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# Information Meeting

Advantest Corporation

January 29, 2015

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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 3rd Quarter of FY2014**

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

# Summary of Results

(¥B)

	FY2013				FY2014						
	1Q	2Q	3Q	4Q	1Q	2Q	3Q				
							Results	QoQ		YoY	
						¥B		%	¥B	%	
Orders	39.5	21.4	27.4	39.1	49.2	38.2	38.7	+0.5	+1.2%	+11.2	+40.8%
Sales	30.1	29.5	19.7	32.6	36.8	42.1	41.0	-1.2	-2.7%	+21.3	+108.8%
Gross Profit	15.3	13.5	4.5	16.0	20.3	22.9	23.4	+0.3	+1.4%	+18.8	+418.9%
Operating Income	-3.3	-4.7	-26.4	-2.0	2.4	4.0	3.4	-0.6	-14.3%	+29.8	-
Income Before Tax	-2.8	-4.6	-26.9	-1.2	3.2	4.8	5.3	+0.5	+9.6%	+32.2	-
Net Income	-3.6	-5.7	-24.8	-1.4	1.3	3.3	4.6	+1.4	+43.4%	+29.5	-
Backlog	25.8	17.7	25.5	32.0	44.4	40.4	38.1	-2.3	-5.7%	+12.6	+49.4%

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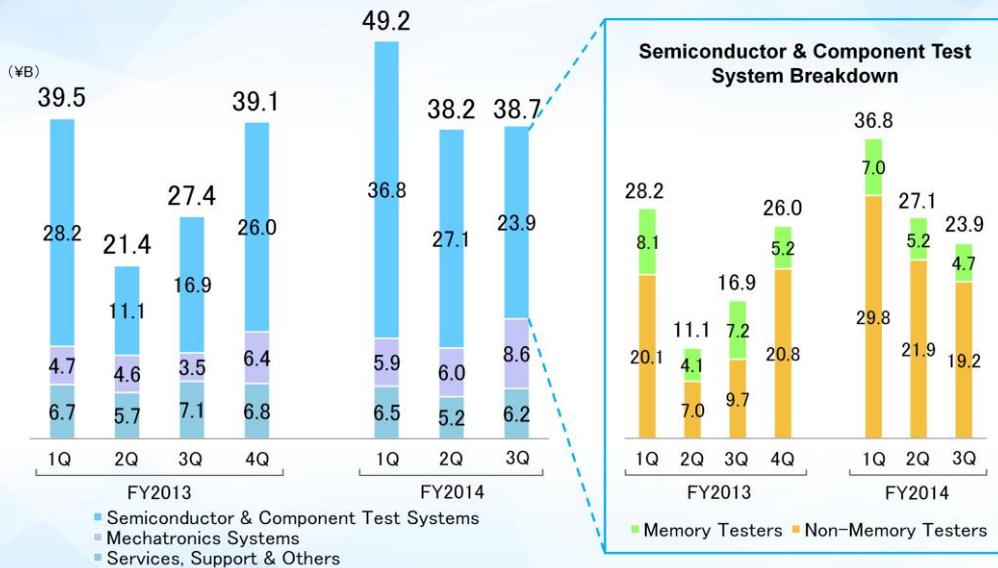
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## ○ Summary of Results for FY2014 3Q

- Orders      ¥38.7 billion    up 1.2% QoQ
- Sales        ¥41.0 billion    down 2.7% QoQ
  - Orders and sales figures both sustained last quarter's levels, representing a significant increase YoY. Results also benefited from a favorable business climate and ongoing yen depreciation.
- Operating Income    ¥3.4 billion    down 14.3% QoQ
  - Yen depreciation caused increases in foreign currency-denominated operating costs.
- Income Before Tax    ¥5.3 billion    up 9.6% QoQ
- Net Income            ¥4.6 billion    up 43.4% QoQ
  - Our tax burden declined on a consolidated basis.
- Backlog                ¥38.1 billion    down by ¥2.3 billion QoQ
  - Backlog decreased proportionately to increased sales, but is more than ¥12 billion up YoY.

## Orders by Segment



Note: Intersegment transactions have been eliminated from totals

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### ○ FY2014 3Q Orders by Segment

### ○ Semiconductor & Component Test Systems

- Down 11% QoQ to ¥23.9 billion, of which:  
     Non-memory testers   ¥19.2 billion  
     Memory testers        ¥4.7 billion

- Tester orders in 3Q have usually showed weakness, but this year that trend is less marked.
- Tester demand for continuing LTE base station construction in China and smartphone semiconductor production is brisk. The contraction in non-memory tester orders was slighter than anticipated.
- Memory tester orders were suppressed by adjustments to DRAM suppliers' investment plans.

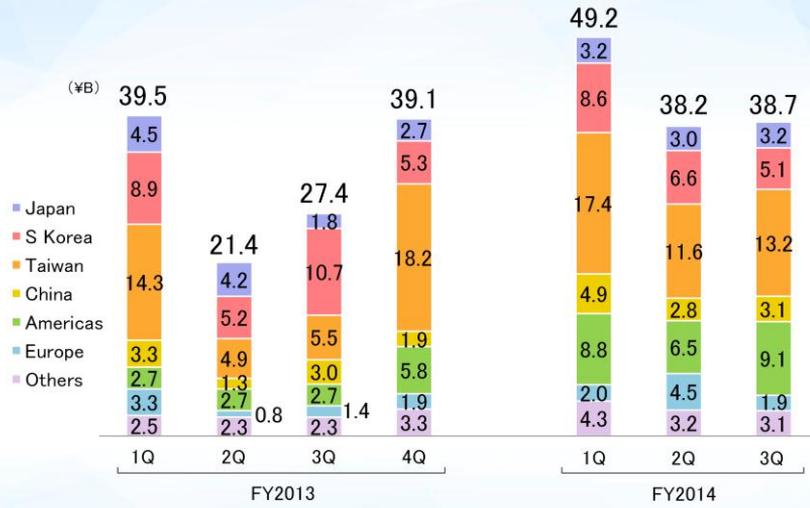
### ○ Mechatronics Systems

- ¥8.6 billion   up 42% QoQ  
     Enquiries for new handlers and nanotechnology products are progressing well.

### ○ Services, Support & Others

- Up 18% QoQ to ¥6.2 billion  
     Maintenance contracts increased.

# Orders by Region

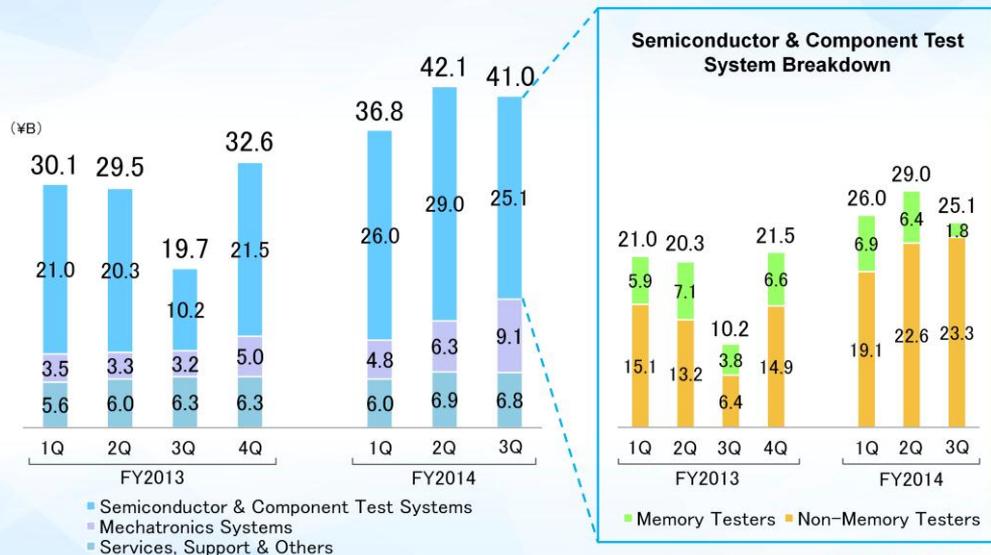


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## ○ FY2014 3Q Orders by Region

- Taiwan  
Communications chips for LTE base stations and other applications are driving brisk demand.
- Americas  
Logic IC demand increased.
- Europe  
Logic IC demand shrank.
- South Korea  
DRAM demand decreased.

## Sales by Segment



Note: Intersegment transactions have been eliminated from totals

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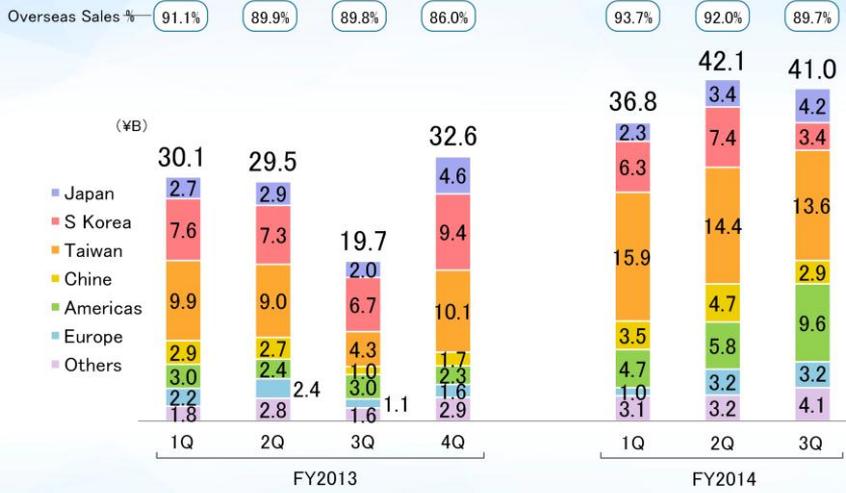
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- FY2014 3Q Sales by Segment
- Semiconductor & Component Test Systems
  - Down 13% QoQ to ¥25.1 billion, of which:
    - Non-memory testers: ¥23.3 billion
    - Memory testers: ¥1.8 billion
  - Non-memory tester sales were robust.
  - Memory tester sales, like orders, decreased significantly due to lumpiness in customer demand. However, demand intensity remains unchanged.
- Mechatronics Systems
  - Up 45% QoQ to ¥9.1 billion
  - Nanotechnology products made a contribution to revenues.
- Services, Support & Others
  - Virtually flat QoQ at ¥6.8 billion

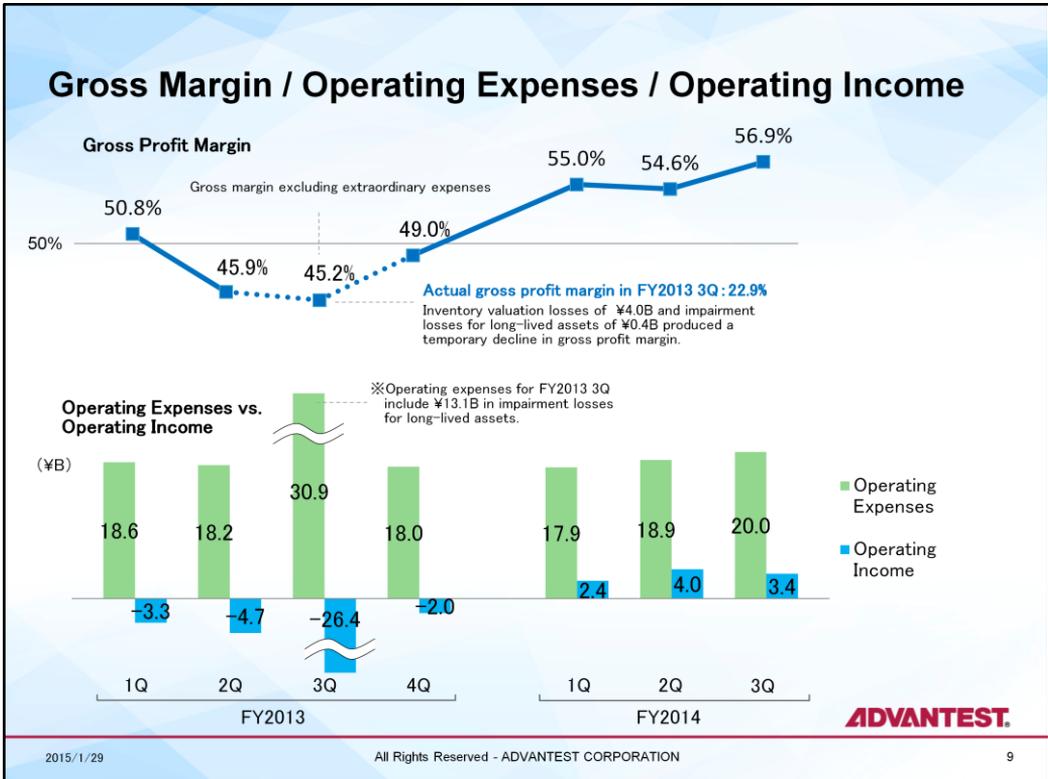
# Sales by Region



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## ○ FY2014 3Q Sales by Region

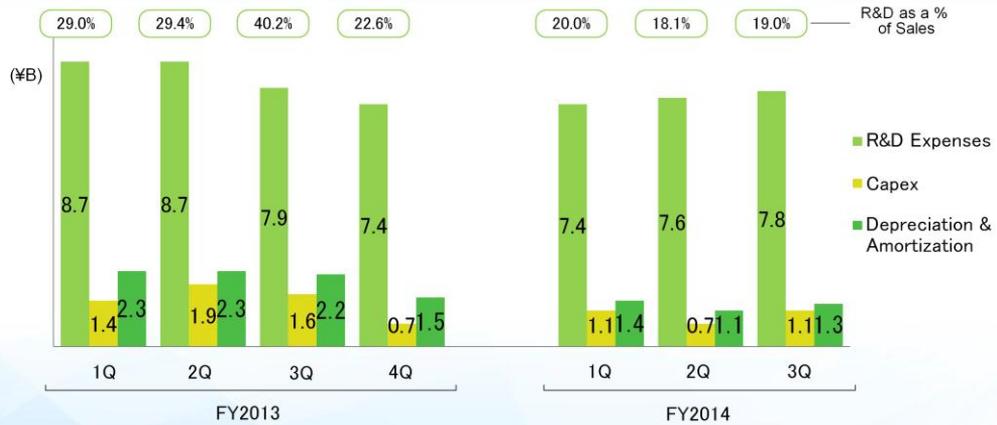
- Americas  
Logic IC-related sales grew.
- Taiwan and China  
Smartphone-related sales shrank.
- South Korea  
Memory-related sales decreased.



○ FY2014 3Q Gross Margin / Operating Expenses / Operating Income

- Gross Profit Margin: 56.9%  
Sales mix was rebalanced further towards higher-margin products.
- Operating Expenses: ¥20.0 billion up ¥0.9 billion QoQ  
Yen depreciation caused increases in foreign currency-denominated operating costs.
- Operating Income: ¥3.4 billion

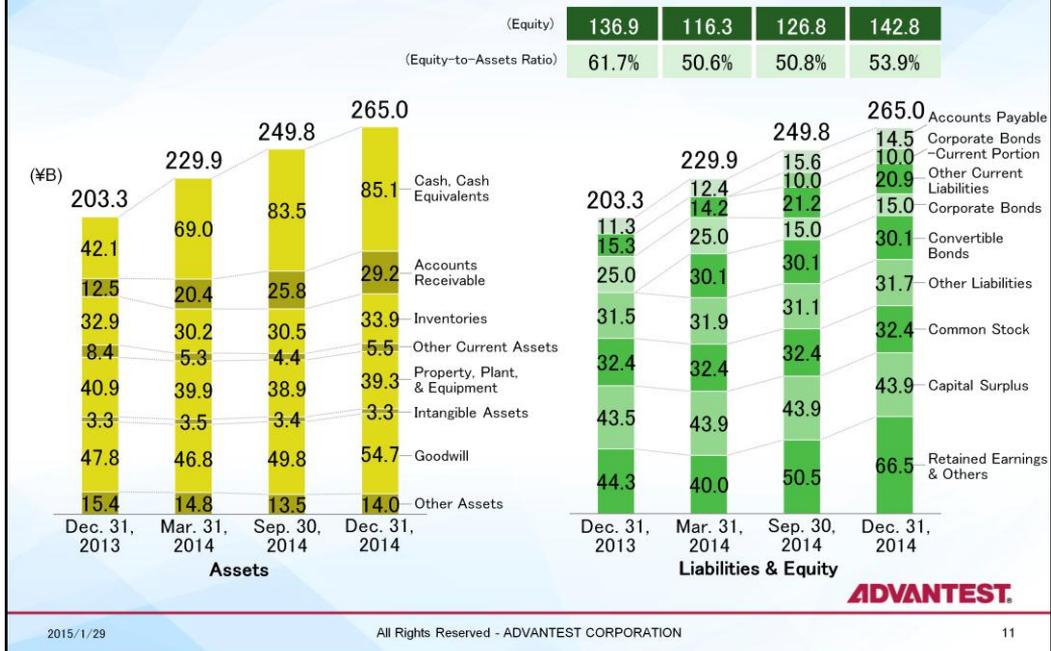
## R&D Expenses/Capex/Depreciation and Amortization



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- FY2014 3Q R&D Expenses/Capex/Depreciation and Amortization
  - R&D Expenses: ¥7.8 billion
  - Capex: ¥1.1 billion
  - Depreciation and Amortization: ¥1.3 billion
  - Each item was virtually flat QoQ.

# Balance Sheet



○ Balance Sheet as of end December 2014

○ Assets

- Accounts Receivable  
¥29.2 billion, up ¥3.4 billion QoQ
- Goodwill  
¥54.7 billion, up ¥4.9 billion QoQ
- Total Assets  
¥265.0 billion, up ¥15.1 billion QoQ  
Yen depreciation inflated the price of assets denominated in foreign currencies.

○ Liabilities & Equity

- Total Equity  
¥142.8 billion
- Equity-to-Assets Ratio  
Up 3.1 points from end September 2014 to 53.9%



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**FY2014 Business Update**

***Favorable Business Conditions Continue***

**Advantest Corporation**

**Shinichiro Kuroe**

**Representative Director, President & CEO**

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# Highlights

## ■ Favorable Tester Business Environment Continues from 3Q

- Expansion of Chinese LTE market underpins brisk non-memory tester demand
- Memory tester demand set to grow from 4Q on planned investments by key memory customers

## ■ Non-Tester Businesses Advance

- Higher sales of mechatronics products, services, and others expected in 4Q

## ■ Approaching Higher Profitability

- Several low-margin products are being retired in favor of new ones, improving profit ratios

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### ○ Selected Business Highlights:

- In our core semiconductor and component test system business, we anticipate that brisk non-memory tester demand will continue.
- Last year, non-memory testers led the tester market recovery, but we see memory tester demand picking up from 4Q.
- Higher sales of mechatronics products, services, and others are also expected in 4Q, underlining the growing profitability of our non-tester businesses.
- Several low-margin products are being retired in favor of new ones, while business process efficacy gains and productivity improvements are also contributing to higher profitability.



# FY2014 4Q Financial Results Forecast

( ¥B )

Exchange Rate Assumptions for FY2014 4Q Forecast: US\$1 = ¥ 115, 1 Euro = ¥140

	FY2013 4Q	FY2014 1Q	FY2014 2Q	2014 3Q	2014 4Q (forecast)
<b>Orders</b>	<b>39.1</b>	<b>49.2</b>	<b>38.2</b>	<b>38.7</b>	<b>39.9</b>
<b>Sales</b>	<b>32.6</b>	<b>36.8</b>	<b>42.1</b>	<b>41.0</b>	<b>42.1</b>
Semiconductor & Component Test Systems	21.5	26.0	29.0	25.1	24.9
Mechatronics	5.0	4.8	6.3	9.1	9.8
Services, Support, & Others	6.3	6.0	6.9	6.8	7.4
<b>Operating Income</b>	<b>-2.0</b>	<b>2.4</b>	<b>4.0</b>	<b>3.4</b>	<b>4.2</b>
Operating Income Margin	-6.0%	6.5%	9.5%	8.3%	10.0%
<b>Income Before Tax</b>	<b>-1.2</b>	<b>3.2</b>	<b>4.8</b>	<b>5.3</b>	<b>4.2</b>
<b>Net Income</b>	<b>-1.4</b>	<b>1.3</b>	<b>3.3</b>	<b>4.6</b>	<b>3.3</b>
<b>Backlog</b>	<b>32.0</b>	<b>44.4</b>	<b>40.4</b>	<b>38.1</b>	<b>36.0</b>

Note: Intersegment transactions have been eliminated from totals

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## ○ FY2014 4Q Financial Results Forecast

- Orders are expected to stay flat QoQ and YoY.
- Sales are expected to rise QoQ and YoY.
- Advantest's structural repositioning is gradually paying off: While sustaining our sales to the tester market, we also expect revenue increases from our mechatronics and service businesses to lift overall sales in FY2014.
- Exchange rate assumptions for FY2014 4Q are US\$1 = ¥ 115 and 1 Euro = ¥140.

# FY2014 4Q Business Outlook

## ■ Semiconductor & Component Test Systems

### ➤ Non-Memory Testers

- Demand for application processors, baseband processors, LCD driver ICs, mobile PMICs, and smartphone chip test is robust
- Growth seen in automotive MCUs, where Advantest continues to gain new customers, as well as analog and PMICs

### ➤ Memory Testers

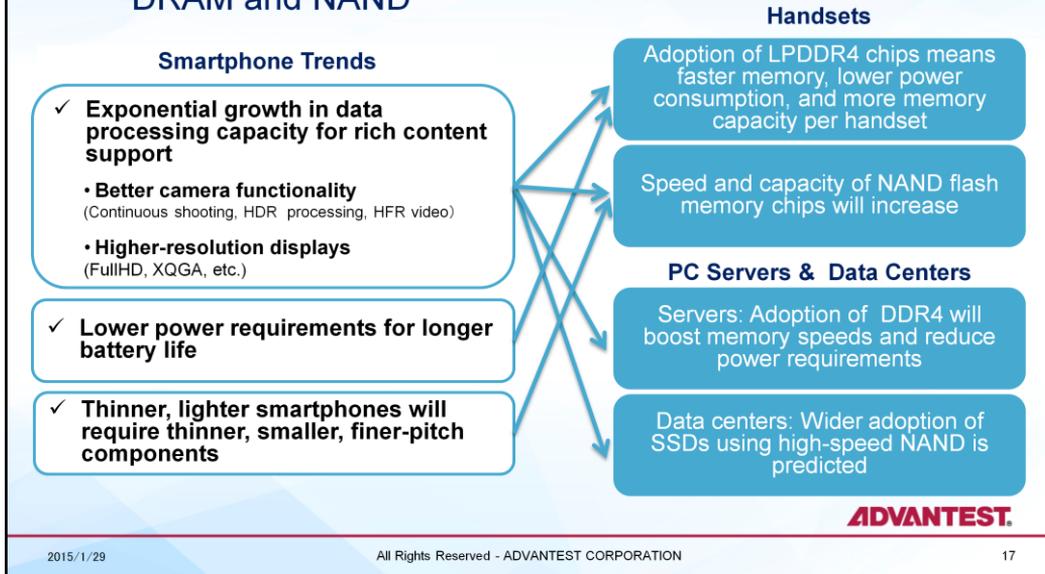
- Orders and sales were soft in 3Q, as this was a pause before customers launch a new round of tester investment, but we anticipate NAND flash tester market share gains
- Based on customer information and end-product trends, DDR4/LPDDR4 front-end and back-end test equipment demand should ramp up from 4Q
- NAND demand is also expected to ramp up from 4Q

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- A more detailed look at our business in FY2014 4Q:
- Non-memory testers:
  - We continue to see robust near-term tester investment to support test of higher-performance semiconductors that power the improving performance of smartphones.
  - Device types include application processors, baseband processors, LCD driver ICs, and mobile PMICs.
  - We also expect growth in automotive MCUs, where Advantest continues to gain new customers, as well as analog and PMICs.
- Memory testers:
  - Orders and sales were soft in 3Q, as this was a pause before customers launch a new round of tester investment, but we anticipate NAND flash tester market share gains.
  - Based on customer information and end-product technology trends, DDR4/LPDDR4 front-end and back-end test equipment demand should ramp up from 4Q.
  - We also expect NAND demand to ramp up from 4Q.
  - The next slide will provide an overview of end-product technology trends.

# 2015 Memory Semiconductor Trends

## Smartphones will shape growth trends in next-generation DRAM and NAND



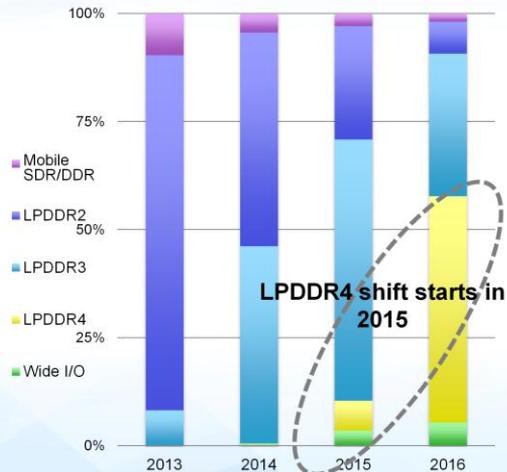
### ○ The memory market in 2015:

- Smartphones will shape growth trends in next-generation DRAM and NAND.
- Several smartphone trends are seen:
  - Exponential growth in data processing capacity for rich content support
  - Lower power requirements for longer battery life
  - Thinner, smaller, finer-pitch components are needed for thinner, lighter smartphones
- These trends are influencing handset development:
  - Adoption of LPDDR4 chips means faster memory, lower power consumption, and more memory capacity per handset
  - The speed and capacity of NAND flash memory chips is increasing
- Similar trends are seen in servers and data centers:
  - Adoption of DDR4 will boost memory speeds
  - Popularity of SSDs using high-speed, low-power NAND flash memory is increasing
- The next slide will outline the effect of these trends on memory tester demand.

# Shifting DRAM & NAND Markets

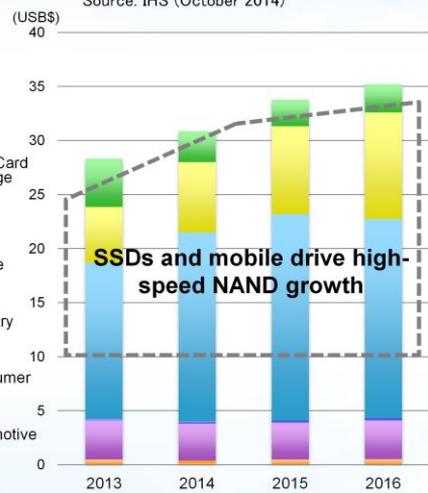
Mobile DRAM shipments (bits) by generation

Source: IHS (December 2014)



NAND flash shipments (\$) by application

Source: IHS (October 2014)



- Specific transitions in the memory market affect the tester market:
  - LPDDR4 is being more widely used in smartphones.
  - LPDDR4's faster data transmission rate will increase demand for Advantest's new T5503HS tester.
  - Volume production of LPDDR4 is set to ramp up from 2015 through 2016, driving new tester investment from this year.
  - Meanwhile, more data centers are employing SSDs. The expansion of the high-speed NAND market will lift the tester market.
  - Advantest's NAND tester, the T5831, has been approved for volume production by key customers.

# FY2014 4Q Business Outlook

## ■ Mechatronics Systems

- Sales of the M4871 SoC test handler are set to pick up from 4Q
- Device interface demand will grow in step with memory testers
- Potential orders of E-Beam lithography equipment, as well as CD-SEM products

## ■ Services, Support & Others

- Steady growth of annual maintenance contracts is lifting revenues from services
- Sales growth to continue for terahertz products and wireless system level test products
- New SSD tester launch is proceeding well

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### ○ Mechatronics Systems:

- We expect across-the-board growth in handlers, device interfaces, and nanotechnology products this period.
- Sales of the M4871 SoC test handler are set to pick up from 4Q
- The M4871 boasts thermal control functionality for measuring cutting-edge devices, as well as support for fine-pitch devices. Synergy effects are anticipated from sales of test cells packaging the M4871 with the V93000, which is the de facto standard tester used by OSAT customers.
- Sales of device interfaces, which are highly correlated with memory tester demand, should pick up from 4Q. As with test handlers, these products demonstrate the power of test cell sales.
- In nanotechnology products, we see potential orders of E-Beam lithography equipment, as well as CD-SEM products.

### ○ Services, Support, and Others:

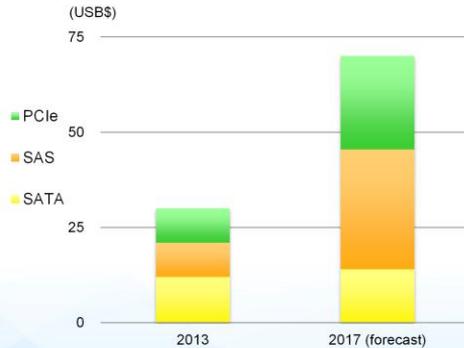
- Field services, the core of this business division, continues to win higher numbers of maintenance contracts.
- In our new businesses, we continue to seek expanded sales of terahertz and wireless system level test products.
- Strong SSD tester sales stand out in our new business portfolio.
- The next slide will provide more details of our SSD tester business.

# SSD Tester Market

## ■ Big Data era sharpens the need for a high-spec SSD tester

Enterprise SSD market, by protocol

Source: Advantest



- ✓ Explosive growth in internet traffic is driving expansion of the enterprise SSD market
- ✓ Enterprise adoption of high-speed interfaces is accelerating
- ✓ High reliability is indispensable to devices that underpin cloud computing
- ✓ Advantest's high-spec tester meets the needs of the changing SSD market



MPT3000 SSD Test System

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### ○ Our view of the SSD tester market:

- SSD testers have the greatest traction of any products within our new business portfolio.
- The growing IoT market and the spread of Big Data are expected to boost the scale of the enterprise SSD market, which is focused on data centers. SSD production volumes continue to grow while performance is improving.
- Future SSDs will require high-spec testers with high throughput for function test and reliability test.
- Key customers are adopting Advantest's tester, pointing towards achievement of our SSD business targets for FY2014.
- We are targeting an early leadership position in anticipation of the scaling up of the SSD market.
- We expect to achieve the level of sales announced in our updated forecast through similar efforts to expand our businesses.
- This concludes our presentation.