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# Information Meeting

Advantest Corporation

July 24, 2014

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## 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 1st Quarter of FY2014**

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

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# Summary of Results *1<sup>st</sup> Quarterly Profit Since 2012*

(¥B)

	FY2013				FY2014				
	1Q	2Q	3Q	4Q	1Q				
					QoQ		YoY		Results
	¥B	%	¥B	%	¥B	%	¥B	%	
Orders	39.5	21.4	27.4	39.1	49.2	+10.2	26.0%	+9.7	24.7%
Sales	30.1	29.5	19.7	32.6	36.8	+4.2	12.9%	+6.7	22.4%
Gross Profit	15.3	13.5	4.5	16.0	20.3	+4.3	26.6%	+5.0	32.4%
Operating Income	-3.3	-4.7	-26.4	-2.0	2.4	+4.4	-	+5.7	-
Income Before Tax	-2.8	-4.6	-26.9	-1.2	3.2	+4.4	-	+6.0	-
Net Income	-3.6	-5.7	-24.8	-1.4	1.3	+2.7	-	+5.0	-
Backlog	25.8	17.7	25.5	32.0	44.4	+12.4	38.8%	+18.5	71.7%

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4

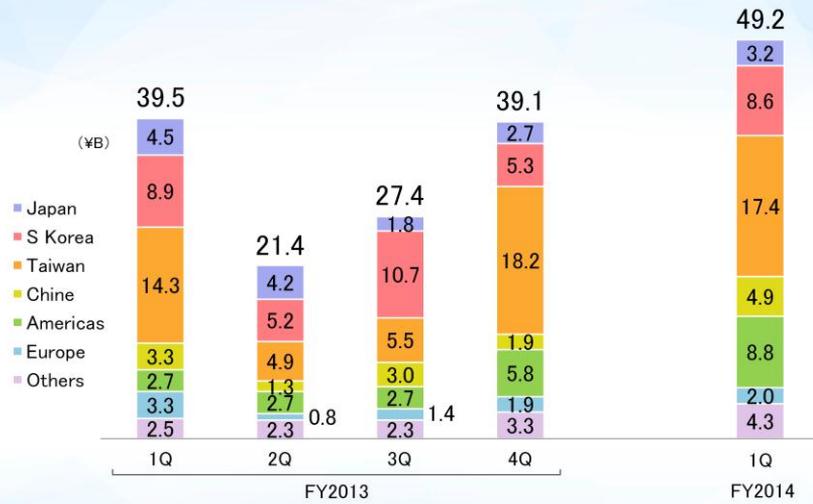
## ○ FY2014 1Q Summary of Results

- Orders                    ¥49.2B                    +26.0% QoQ
- Sales                     ¥36.8B                    +12.9% QoQ
- Operating Income    ¥2.4B                    + ¥4.4B QoQ
- Income Before Tax   ¥3.2B                    + ¥4.4B QoQ
- Net Income             ¥1.3B                    + ¥2.7B QoQ

- Quarterly orders reached the upper end of their 7-year range.
- Advantest swung to a profit for the first time in 7 quarters.
- Backlog swelled significantly to ¥44.4B, up ¥12.4B from FY2013 4Q, and up ¥18.5B from FY2013 1Q



# Orders by Region

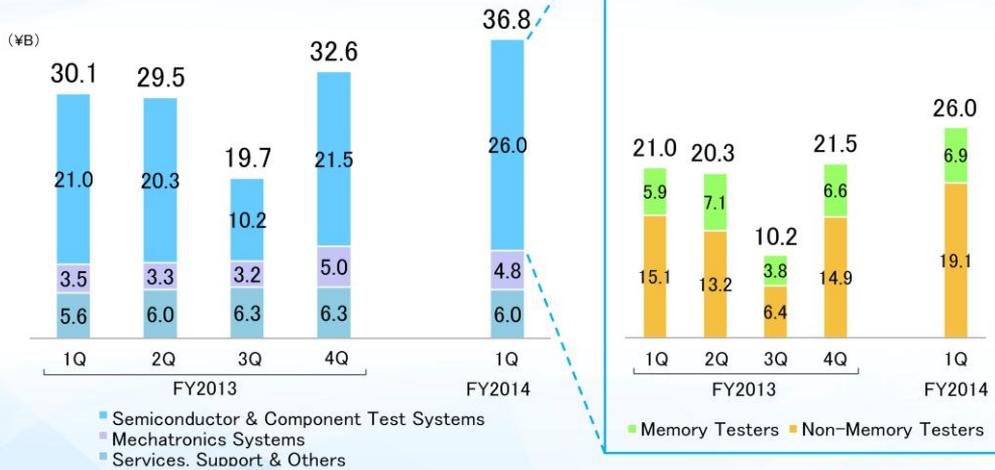


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## ○ FY2014 1Q Orders by Region

- Taiwan, China  
Semiconductor volume product capacity expansions related to the Chinese LTE roll-out continue to support vigorous non-memory tester demand.
- South Korea  
Customers' appetite for memory tester investment is trending higher.
- North America  
Demand for MPU testers is growing.

# Sales by Segment



Note: Intersegment transactions have been eliminated from totals

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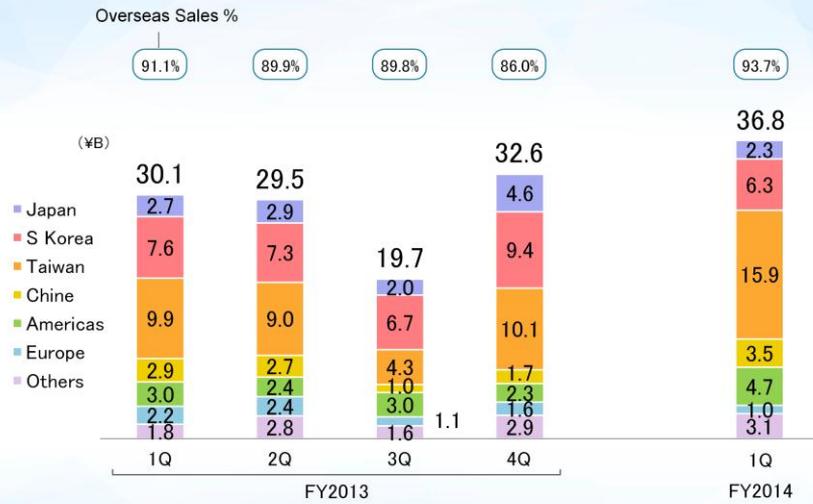
7

## ○ FY2014 1Q Sales by Business Segment

### ○ Semiconductor & Component Test Systems

- Up 21% QoQ to ¥26.0B
  - of which, non-memory testers: ¥19.1B
  - memory testers: ¥6.9B
- Similarly to orders, non-memory tester sales growth is accelerating, driven by semiconductor production capacity build-outs for Chinese LTE-related demand.
- Stable demand for memory testers continued through 1Q.

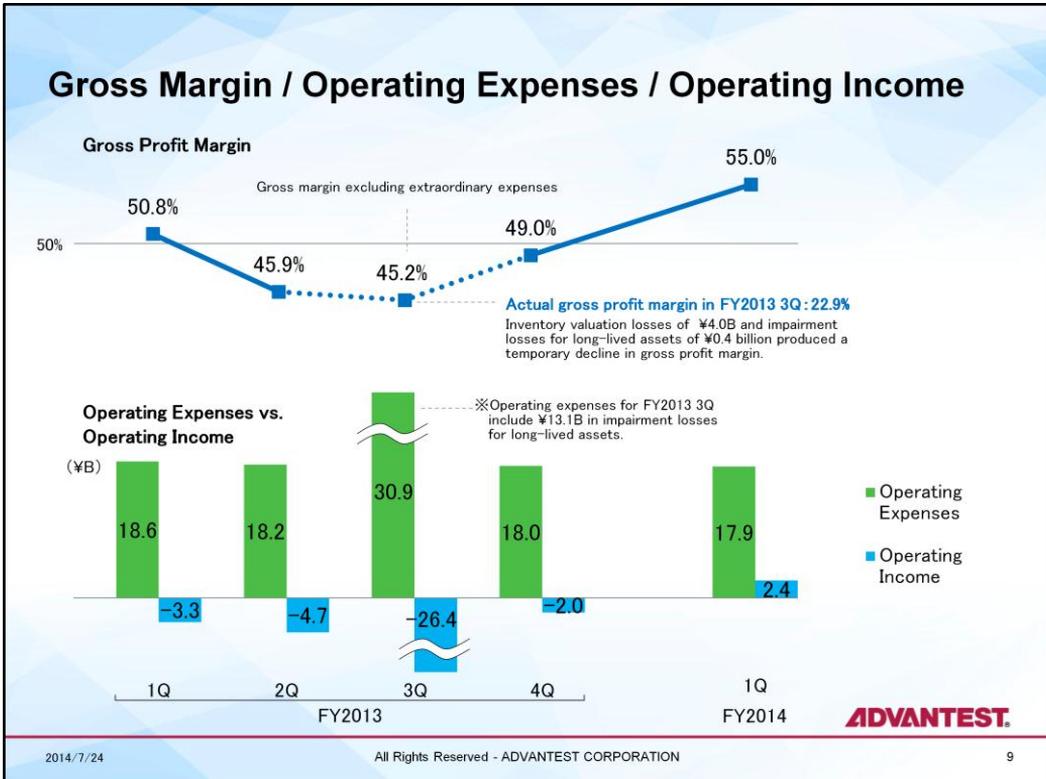
# Sales by Region



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## ○ FY2014 1Q Sales by Region

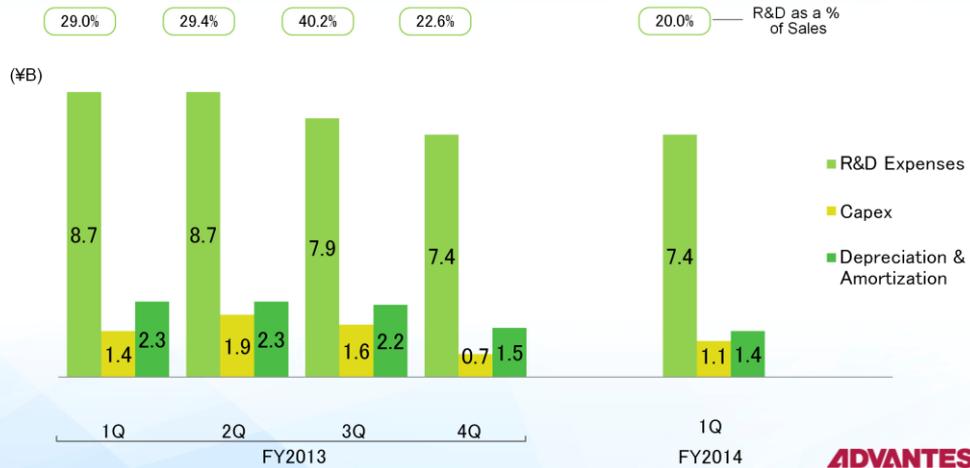
- Taiwan  
Non-memory tester sales grew, driven by semiconductor production capacity expansions related to the Chinese LTE roll-out.
- South Korea  
Memory tester sales paused owing to lumpy customer demand timing.
- China  
Memory tester sales grew.



○ FY2014 1Q Gross Margin / Operating Expenses / Operating Income

- We're sustaining our push to lower our break-even point.
- Gross margin improved by 6 points to 55.0%.  
Sales growth for more profitable test systems drove this significant improvement.
- Operating expenses were ¥17.9B.  
Thanks to stringent cost controls, operating expenses dipped below the level of the previous quarters, despite increasing business activity and the payment of bonuses tied to results.
- Operating income was ¥2.4B.  
Better gross margins and decreased operating expenses helped to deliver Advantest's first operating profit in 7 quarters.

## R&D Expenses/Capex/Depreciation and Amortization



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10

### ○ FY2014 1Q R&D Expenses / Capex / Depreciation

- R&D Expenses: ¥7.4B  
Subtracting the growth of bonus payments linked to results, expenses actually shrank.
- Capex: ¥1.1B
- Depreciation: ¥1.4B





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**FY2014 Business Update**

***Improved Fundamentals Underpin  
V-Shaped Recovery***

**Advantest Corporation**

**Haruo Matsuno**

**Representative Director & CEO**

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# Business Highlights

- **Growth in Our Customer Base Delivers Highest Orders in 6 years**

- ✓ Our growing customer base enabled Advantest to capture broad-based test demand for MCUs, gaming APUs, and other devices, in addition to Chinese LTE-related demand. In FY2014 1Q, the V93000 posted its highest quarterly orders since it was launched.

- **Gross Profit Margin Improves**

- ✓ We foresee our gross profit margin rising to 55%. To maximize gains, we continue to cut material costs by improving our design criteria.

- **Operating Costs Shrink**

- ✓ We haven't let up in our push to streamline our operating structure, e.g. we are still enforcing supplementary hiring restrictions.

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## ○ Business Highlights

- Our sales-promotion campaign to win new customers, launched in FY2012, has successfully broadened our customer base, boosting orders to the range of ¥50 billion.
- This also enabled Advantest to capture broad-based test demand for MCUs, gaming APUs, and other devices, in addition to Chinese LTE-related demand. In FY2014 1Q, our non-memory V93000 tester posted its highest quarterly orders since it first went on sale.
- Our gross profit margins significantly improved in this period. Based on our backlog at the end of 1Q, we expect to see our average gross profit margin rising to approximately 55%.
- We continue to seek material cost reductions by improving our design criteria, with the goal of further boosting our gross profit margins and lowering our break-even point.
- At the same time, we're pushing to further streamline our operating structure. We are hiring minimal numbers of personnel to replace retiring employees, and continuing to consolidate our manufacturing facilities.
- The next slide presents our forecast for the full year, based on the factors above.

# FY2014 Results Forecast

(¥B)

Exchange Rate Assumptions for FY2014 Forecast: US\$1 = ¥105, 1 Euro = ¥140

	FY2013	FY2014 1Q	FY2014 2Q Forecast	FY2014 1H Forecast	FY2014 Full Year Forecast
<b>Orders</b>	<b>127.4</b>	<b>49.2</b>	<b>34.8</b>	<b>84.0</b>	<b>147.0</b>
<b>Sales</b>	<b>111.9</b>	<b>36.8</b>	<b>38.2</b>	<b>75.0</b>	<b>145.0</b>
Semiconductor & Component Test Systems	73.0	26.0	25.0	51.0	90.0
Mechatronics	15.0	4.8	6.2	11.0	25.0
Services & Others	24.2	6.0	7.0	13.0	30.0
<b>Operating Profit</b>	<b>-36.4</b>	<b>2.4</b>	<b>3.0</b>	<b>5.4</b>	<b>10.0</b>
<b>Backlog</b>	<b>32.0</b>	<b>44.4</b>	<b>41.0</b>	<b>41.0</b>	<b>34.0</b>

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14

## ○ FY2014 Results Forecast

- We foresee stronger tester demand than in FY2013. Ongoing profitability improvements are also taken into account in our forecast.
- FY2014 2Q:
 

Orders	¥34.8B
Sales	¥38.2B
Operating Profit	¥3.0B
- FY2014 1H:
 

Orders	¥84.0B
Sales	¥75.0B
Operating Profit	¥5.4B
- FY2014 Full Year (unchanged from forecast announced in April 2014):
 

Orders	¥147.0B
Sales	¥145.0B
Operating Profit	¥10.0B
- The following slides outline our outlook for each of our business segments.

# Outlook: Testers

## • Tester Market Highlights

- Smartphone growth is driving the tester market
- Buoyed by expanding Chinese LTE-related demand, non-memory tester orders should hold up well in the second half of the calendar year, in comparison to previous periods.
- We foresee a stable demand trend for DRAM testers, reflecting the health of the device market. In NAND test, T5831 sales promotions are delivering good results.
- In addition to smartphone-related demand, we expect to see increased demand for data center-related test.

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## ○ Outlook: Testers

- Smartphone demand is driving the tester market. We expect this structural trend to persist for several years.
- Non-memory testers account for more than half of the tester market. Steady demand from smartphone IC suppliers should buoy orders and sales, minimizing the seasonal contraction in the second half of 2014 in comparison to previous periods.
- The outlook for memory testers is positive.
- DRAM supply has been tight since last year, driving steady demand for DRAM testers. We expect this trend to continue in late 2014.
- Demand for high-end NAND flash memory used in SSDs is growing. We've begun to see strong customer adoption of our T5831, which supports this type of NAND.
- In the medium term, we expect smartphone demand to be augmented by demand relating to the growth in data centers. This and NAND flash for SSDs, as well as the macro-trend of the Internet of Things which is driving growth in high-speed interfaces, MCUs, and communications ICs, should spark additional demand for testers.

# Outlook: Mechatronics



E3310 Wafer MVM-SEM

- **Nanotechnology**

Opportunities for business growth extend to non-semiconductor sectors where the investment climate is highly positive. Within the semi industry, we forecast especially robust demand for CD-SEM, driven by advancing process shrinks.

- **Device Interfaces**

Robust demand is trending upwards in step with the recovery of the tester market.

- **Test Handlers**

The M4871 SoC handler for devices such as communications and automotive ICs should see large-scale adoption by major OSATs in 2H.

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## ○ Outlook: Mechatronics

- Nanotechnology products are set to steal the show in FY2014.
- Advancing process shrinks are driving demand for our photomask CD-SEM systems.
- Our wafer CD-SEM systems are also attracting interest for their high-resolution functionality, which supports key devices of the future such as those using FinFET technology.
- With demand for front-end semiconductor processing equipment expected to grow, our nanotechnology products harbor an increasing potential to post significant revenue contributions.
- Our EB lithography systems are also attracting attention from a wide variety of sectors, including advanced process R&D, semiconductor materials R&D, and non-semiconductor component manufacturing. We're working to convert this surge of interest into orders.
- Device interfaces track tester demand trends, and as such we continue to foresee healthy demand growth in step with the recovery of the tester market.
- In test handlers, our M4871 SoC handler for devices such as communications and automotive ICs should see large-scale adoption by major OSATs in 2H.

## Outlook: Services & Other Businesses



MPT3000 SSD Test System

- **Services & Support**

We're winning more annual maintenance contracts and beefing up our post-sales offerings.

- **Terahertz Systems**

Our terahertz technology for non-destructive inspection and analysis is attracting interest across a broad spectrum of markets.

- **SSD Test**

Our SSD testers target growing enterprise demand. Sales of the MPT3000 started in 1Q; multiple orders have already been received.

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### ○ Outlook: Services & Other Businesses

- Measures launched in FY2013 to expand the profitability of our services & support business have borne fruit. We foresee a continuing trend of robust profitability gains.
- Terahertz systems and SSD testers lead our portfolio of new businesses in terms of growth expectations.
- Our terahertz systems are attracting attention from industry as well as academia for their non-destructive imaging capabilities, which enable formerly impossible modes of inspection and visualization. 1Q saw new enquiries from a broad variety of customers. We expect further sales growth concentrated in 2H.
- SSD tester sales were launched in 1Q. The enterprise SSD market is expanding, generating new needs for efficient SSD test solutions. We've already secured orders from multiple large customers, getting this new business off to a highly promising start.
- Other new businesses currently in the product development stage should achieve profitability starting in FY2015.