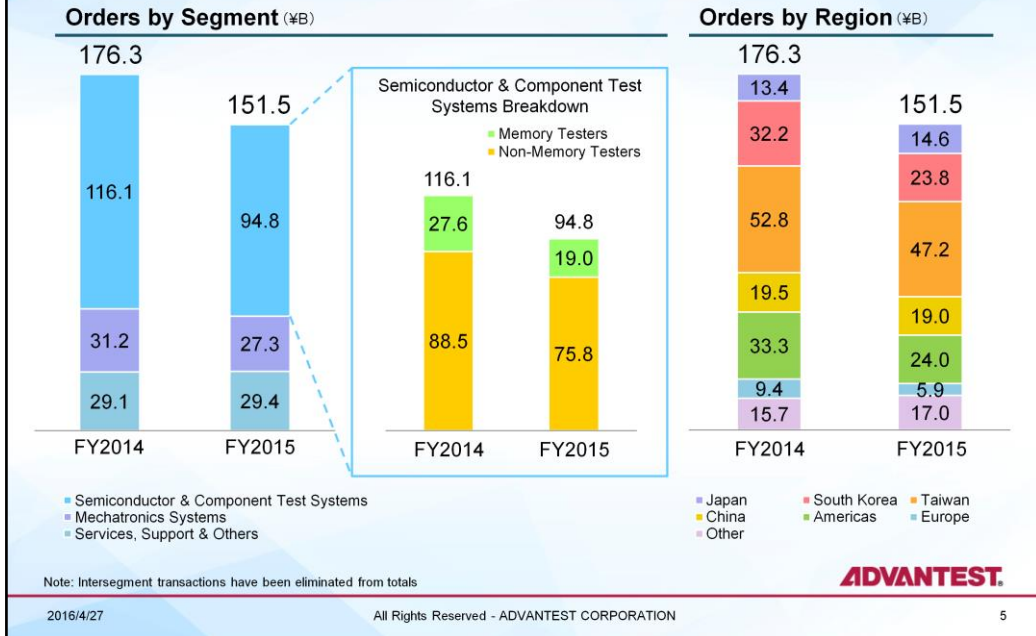
○ FY2015 Results Summary

- Orders ¥151.5 billion -14.1% YoY
- Sales ¥162.5 billion -0.5% YoY
- Operating Income ¥11.9 billion -18.6% YoY
- .
- Income Before Tax ¥11.4 billion -39.3% YoY
- Net Income ¥7.9 billion -38.7% YoY

- Orders shrank due to worsening conditions in the PC and smartphone markets, but sales maintained a level comparable to FY2015.

○ Backlog ¥34.0 billion

FY2015 Orders by Segment / Region



○ FY2015 Orders by Segment and Region

○ Semiconductor & Component Test System

- ¥94.8 billion -18% YoY
- The shrinking PC market and a slowdown in high-end smartphone sales impacted orders.
- Mid / low-end smartphone-related demand and 4G base station buildout demand in China and other countries was robust.

○ Mechatronics System

- ¥27.3 billion -13% YoY
- Demand for device interfaces and handlers softened in step with the high-end smartphone market slowdown.

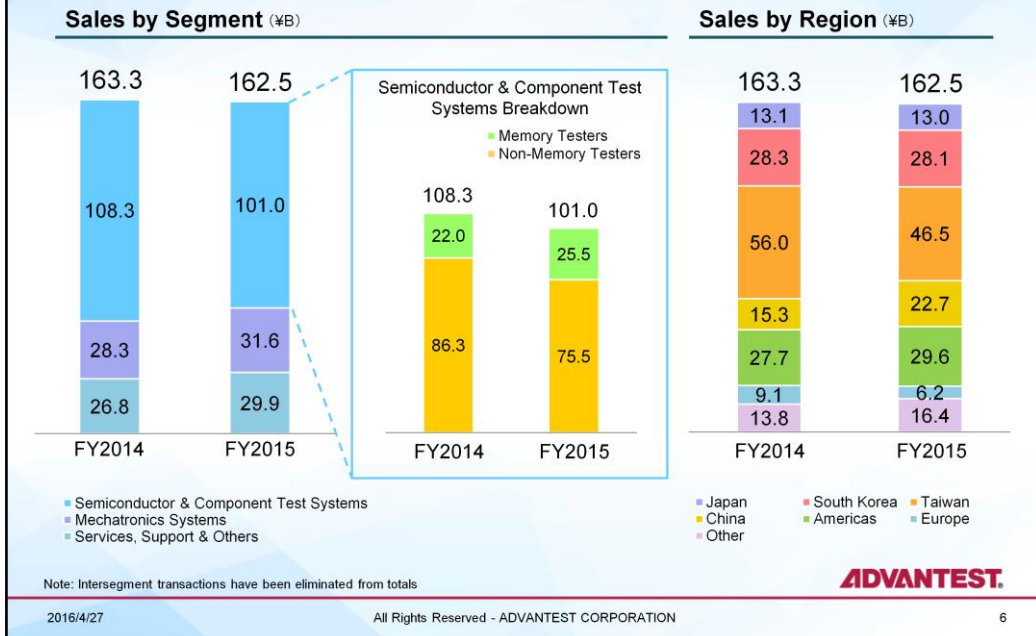
○ Services, Support & Others

- ¥29.4 billion flat YoY

○ Orders by Region

- Orders declined in the Americas, South Korea, and Taiwan, where semiconductor manufacturers are heavily dependent on the PC and smartphone markets.

FY2015 Sales by Segment / Region



○ FY2015 Sales by Segment and Region

○ Semiconductor & Component Test System

- ¥101.0 billion -7% YoY
- Memory tester investment grew in the first half of the fiscal year, but sales overall felt the impact of softer demand from the PC and smartphone markets.

○ Mechatronics System

- ¥31.6 billion +12% YoY
- As above, demand for device interfaces grew in the first half of the year in step with memory tester investment.

○ Services, Support & Others

- ¥29.9 billion +12% YoY
- Earnings from our SSD tester business rose.

○ Sales by Region

- The decline in sales was especially marked in Taiwan, where semiconductor manufacturers are heavily dependent on smartphone markets.
- Sales increased in China, where memory tester demand grew.

Summary of Results by Quarter

(¥B)

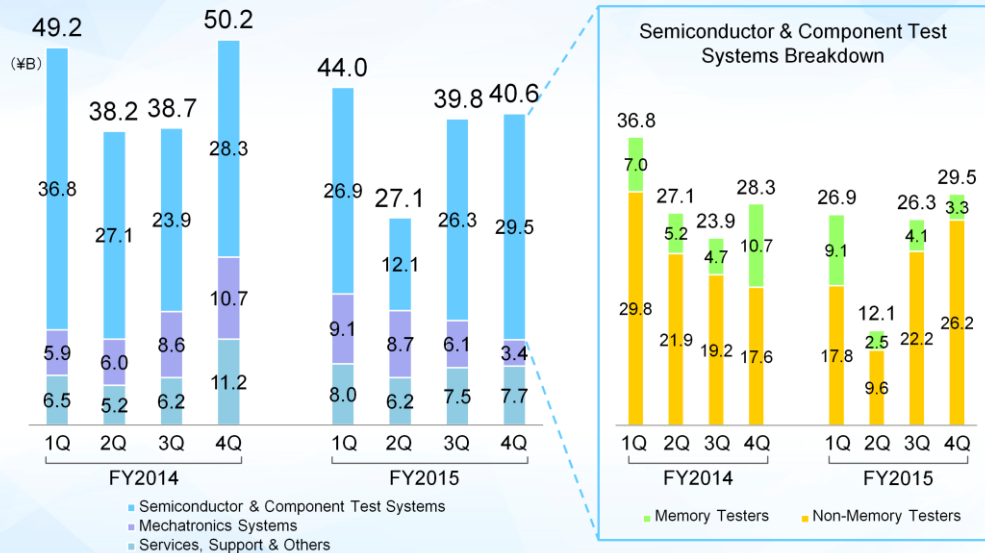
	FY2015							
	1Q	2Q	3Q	Results	4Q			
					Q on Q		Y on Y	
					¥B	%	¥B	%
Orders	44.0	27.1	39.8	40.6	+0.7	+1.9%	-9.7	-19.3%
Sales	40.3	46.4	29.9	45.9	+15.8	+52.8%	+2.4	+5.5%
Gross Profit	22.6	24.4	18.0	27.0	+9.0	+50.1%	+3.2	+13.2%
Operating Income	2.7	4.0	-0.5	5.7	+6.3	-	+0.9	+19.4%
Income Before Tax	2.8	3.5	0.2	4.9	+4.8	x31.1	-0.6	-10.3%
Net Income	1.9	2.5	-0.8	4.3	+5.1	-	+0.6	+16.4%
Backlog	48.7	29.4	39.2	34.0	-5.3	-13.4%	-11.0	-24.5%

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○ FY2015 4Q Results Summary

- Orders ¥40.6 billion +1.9% QoQ
- Sales ¥45.9 billion +52.8% QoQ
- Operating Income ¥5.7 billion +¥6.3 billion QoQ
- Income Before Tax ¥4.9 billion x31 QoQ
- Net Income ¥4.3 billion +¥5.1 billion QoQ
- Growing non-memory tester demand drove orders and sales increases.
- Backlog ¥34.0 billion -¥5.3 billion QoQ

Orders by Quarter and Business Segment



Note: Intersegment transactions have been eliminated from totals

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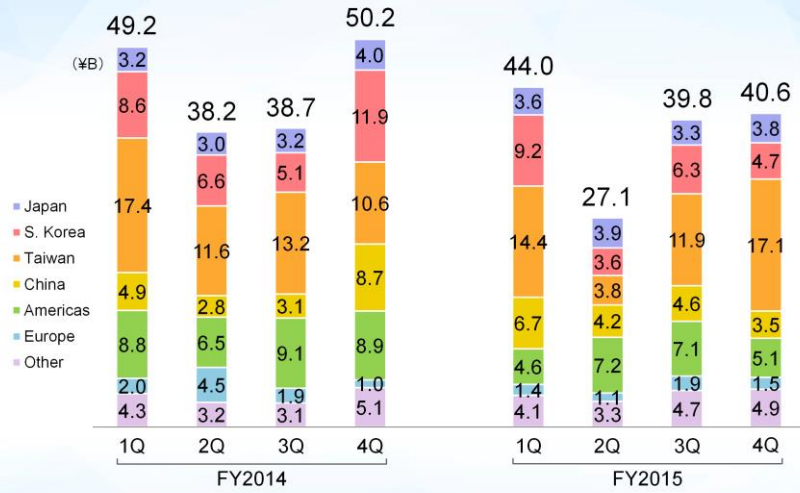
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- FY2015 4Q Orders by Segment
- Semiconductor & Component Test System
 - ¥29.5 billion +12% QoQ
 - of which, non-memory testers: ¥26.2 billion
 - memory testers: ¥3.3 billion
 - Non-memory tester orders surpassed the previous quarter on demand from the mid / low-end smartphone market.
 - Investment in memory testers did not grow, due to unsatisfactory high-end smartphone sales.
- Mechatronics System
 - ¥3.4 billion -44% QoQ
 - As memory tester investment lagged, device interface orders also shrank.
 - New orders for nanotechnology products also fell.
- Services, Support & Others
 - ¥7.7 billion +3% QoQ

Orders by Quarter and Region



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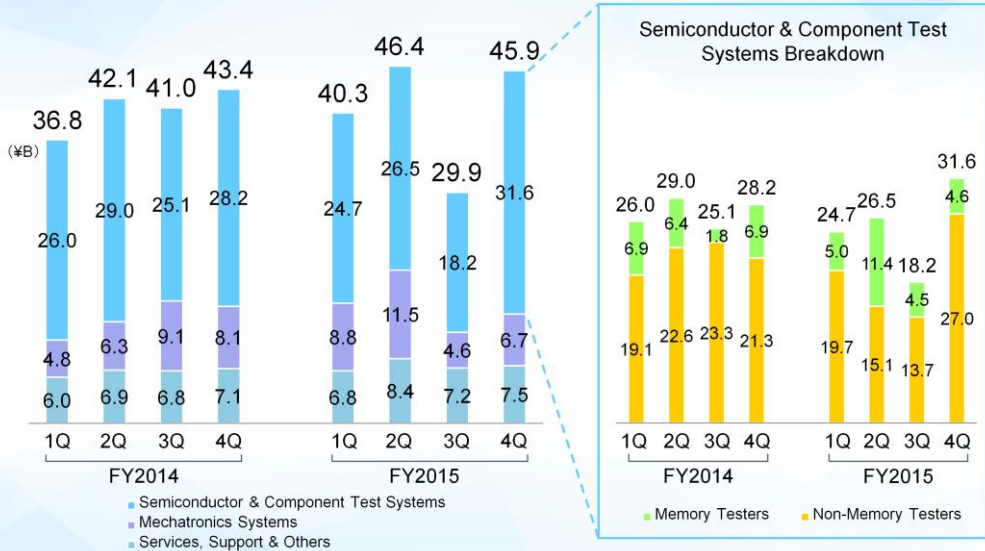
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○ FY2015 4Q Orders by Region

- Taiwan
Demand grew for non-memory testers for application processors and other devices.
- South Korea
Memory tester demand declined.

Sales by Quarter and Business Segment



Note: Intersegment transactions have been eliminated from totals

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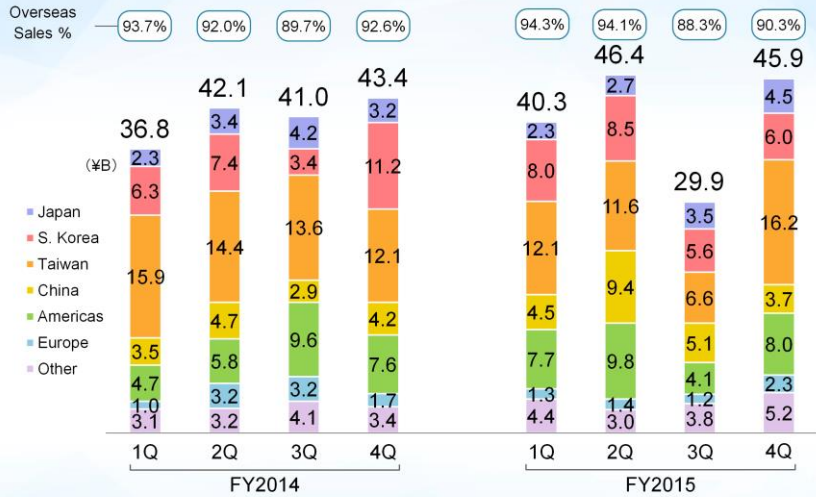
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- FY2015 4Q Sales by Segment
- Semiconductor & Component Test System
 - ¥31.6 billion +74% QoQ
of which, non-memory testers: ¥27.0 billion
memory testers: ¥4.6 billion
 - Non-memory tester sales grew dramatically on demand related to mid / low-end smartphones from 3Q through 4Q. Our flagship V93000 tester made especially large contributions.
 - Memory tester sales struggled.
- Mechatronics System
 - ¥6.7 billion +47% QoQ
 - Nanotechnology and handler sales grew QoQ.
- Services, Support & Others
 - ¥7.5 billion +4% QoQ

Sales by Quarter and Region



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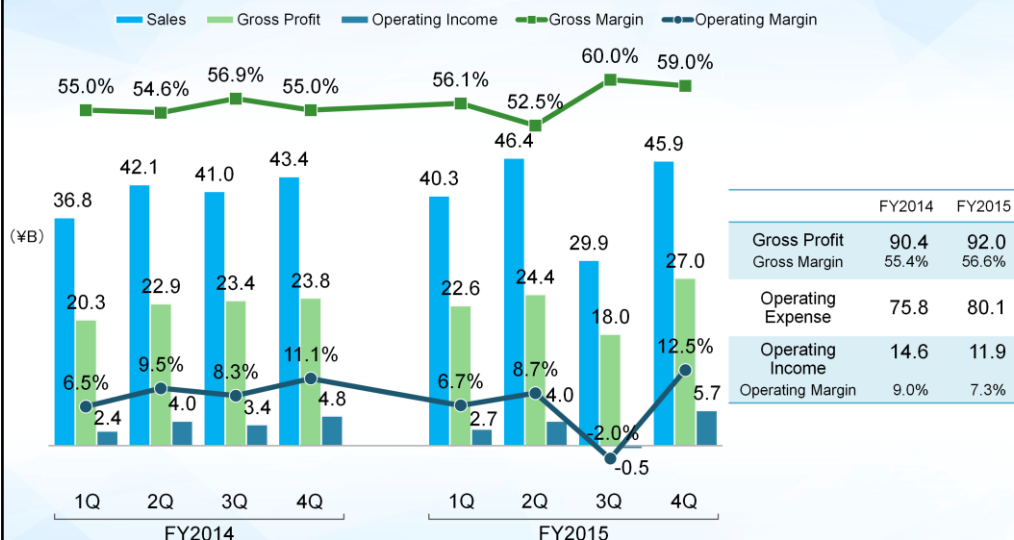
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○ FY2015 4Q Sales by Region

- Taiwan
Smartphone-related semiconductor demand was vibrant.
- Americas
Non-memory tester and handler sales grew.
- As a result of the above, sales to customers outside Japan were 90.3% of total sales in this period.

Sales / Gross Profit / Operating Income



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○ FY2015 4Q Sales / Gross Profit / Operating Income

- Gross Profit +¥9.0 billion QoQ ¥27.0 billion
- Gross Margin -1 point QoQ 59.0%
Continuing from 3Q, when results were broadly positive, Advantest maintained a gross margin of approximately 60% for a second straight quarter.
- Operating Expenses +¥2.7 billion QoQ ¥21.3 billion
Accrued bonuses grew in 4Q, in line with recovering profits.
- Operating Income +¥6.3 billion QoQ ¥5.7 billion
- Operating Margin 12.5%

○ FY2015 Full Year Sales / Gross Profit / Operating Income

- Gross Margin +1.2 points YoY 56.6%
- Operating Expenses +¥4.3 billion YoY ¥80.1 billion
Operating expenses grew as a result of increased SG&A stemming from yen depreciation, as well as investment in R&D in new business sectors.
- Operating Income -¥2.7 billion YoY ¥11.9 billion
- Operating Margin -7.3%

R&D Expenses / Capex / Depreciation and Amortization



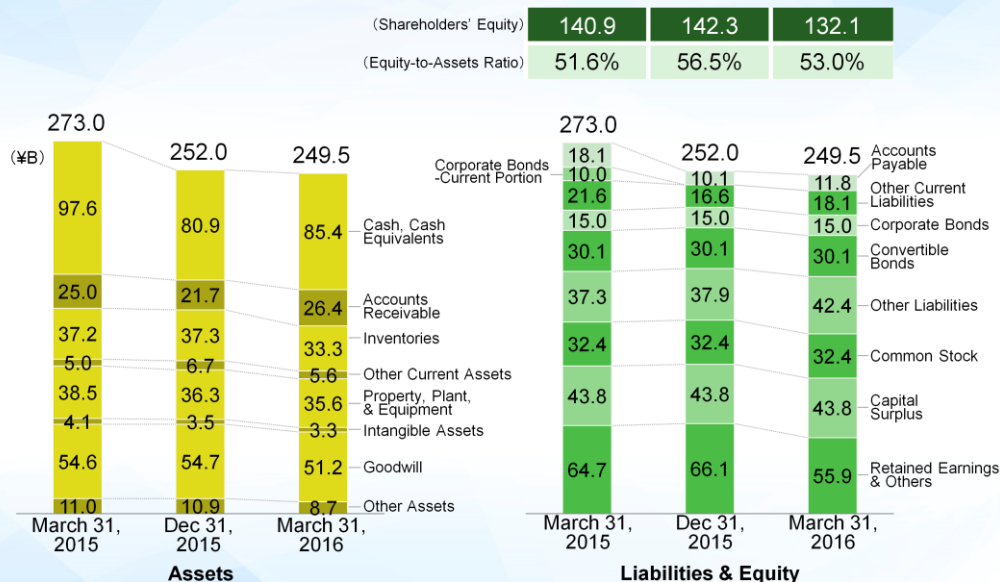
○ FY2015 4Q R&D Expenses / Capex / Depreciation and Amortization

- R&D Expenses ¥8.4 billion
- Capex ¥1.5 billion
- Depreciation and Amortization ¥1.3 billion

○ FY2015 Full Year R&D Expenses / Capex / Depreciation and Amortization

- R&D Expenses ¥31.8 billion
As noted above, R&D investment into new business sectors increased.
- Capex ¥4.0 billion
- Depreciation and Amortization ¥5.3 billion
- Advantest suppressed non-essential capital investment throughout FY2015.

Balance Sheet



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○ Balance Sheet for Period Ending March 31, 2016

○ Assets

- Cash & Cash Equivalents
¥85.4 billion +¥4.5 billion QoQ
- Accounts Receivable
¥26.4 billion +¥4.7 billion QoQ
- Goodwill
¥51.2 billion -¥3.5 billion QoQ owing to yen appreciation
- Total Assets
¥249.5 billion -¥2.5 billion QoQ

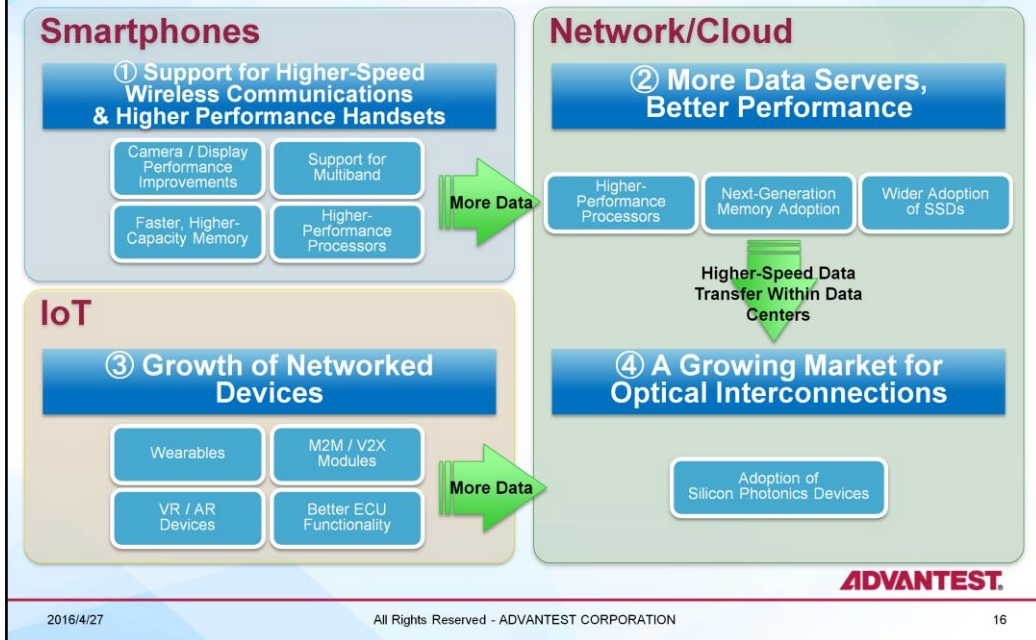
○ Liabilities & Equity

- Other Liabilities
¥42.4 billion +¥4.6 billion QoQ
Pension liabilities grew due to the lowering of long-term government bond interest rates.
- Shareholders' Equity ¥132.1 billion
- Equity-to-Assets Ratio 53.0% down 3.5 points QoQ

The Future of the Test Market & FY2016 Business Outlook

Advantest Corporation
Shinichiro Kuroe
Representative Director, President & CEO

Market Trends in the Test Space



○ Market Changes Coming in the Test Space

- Prior to touching upon our business outlook for FY2016, I'd like to take a quick look at business trends in the medium term, and explain how Advantest will respond to them.
- Demand for higher-speed wireless communications will bring a shift from 2G to 3G in emerging economies, while in developed nations, we'll see the rollout of 5G and higher-speed WiFi.
- To support higher volumes of data, cloud storage services will increasingly use high-capacity SSDs that rely on high-speed protocols. Other types of next-generation storage-class memory will also begin to be adopted. In pace with these demand trends, Advantest will grow our market share in high-speed memory test and support for high-speed protocols.
- IoT devices—meaning networked devices that include wearables, M2M and V2X modules, and devices related to virtual reality and augmented reality, among others—are being widely adopted, another factor driving higher data volumes. IoT devices must offer failsafe connectivity and reliability, making this a promising opportunity for Advantest to grow sales of comprehensive test solutions, such as system level test, that transcend the boundaries of ordinary chip test, and contribute to our overall business.
- A technological revolution is also transforming the networks that support the cloud environment necessary to the Internet of Things. We predict that data centers will switch from electrical devices to optical devices and optical networks using silicon photonics for internal data transfers, with the goal of achieving higher transfer speeds and cutting electricity consumption.
- In the years leading up to 2020, Advantest will manage our R&D investments to focus on developing differentiated solutions attuned to these business opportunities.

FY2016 Financial Results Forecast

	FY2015	FY2016 Forecast	(¥B)	
			vs. FY2015 (¥)	vs. FY2015 (%)
Orders	151.5	158.0	+6.5	+4.3%
Backlog	34.0	36.0	+2.0	+5.9%
Sales	162.5	156.0	-6.5	-4.0%
Operating Income	11.9	10.0	-1.9	-16.0%
Operating Income Margin	7.3%	6.4%	-0.9pts	
Income Before Tax	11.4	10.0	-1.4	-12.6%
Net Income	7.9	7.5	-0.4	-5.5%
Net Income Margin	4.9%	4.8%	-0.1pts	

✓ Exchange Rate Assumptions for FY2016 Forecasts: 1 US\$ = ¥ 110, 1 Euro = ¥120
(previously 1 US\$ = ¥ 121, 1 Euro = ¥130)

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○ FY2016 Financial Results Forecast

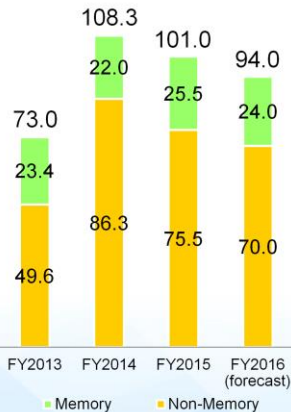
- Our forecast for FY2016 is as follows:
 - Orders ¥158.0 billion
 - Sales ¥156.0 billion
 - Operating Income ¥10.0 billion
 - Net Income ¥7.5 billion

- Exchange rate assumptions for FY2016 forecasts: 1 US\$ = ¥ 110, 1 Euro = ¥120

Outlook by Segment

■ Semiconductor & Component Test System

Semiconductor & Component Test System Segment Sales Trends (¥B)



Non-Memory Testers

- ✓ Advantest will continue to win new customers in the non-memory tester market
- ✓ We foresee robust demand from the supply chain associated with the growth of smartphone sales in emerging economies

Memory Testers

- ✓ Continuing DRAM/NAND shrinks, higher speeds, and larger capacity memory devices will drive additional investment in testers
- ✓ NAND tester investment should be especially strong

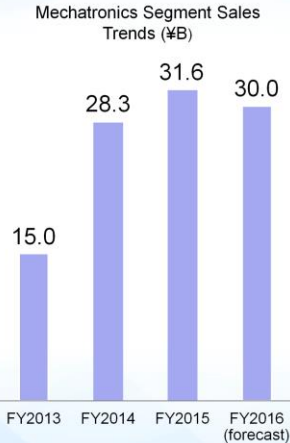
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○ Semiconductor & Component Test System Business Outlook

- Our greatest advantage in the non-memory tester business is the breadth of our customer base. We continue to win new customers every fiscal year.
- As in the last several years, smartphone sales trends will continue to affect demand for testers. Our broad customer base allows our non-memory tester business to benefit from growth in the high-end as well as the mid-low range smartphone market.
- Although we foresee declining results due to YoY yen appreciation, strong demand centering on smartphone supply chains in China, India, SE Asia, and Brazil is expected to continue.
- In the memory sector, continuing DRAM/NAND shrinks, higher speeds, and larger capacity memory devices are expected to drive additional investment in new testers.
- We have high expectations for investment in new NAND fabs targeting the SSD market.
- Our business strategies for the growing new-protocol NAND tester market are gaining traction.

Outlook by Segment

■ Mechatronics System



Nanotechnology

- ✓ Amid strong customer interest in Advantest's EB technology, we will reinforce marketing efforts to win new customers

Device Interfaces

- ✓ Expanding sales of DI products for non-memory testers will compensate for deteriorating conditions in the memory market overall

Test Handlers

- ✓ Our temperature control technology for device-generated heat support and high/low-temperature test has attracted strong interest from the high-end logic and high-end memory sectors

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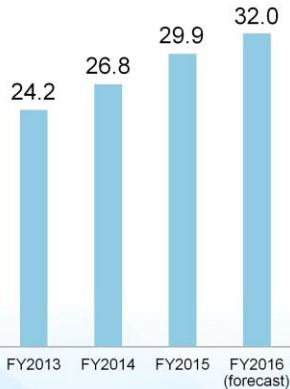
○ Mechatronics System Business Outlook

- Based on customer enquiries, we expect our nanotechnology business results to be roughly flat with the previous fiscal year.
- Amid growing needs for ultra-miniature processes and measurement tools, customer interest in and expectations for our EB technology continue to be high. We will reinforce our marketing for both semiconductor and non-semiconductor applications to ensure growing sales in FY2016 and beyond.
- Sales of device interface products are expected to decline amid deteriorating conditions in the memory market. However, our focus on growing our non-memory DI business will compensate for declining memory-related demand.
- In the handler market, our temperature control technology for device-generated heat support and high / low-temperature test, as well as our support for fine-pitch packages, has attracted strong interest from the high-end logic and high-end memory sectors.

Outlook by Segment

■ Services, Support & Others

Services, Support & Other Segment
Sales Trends (¥B)



Field Services

- ✓ We will continue to reinforce the profit base of this business by enhancing our post-sales offerings, among other measures

SSD Testers

- ✓ The growth of SSDs using high-speed protocols is driving customer needs for full-scale SSD test environments

Handling / Contact Equipment for New Markets

- ✓ Our temperature / pressure stimulus unit for automotive pressure sensors has been adopted by major car parts makers. More products in this line are on the way

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○ Services, Support & Others Business Outlook

- Our field services division, the heart of this business segment, has won increasing numbers of maintenance contracts for several years, consistently improving profitability.
- We will continue to reinforce the profit base of this business by enhancing our post-sales offerings, among other measures.
- The increasing adoption of SSDs that use high-speed protocols demands technological advances in terms of the test processes employed by SSD manufacturers. As a result, we expect growth in our SSD tester business.
- These technological changes are correlated with increasing SSD production volumes, driving customer needs for full-scale SSD test environments, principally for enterprise SSDs, where quality requirements are especially stringent.
- Advantest will grow our SSD tester sales in step with these demand trends.
- Among our other new businesses, we launched a new stimulus unit last fiscal year. It offers a test load environment for temperature / pressure application.
- This temperature / pressure stimulus unit for automotive pressure sensors was adopted by major car parts makers in FY2015. More products in this line, offering support for high-precision contacting, will be launched in FY2016 for stacked memory, fine-pitch, and high heat generating devices.

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Advantest Measures The Future
Our Quadrennial Exhibition Showcases Big Ideas

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ADVANTEST® EXPO 2016

October 13th, 2016 (Thursday) ~
October 15th, 2016 (Saturday)
Akihabara UDX, Tokyo

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- Lastly, I would like to announce Advantest Expo 2016.
 - Our exhibition will be held in Oct FY2016 in Tokyo. This year we have devised an innovative format focusing on ideas.
 - The exhibition will showcase our amassed leading-edge measurement technologies across a broad range of applications.
 - Please do come to see what Advantest will be measuring in the future!