

ADVANTEST.

FY2016 Information Meeting

**April 27th, 2017
Advantest Corporation**

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, 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 "Risk Factors" section of Advantest's Annual Financial Report.

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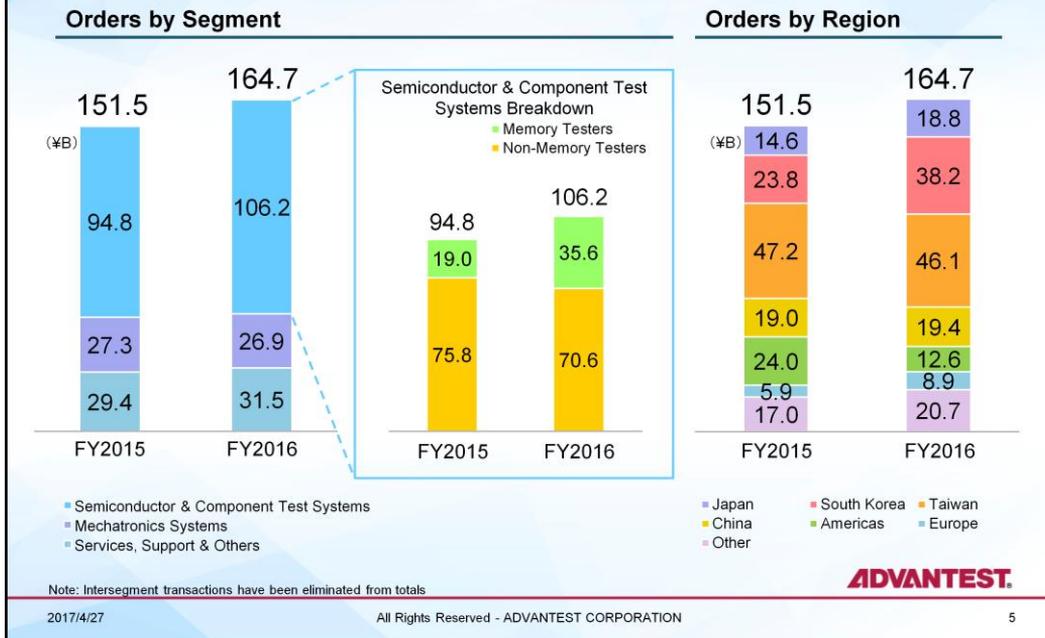
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Financial Results for FY2016

(Period Ended March 31th, 2017)

Advantest Corporation
Hiroshi Nakamura
Director and Managing Executive Officer

FY2016 Orders by Segment / Region



○ FY2016 Orders by Segment & Region

○ Semiconductor & Component Test System

- ¥106.2 billion +12% YoY
- High-end smartphone-related and LTE base station-related demand was not as strong as in the previous fiscal year, depressing orders for non-memory testers.
- Demand for DRAM and NAND flash memory testers increased, especially in the second half, driving a near doubling of memory tester orders year on year. This led to higher orders for the entire segment.

○ Mechatronics System

- ¥26.9 billion flat YoY
- Growth in handlers and device interfaces offset declines in nanotechnology.

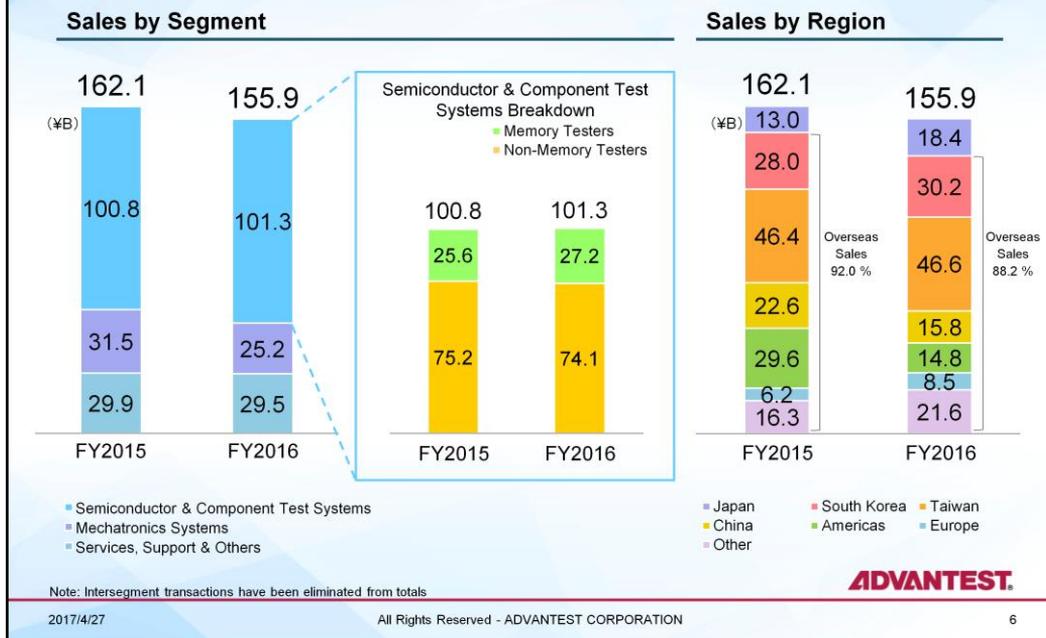
○ Services, Support & Others

- ¥31.5 billion +7% YoY
- Demand for services was robust.

○ By Region

- Memory orders increased in Korea, while, Japan and Europe saw higher orders for automotive applications, but orders from the US declined due to slower high-end smartphone-related demand.

FY2016 Sales by Segment / Region



○ FY2016 Sales by Segment & Region

○ Semiconductor & Component Test System

- ¥101.3 billion flat YoY
- Non-memory testers saw strong sales in the first half, memory testers in the second half.

○ Mechatronics System

- ¥25.2 billion -20% YoY
- Demand for device interfaces was weak at the beginning of the period, and nanotechnology was sluggish all year, holding results to a lower level than the previous fiscal year.

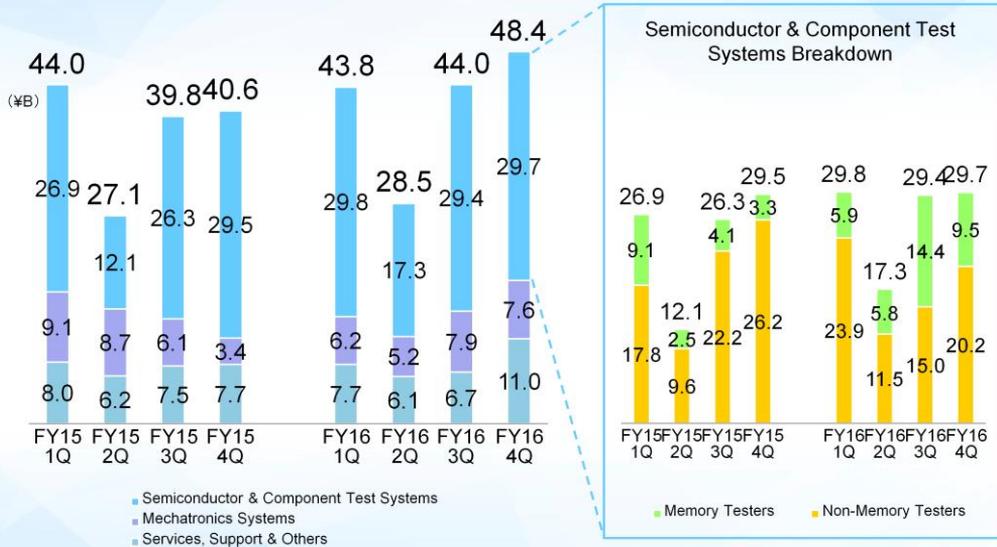
○ Service, Support & Others

- ¥29.5 billion flat YoY

○ By Region

- Sales declined in the United States due to sluggish demand for high-end smartphones, and in China due to a decline in memory demand.
- Japan's automotive sector generated strong demand.
- As a result, Advantest's overseas sales ratio was 88.2% for the full year.

FY2016 4Q Orders by Segment



Note: Intersegment transactions have been eliminated from totals

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○ FY2016 4Q Orders by Segment

○ Semiconductor & Component Test System

- ¥29.7 billion flat QoQ
 - of which, non memory: ¥20.2 billion
 - memory: ¥9.5 billion
- Non-memory testers grew, mainly on smartphone and server related orders. Smartphone inventory adjustments held tester orders back from reaching the same level as the same period in the previous fiscal year.
- In memory testers, capital investment by major manufacturers continued at a high level following 3Q, especially in the NAND flash sector.

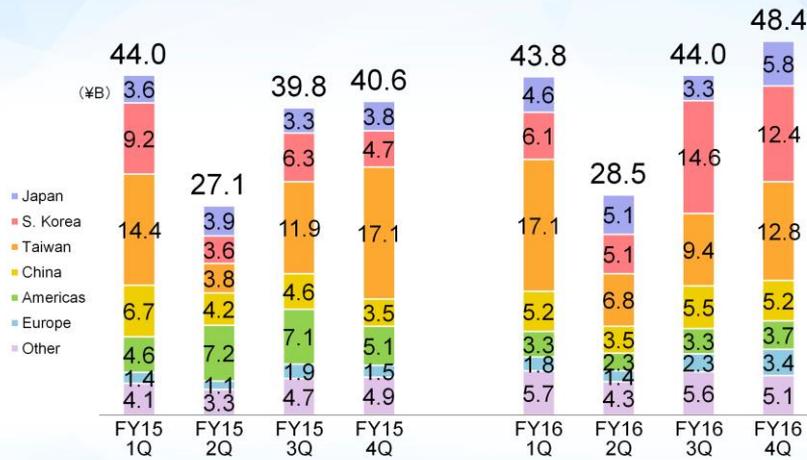
○ Mechatronics System

- ¥7.6 billion flat QoQ

○ Service, Support, and Others

- ¥11.0 billion +65% QoQ
- Maintenance contracts grew.

FY2016 4Q Orders by Region



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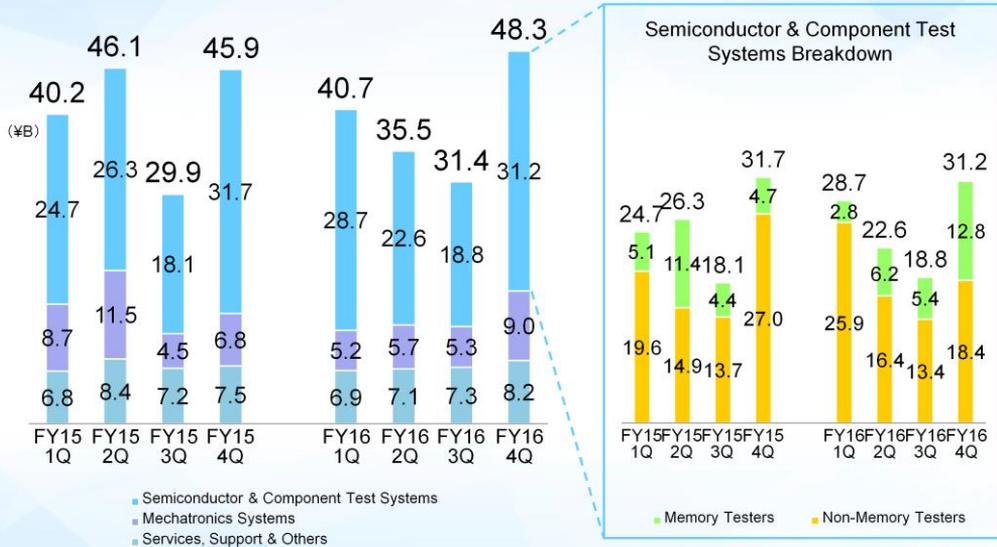
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○ FY2016 4Q Orders by Region

○ Regions where sales fluctuated significantly QoQ:

- South Korea
Continuing on from 3Q, strong orders for memory testers persisted.
- Taiwan
Smartphone-related demand for non-memory testers increased.

FY2016 4Q Sales by Segment



Note: Intersegment transactions have been eliminated from totals

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○ FY2016 4Q Sales by Segment

○ Semiconductor & Component Test System

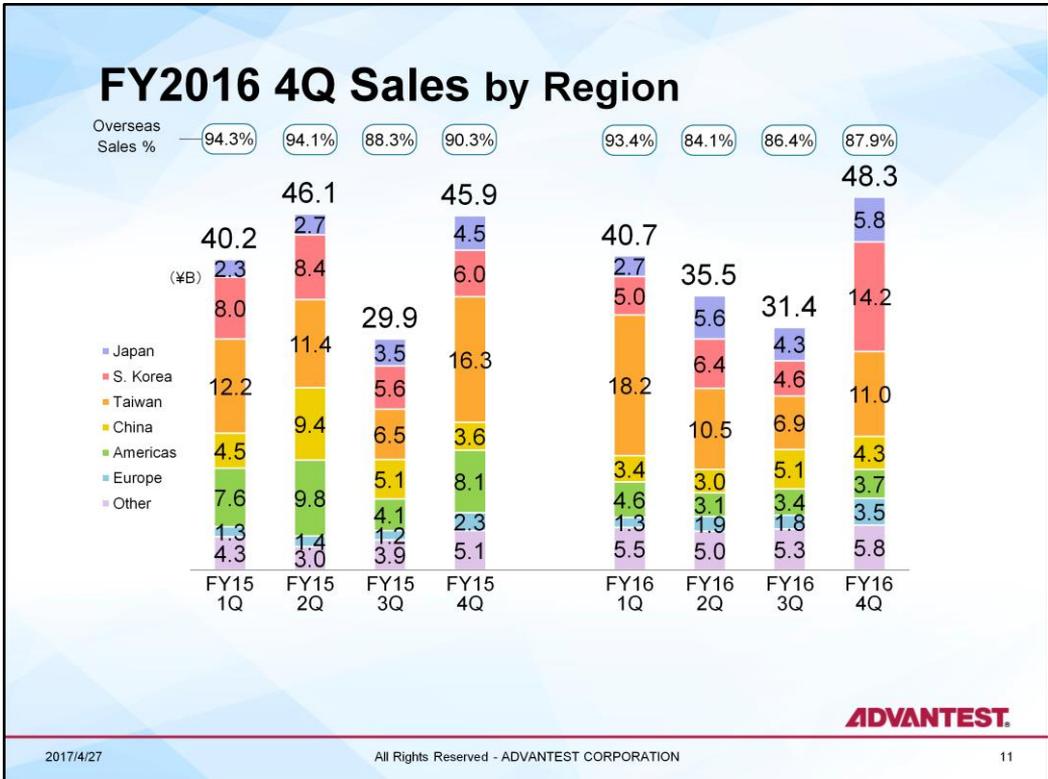
- ¥31.2 billion +66% QoQ
- of which, non-memory testers: ¥18.4 billion
memory testers: ¥12.8 billion
- Non-memory tester sales recovered from 3Q's seasonal decline.
- Large memory tester orders received in 3Q converted into sales.

○ Mechatronics System

- ¥9.0 billion +69% QoQ
- Device interface and nanotechnology sales grew.

○ Services, Support & Others

- ¥8.2 billion +13% QoQ
- Field services sales grew strongly.



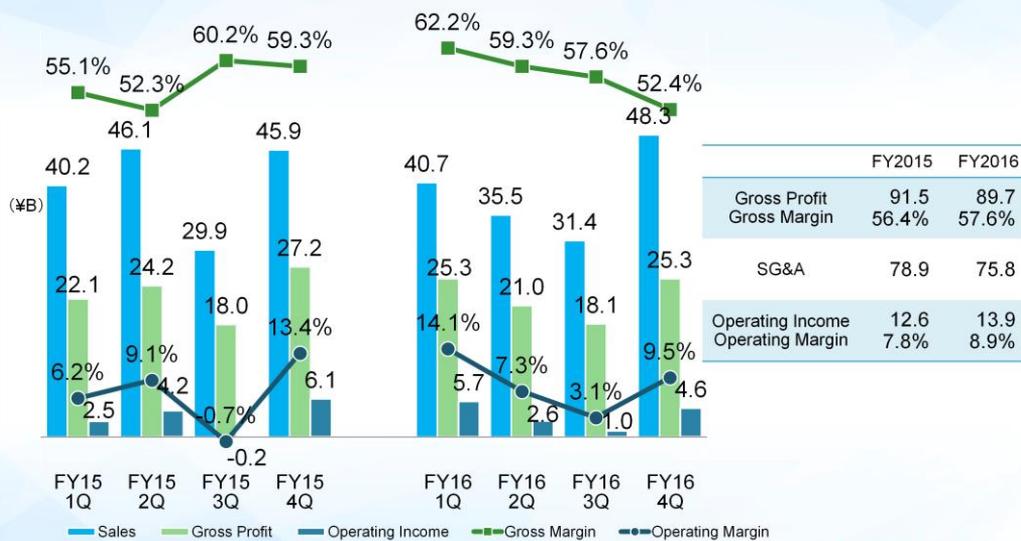
○ FY2016 4Q Sales by Region

○ Regions where sales fluctuated significantly QoQ:

- South Korea
Memory tester sales expanded.
- Taiwan
Smartphone-related tester sales recovered.
- Japan, Europe
Sales of automotive-related testers increased

As a result, Advantest's overseas sales ratio in 4Q was 87.9%.

FY2016 4Q Sales / Gross Profit / Operating Income



	FY2015	FY2016
Gross Profit	91.5	89.7
Gross Margin	56.4%	57.6%
SG&A	78.9	75.8
Operating Income	12.6	13.9
Operating Margin	7.8%	8.9%

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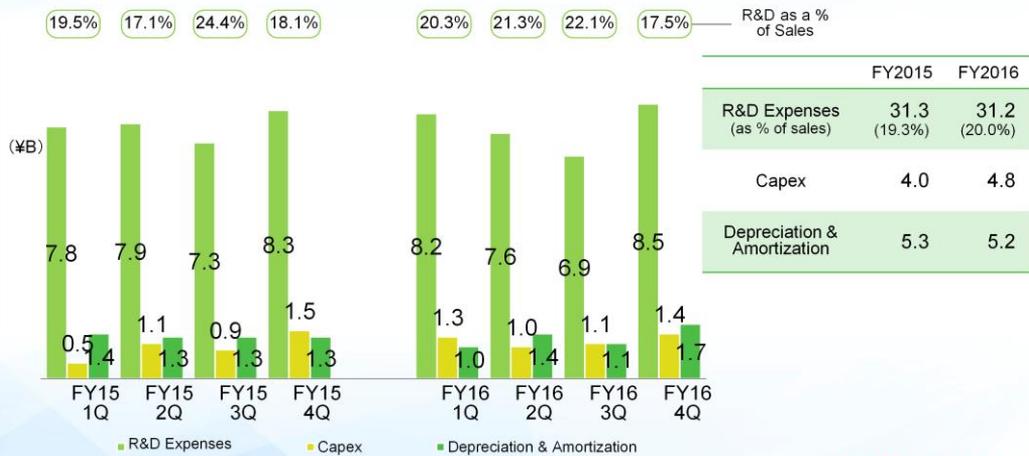
○ FY2016 4Q Sales / Gross Profit / Operating Income

- Gross Profit +¥7.3 billion QoQ ¥25.3 billion
- Gross Margin -5.2 points QoQ 52.4%
 - Memory tester sales mix grew less favorable
- SG&A +¥3.6 billion QoQ ¥20.7 billion
 - Accrued bonuses increased
- Operating Income +¥3.6 billion QoQ ¥4.6 billion
- Operating Margin +6.4 points QoQ 9.5%

○ FY2016 Full Year Sales / Gross Profit / Operating Income

- Gross Margin +1.2 points YoY 57.6%
 - For the full year, profitability of sales mix improved beyond our estimates.
- SG&A -¥3.0 billion YoY ¥75.8 billion
 - Yen appreciation reduced operational expenses generated overseas
- Operating Income +¥1.3 billion YoY ¥13.9 billion
- Operating Margin 8.9%

FY2016 4Q R&D Expenses / Capex / Depreciation and Amortization



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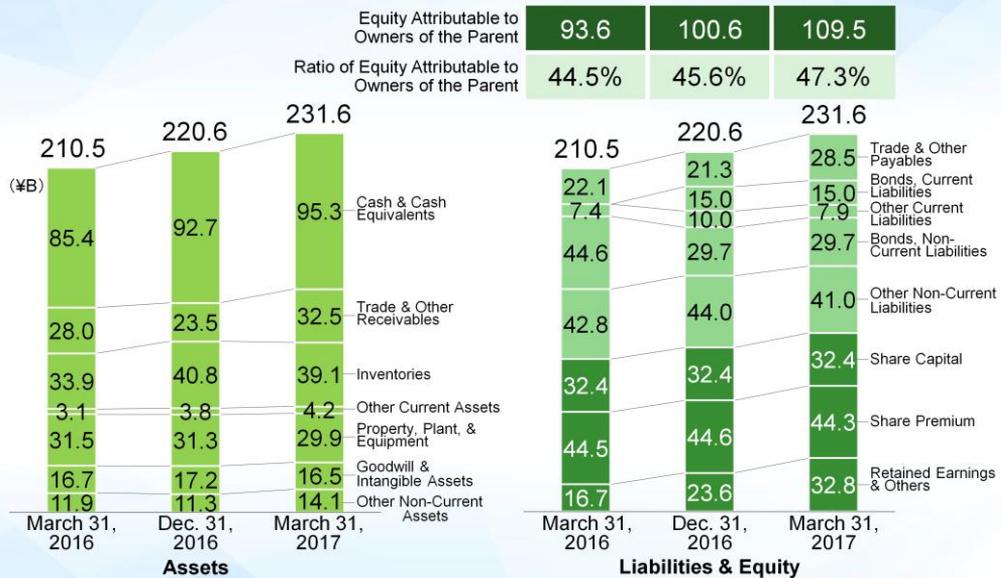
○ FY2016 4Q R&D Expenses / Capex / Depreciation and Amortization

- R&D Expenses ¥8.5 billion
- Capex ¥1.4 billion
- Depreciation and Amortization ¥1.7 billion

○ FY2016 Full Year R&D Expenses / Capex / Depreciation and Amortization

- R&D Expenses ¥31.2 billion
- Capex ¥4.8 billion
- Depreciation and Amortization ¥5.2 billion

FY2016 Balance Sheet



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○ Balance Sheet for Period Ending March 31th, 2017

- Equity Attributable to Owners of the Parent: ¥109.5 billion
- Ratio of Equity Attributable to Owners of the Parent: 47.3%

2.8 points up from the end of the previous fiscal year

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FY2017 Business Outlook

Advantest Corporation
Yoshiaki Yoshida
Representative Director, President & CEO

FY2017 Financial Results Forecast

	FY2016	FY2017 Forecast	vs. FY2016 (¥)	vs. FY2016 (%)
Orders	164.7	175.0	+10.3	+6.3%
Backlog	42.2	45.2	+3.0	+7.1%
Sales	155.9	172.0	+16.1	+10.3%
Semiconductor & Component Test systems	101.3	112.0	+10.7	+10.6%
Mechatronics	25.2	27.0	+1.8	+7.0%
Services, Support & Others	29.5	33.0	+3.6	+12.1%
Operating Income	13.9	18.0	+4.1	+29.4%
Operating Income Margin	8.9%	10.5%	+1.6pts	
Income Before Tax	15.0	18.2	+3.2	+21.0%
Net Income	14.2	15.0	+0.8	+5.6%
Net Income Margin	9.1%	8.7%	-0.4pts	

Note: Intersegment transactions have been eliminated from totals

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○ FY2017 Forecast

- Firstly, our outlook for the fiscal year of 2017:
- Based on business prospects for each segment, our forecast for FY2017 calls for:
 - Orders ¥175.0 billion
 - Sales ¥172.0 billion
 - Operating Income ¥18.0 billion
 - Net Income ¥15.0 billion
- Our forecast for FY2017, does not include deferred tax assets, giving an impression of flattish net income.

Outlook by Segment

■ Semiconductor & Component Test System

Semiconductor & Component Test System Sales trends (¥B)



Non-Memory Testers

- ✓ Logic demand is off to a slow start due to smartphone inventory adjustments
- ✓ Liquid crystal / organic EL panel demand is strong and may increase further
- ✓ Further market expansion foreseen in 2018

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○ Outlook by Segment: Semiconductor & Component Test System Segment

- Non-memory testers:
- At present, we expect the non-memory tester market to be worth about USD 1.8 billion in FY2017, which is about a 10% decrease on year.
- Amid present inventory adjustments in the Chinese smartphone sector, new investment in logic testers is lagging. Based on this, we decided to carefully consider our non-memory tester business forecast.
- We conclude that demand for smartphones in the future will be steady. As soon as inventory adjustments and model upgrades progress, tester demand will return, and we expect that logic tester sales will recover in the autumn of 2017.
- In areas other than logic ICs, demand for testers related to liquid crystal / organic EL panels is strong. Depending on market trends in the future, demand may increase further. Due to a lack of product supply, we were unable to achieve our sales guidance number. Moving forward, we will adjust our production structure so that we can respond immediately to demand growth.
- In addition, demand for communication-related, gaming, and automotive-related products is consistent with the previous fiscal year. We anticipate that the non-memory tester market will expand again in 2018, and in light of activity at our customers, we expect that demand will grow in the second half in these areas as well as for smartphones.

Outlook by Segment

■ Semiconductor & Component Test System



Memory Testers

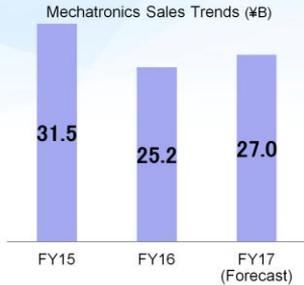
- ✓ 3D NAND production capacity expansion is driving the market
- ✓ Investment in capacity expansions will underpin dramatic YOY growth in the NAND tester market
- ✓ Advantest expects to capture more than half of this market growth
- ✓ Tester upgrades, in addition to demand driven by device market growth, foreseen in the DRAM tester market

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○ Outlook by Segment: Semiconductor & Component Test System Segment

- Memory testers:
 - The memory tester market is estimated to grow to about USD 650 million in fiscal 2017, about a 25% increase on year.
 - A key driver of market expansion is investment in NAND flash testers to increase production capacity for 3D NAND. NAND test demand is expected to grow significantly year-on-year, in front end, burn-in, and back-end.
 - As NAND demand grows, competition intensifies. However, we believe Advantest can capture more than half of NAND market growth.
 - Regarding DRAM, we expect strong demand for server and smartphone testers to continue on from last year. In addition, we anticipate that customers will replace old testers to improve production capacity, so sales should exceed the previous fiscal year, as in the NAND flash sector.
 - As stated in non memory tester outlook, in the second half of FY2016, Advantest's memory tester production capacity could not keep up with the rapidly rising demand, and pushing some production into FY2017. We anticipate memory tester sales of ¥44 billion this fiscal year.

Outlook by Segment



■ Mechatronics

- ✓ Handler and DI sales expected to increase in step with memory tester demand
- ✓ Advantest continues to invest in nanotechnology R&D in advance of a market recovery in FY2018 and beyond



■ Services, Support, & Others

- ✓ Solid field services demand is foreseen amid semiconductor market growth
- ✓ Advantest is promoting high-growth strategies for SSD testers

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○ Outlook by Segment: Mechatronics Segment and Services, Support, & Other Segment

- Our Mechatronics Segment sales forecast for the full year is ¥27.0 billion.
- In our device interface business, sales are expected to increase in step with memory tester demand.
- In nanotechnology, demand for photomask inspection equipment is expected to remain stagnant, holding sales to the same level as the previous fiscal year. We will continue product development for advanced nodes, aiming for a sales rebound in FY2018 and beyond.
- Our Services, Support, & Other Segment sales forecast for the full year is ¥33.0 billion.
- We anticipate solid sales increases in field services and SSD testers.
- Advantest's SSD testers are positioned as high-growth products. In order to ensure they deliver on this potential, we have emphasized product portfolio enrichment. To promote sales growth, we will strengthen our R&D structure and improve our sales structure in FY2017.

Premises of FY2017 Business Outlook

		(¥B)	
		FY2016	FY2017 Forecast
R&D Expenses		31.2	33.0
Capex		4.8	5.0~6.0
Depreciation & Amortization		5.2	5.0~6.0
Exchange Rate	1 US\$	¥108	¥110
	1 Euro	¥119	¥120

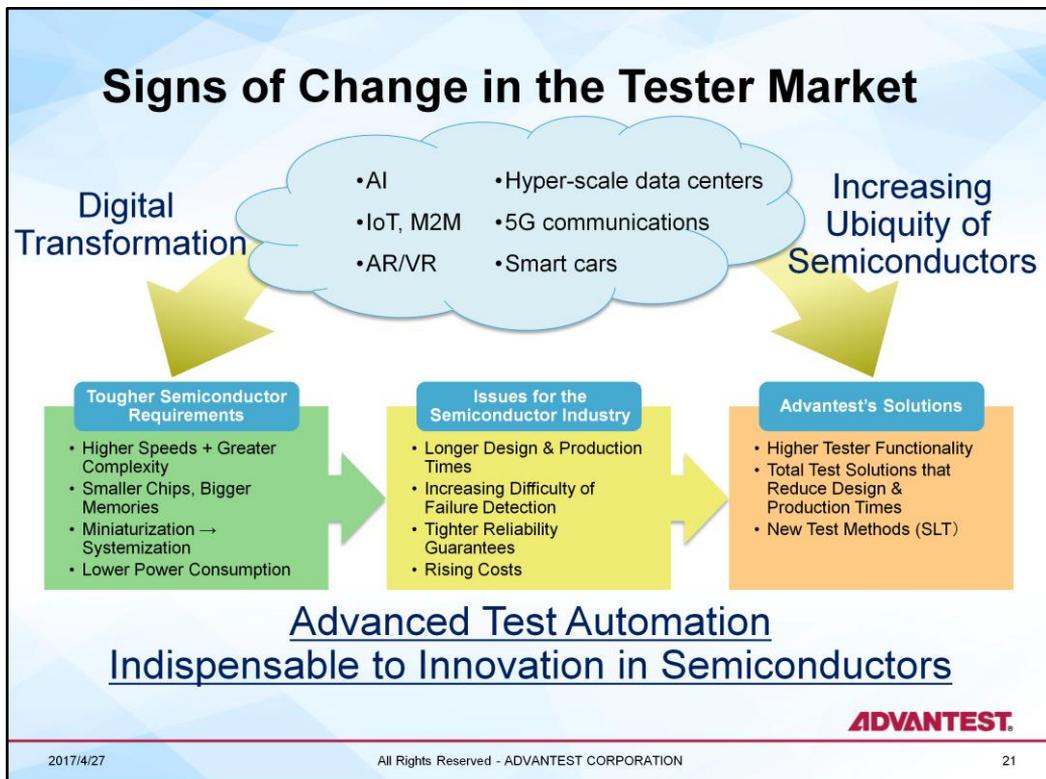
✓With a view to changing test needs, Advantest will promote R&D investment, business structure improvement, and production structure optimization in medium- to long-term growth areas

✓Forex sensitivity towards annual operating income for US\$ is ¥400 million, for Euro is -¥100 million, in the case of a ¥1 depreciation

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○ Premises of FY2017 Business Outlook

- Lastly, a few words about the big-picture assumptions behind our business outlook.
- Demand for memory testers increased significantly in FY2016, starting from the second half. We believe there is a possibility that demand for memory testers will continue to be strong in FY2017, FY2018, and several years thereafter. We expect continuous memory capacity investment from the major memory players as well as from new upstarts in China.
- Emerging technologies such as 5G mobile communications, self-driving vehicles, and AI demand complex, high-speed, highly reliable semiconductors. We expect this trend to drive test demand growth over the medium to long term, including for non-memory testers.
- With an eye on these and other changes in test needs, Advantest will actively promote R&D investment, business structure improvement, and production structure optimization in medium- to long-term growth areas.
- These forecasts are based on exchange rate assumptions for FY2017 of 1 US\$ = ¥ 110, 1 Euro = ¥120.



○ Signs of Change in the Tester Market

- We feel that signs of change are visible in the tester market in the form of expanding test requirements.
- The digital transformation is progressing in areas such as investment in the IoT and self-driving cars, the popularization of AI and deep learning, hyper-scale data center growth, introduction of 5G communications, and more. Semiconductors will increasingly penetrate every aspect of life. Demand for storage of massive data volumes, computing capacity enhancements, and high-speed communications will only grow in future.
- There is no doubt that the trend towards higher performance, smaller size and lower power consumption semiconductors will continue. Naturally, production volumes will increase, but more and more of these semiconductors will be required to demonstrate high reliability.
- Meanwhile, semiconductor design and manufacturing times are trending longer and longer. It is also becoming very difficult to analyze defects and improve yield for some devices. In some cases, reliability cannot be guaranteed with conventional methods. We have the impression that there are more and more of these cases.
- Semiconductor makers have begun to reconsider designs and review test flows, in addition to buying high-performance testers. We believe a total test solution, which will accelerate device development from design through to production by optimizing the entire test process, is required. The ability to offer such test solutions will differentiate Advantest from other tester suppliers in the years to come.
- While balancing our overall mission with short-term performance, we believe that it is important for Advantest to support innovation in the semiconductor industry by continuing aggressive R&D investment in the medium- to long-term. It is our growth driver.
- A realignment of management throughout our organization will help to strengthen our global business.



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