

# **The 75<sup>th</sup> Ordinary General Meeting of Shareholders**

June 27, 2017

**ADVANTEST CORPORATION**

## Market Overview

### Global Economy

- U.S.: Solid growth
- Weak economic growth overall

### Semiconductor Industry

- Improving functionality and higher sales of smartphones
- Developments in automotive electronics
- Growth in data center investment

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**Positive growth in 2016**

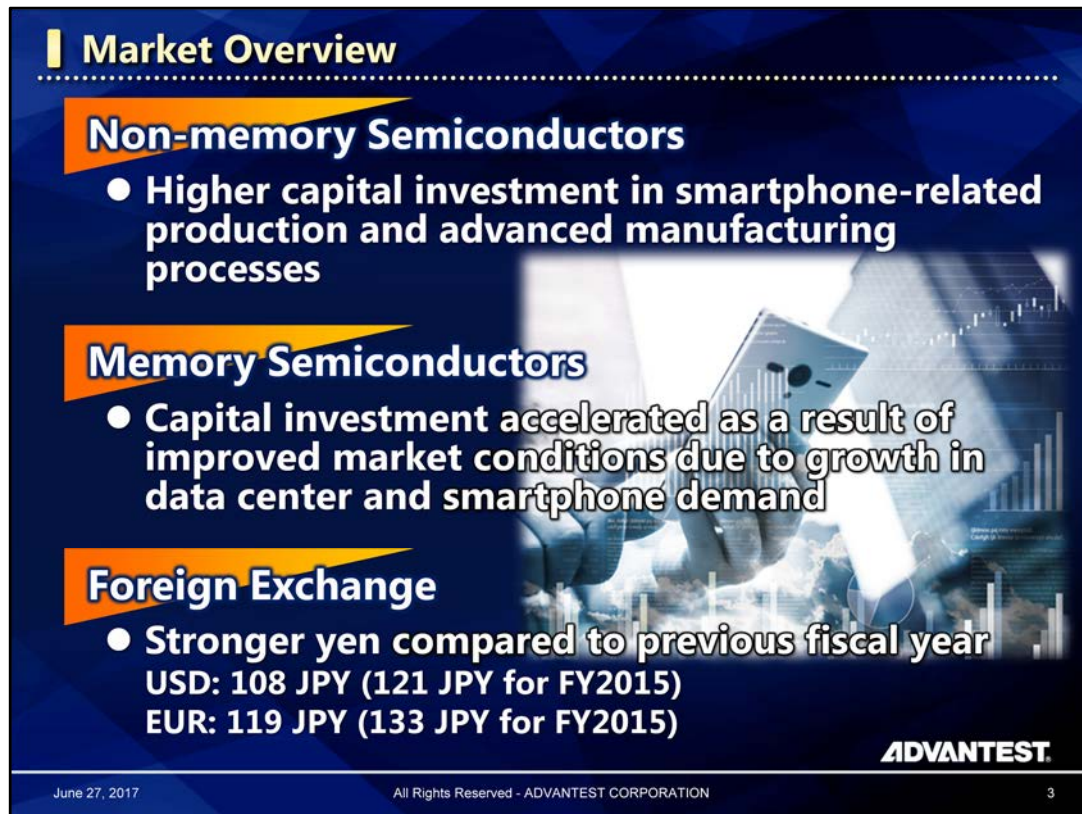
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In FY2016, the global economy continued its overall recovery trend, supported by strength in the U.S. and other countries.

In semiconductor-related markets, improving functionality and higher sales volumes of smartphones, as well as developments in automotive electronics and growth in data center investment, have driven growth.

As a result, the semiconductor market reversed its negative growth trend of 2015 and recorded positive growth in 2016.



## **Market Overview**

- Non-memory Semiconductors**
  - Higher capital investment in smartphone-related production and advanced manufacturing processes
- Memory Semiconductors**
  - Capital investment accelerated as a result of improved market conditions due to growth in data center and smartphone demand
- Foreign Exchange**
  - Stronger yen compared to previous fiscal year  
USD: 108 JPY (121 JPY for FY2015)  
EUR: 119 JPY (133 JPY for FY2015)

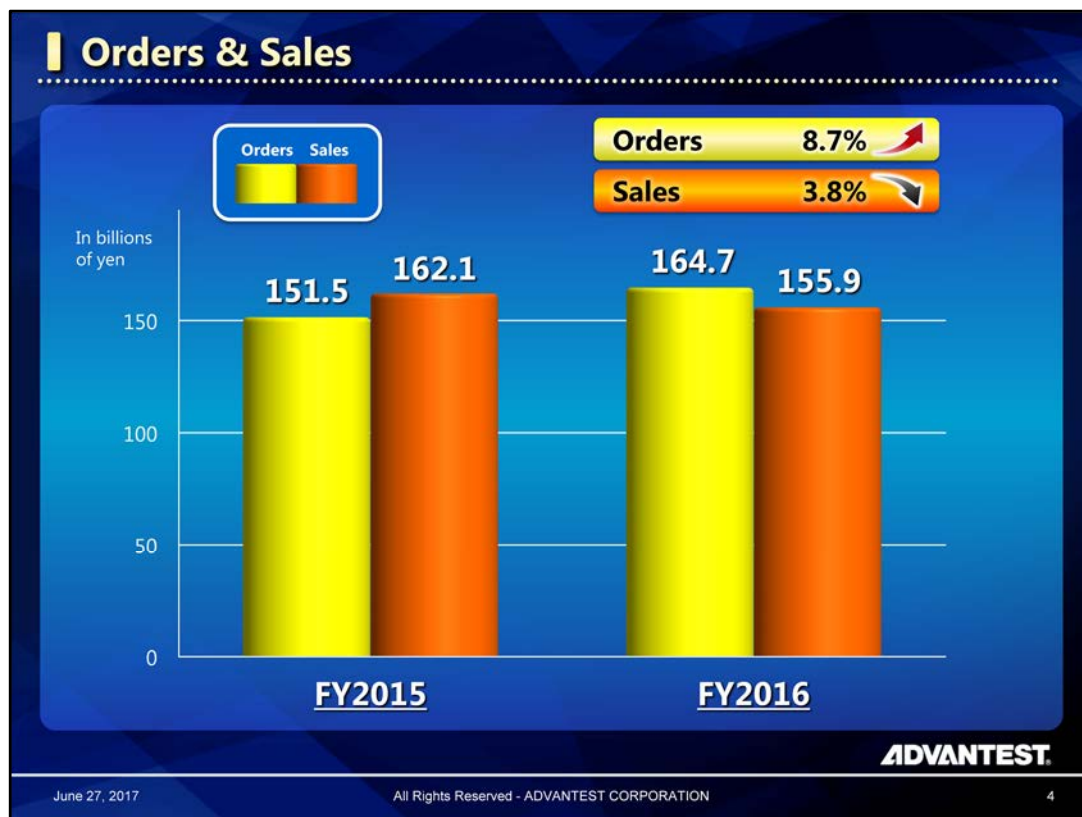
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In line with these trends, capital investment in smartphone-related production and advanced manufacturing processes for the non-memory semiconductor sector, which includes logic devices, increased. In the memory sector, capital investment by memory semiconductor manufacturers accelerated in the second half of 2016 as a result of improved market conditions beginning in the summer due to growth in data center and smartphone demand.

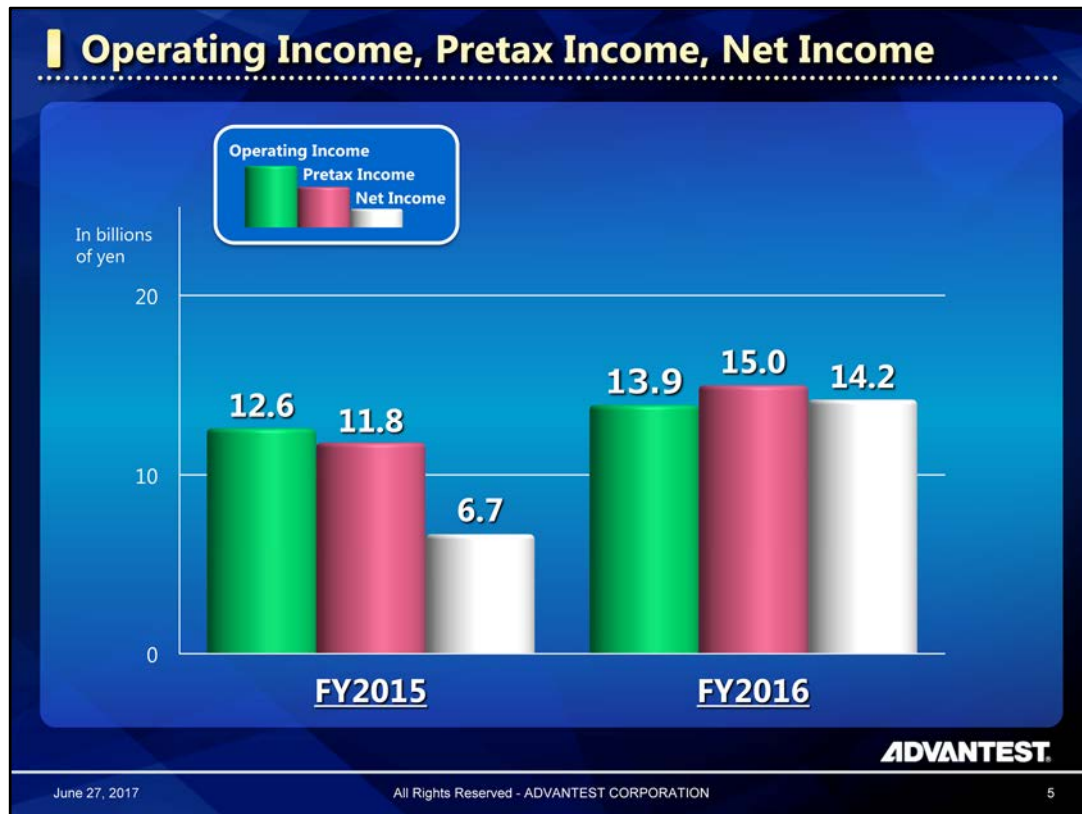
The average foreign exchange rates for this fiscal year were 108 Japanese yen to the US dollar and 119 Japanese yen to the euro, reflecting yen appreciation from the previous year.

In this business environment, Advantest implemented measures to improve results, with a focus on capturing new demand from the memory sector, where customers are now highly motivated to invest.



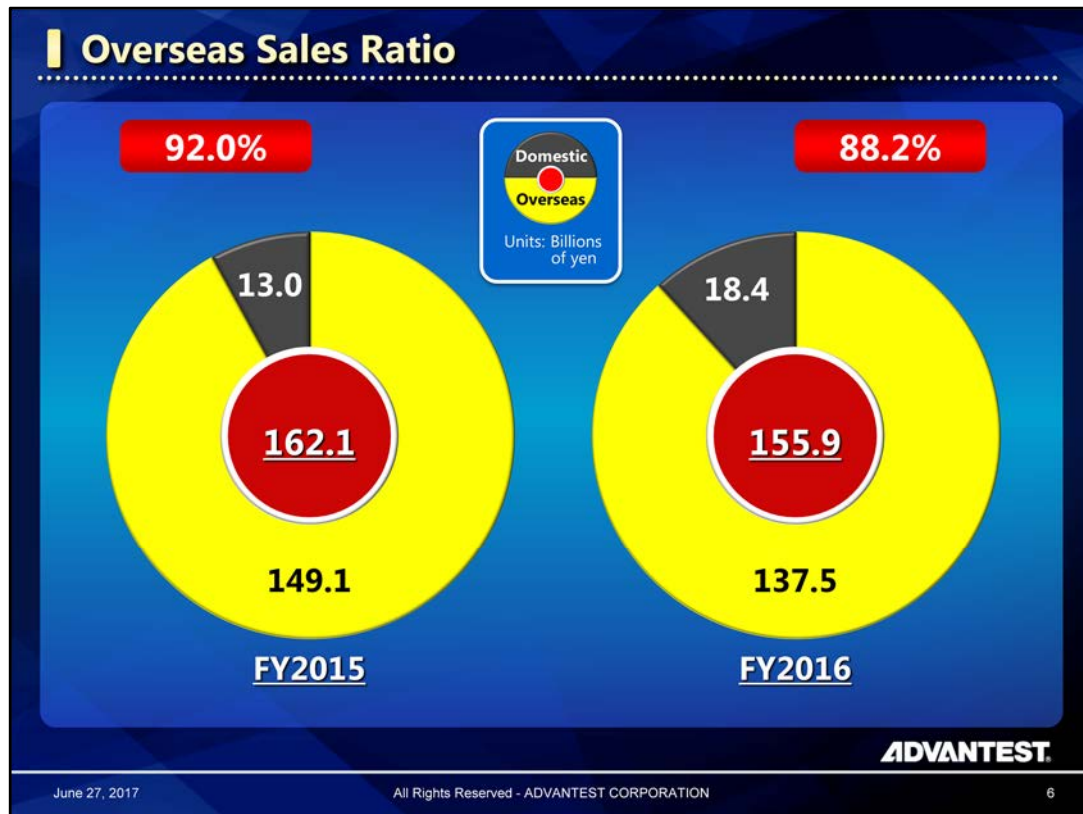
As a result, orders received increased by 8.7% year-on-year to 164.7 billion yen, despite the negative effects of yen appreciation.

Net sales dropped by 3.8% from the previous fiscal year to 155.9 billion yen.

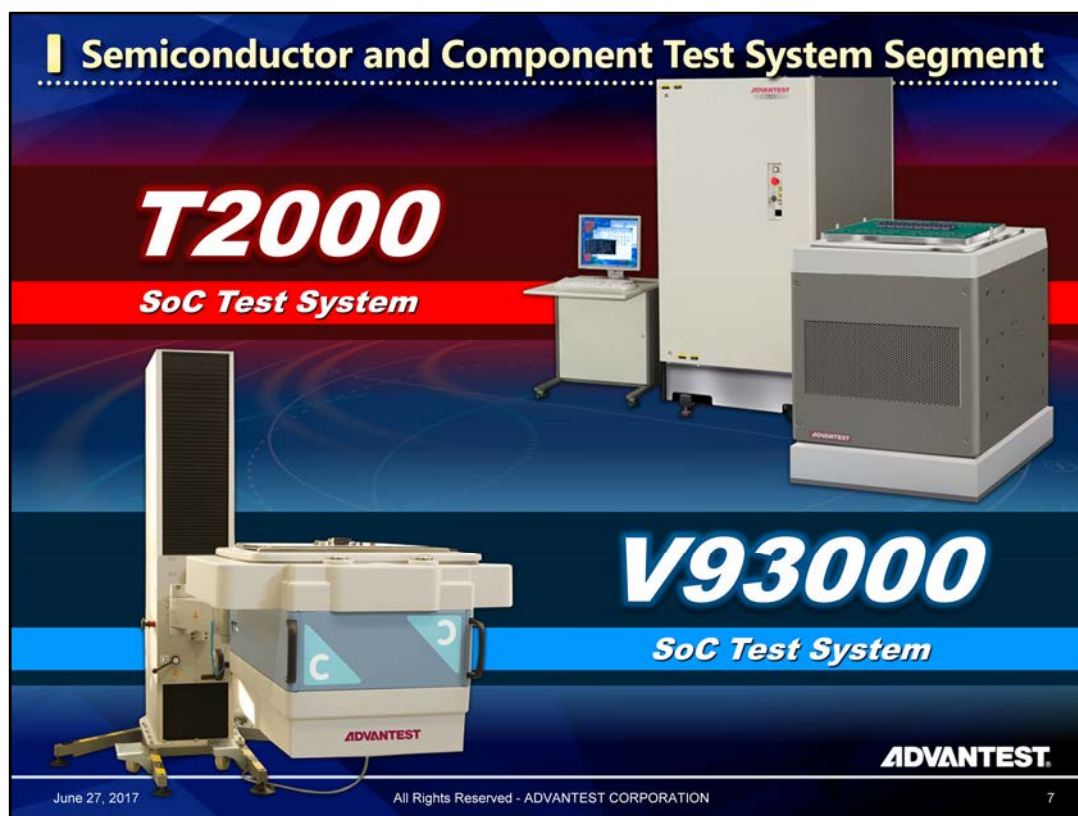


Despite a decline in sales compared to the previous fiscal year, operating income improved by 10.4% year-on-year to 13.9 billion yen, due to a more profitable sales mix compared to the previous fiscal year. Pretax income grew by 27.7% year-on-year to 15 billion yen, and net income increased by 112.1% year-on-year to 14.2 billion yen.





The percentage of net sales to overseas customers was 88.2%.

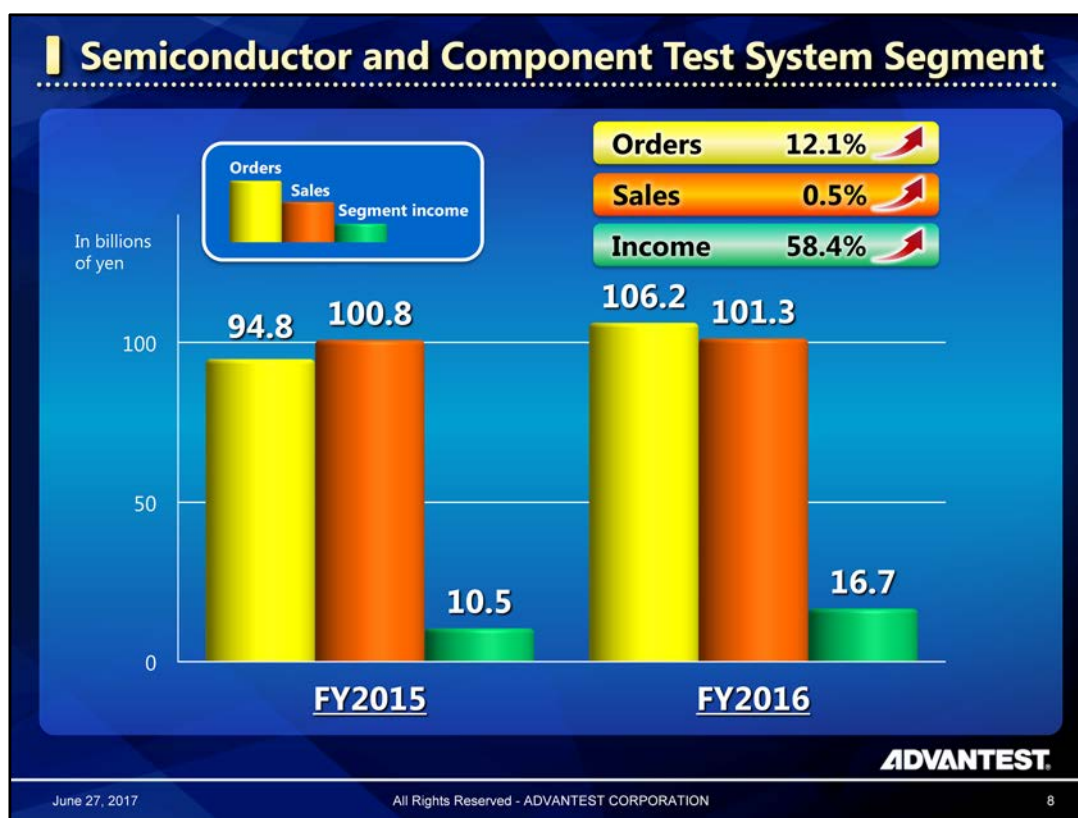


Next, results for each business segment.

In the Semiconductor and Component Test System segment, Advantest's non-memory semiconductor test system business remained solid through the third quarter against a backdrop of increased production of semiconductors for smartphones.

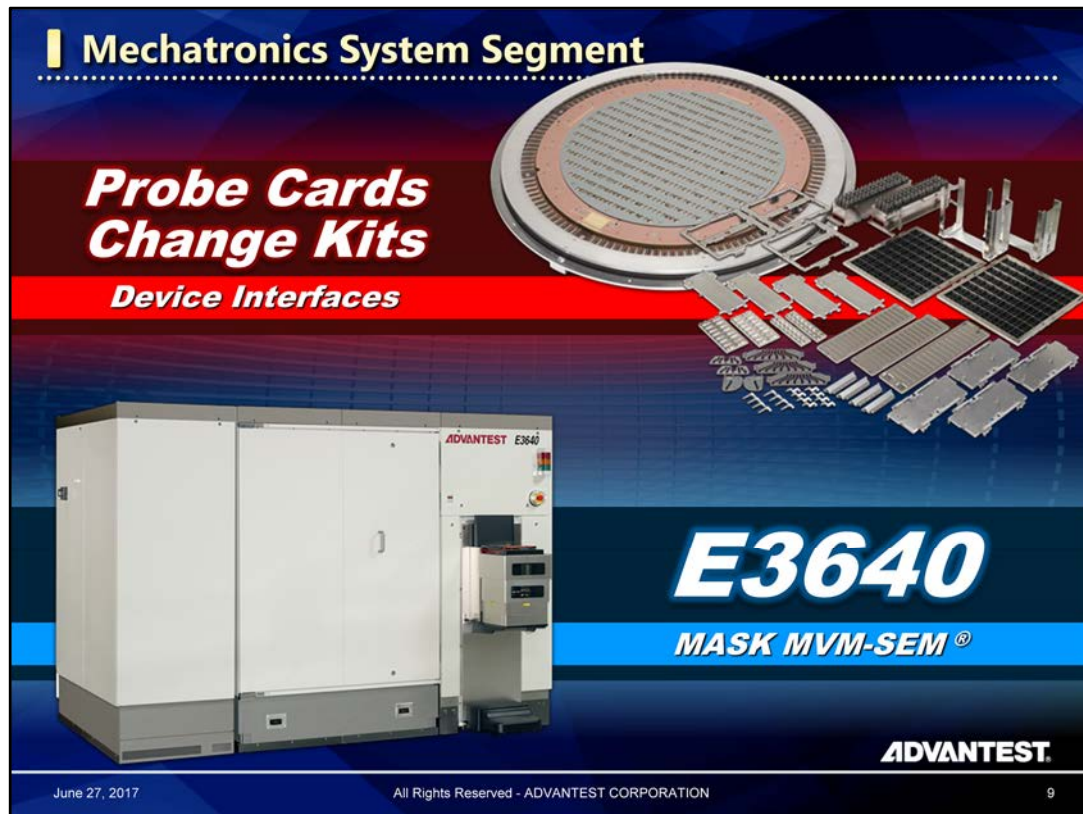
However, starting from the fourth quarter, inventory adjustments for mobile devices suppressed sales of non-memory test systems, leading sales to finish slightly below the level of the previous fiscal year.

In Advantest's memory semiconductor test system business, customer investment stayed flat at the beginning of the fiscal year, but the business environment grew more favorable starting in the summer of 2016, enabling us to achieve orders exceeding the previous year's results in the second half alone.



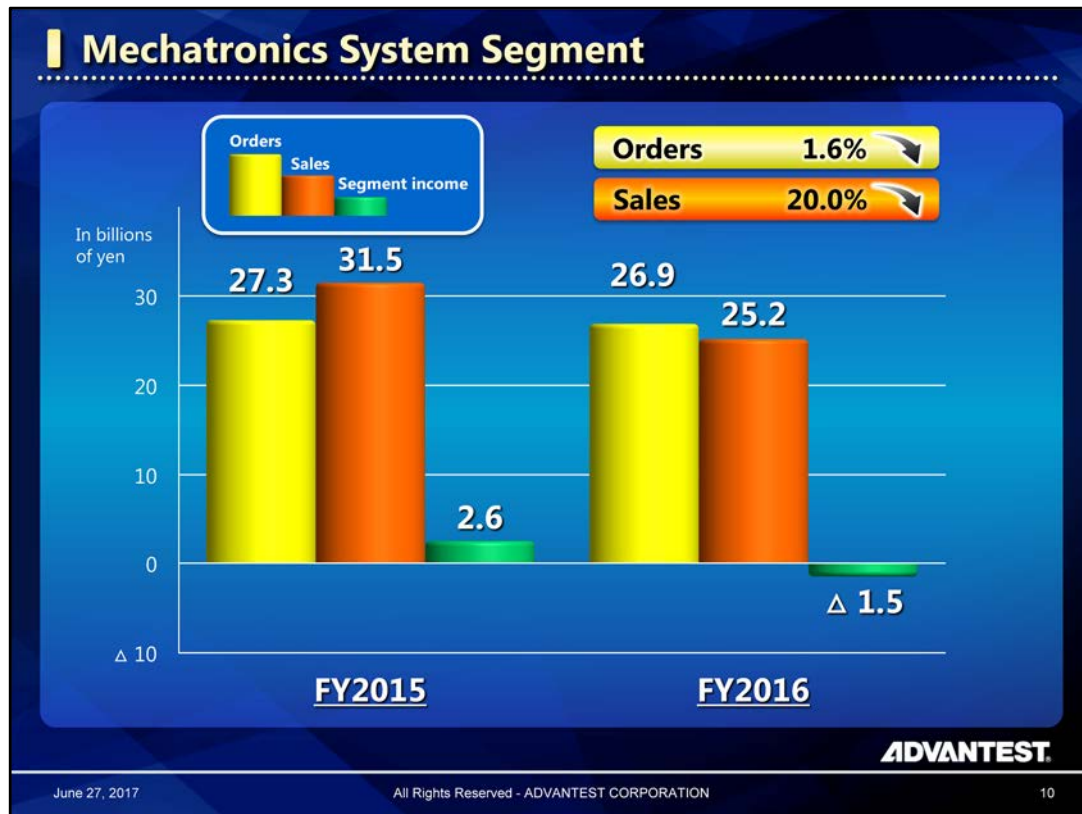
As a result, orders received for this segment were 106.2 billion yen, a 12.1% increase year-on-year, net sales were 101.3 billion yen, an 0.5% increase year-on-year, and segment income was 16.7 billion yen, a 58.4% increase year-on-year.



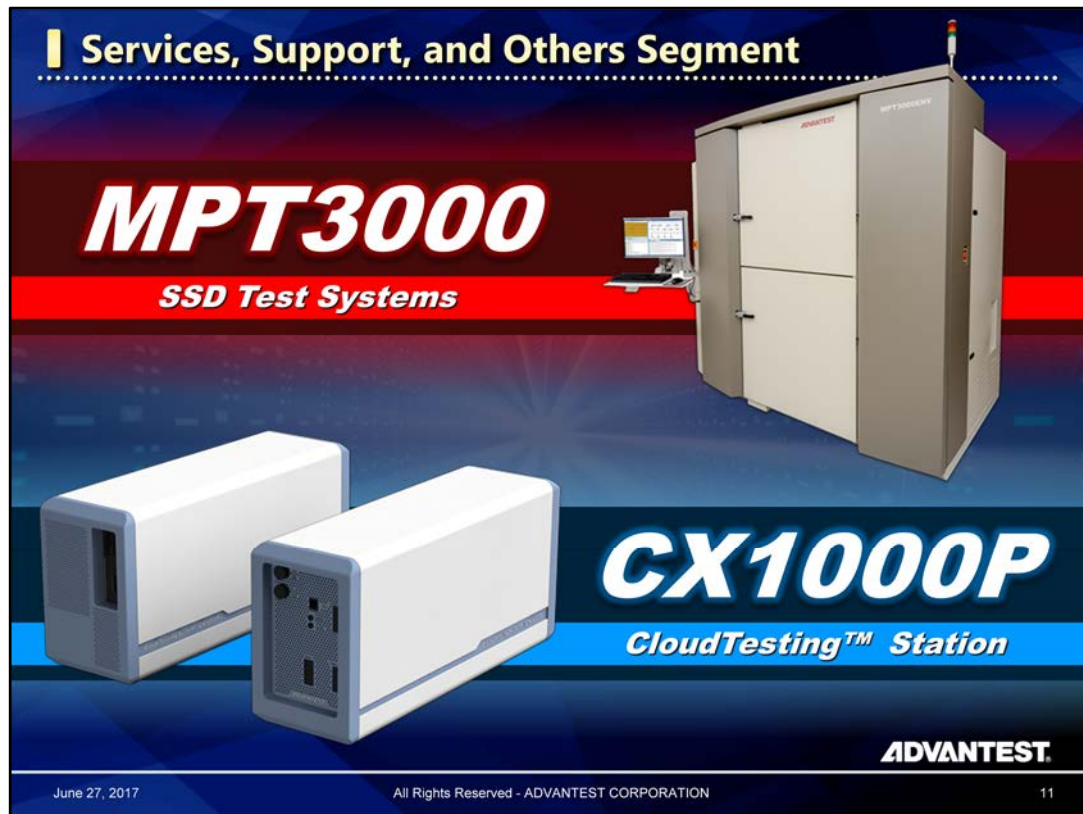


In the Mechatronics System segment, Advantest's nanotechnology business remained sluggish throughout the year due to a drop in demand for photomask inspection equipment.

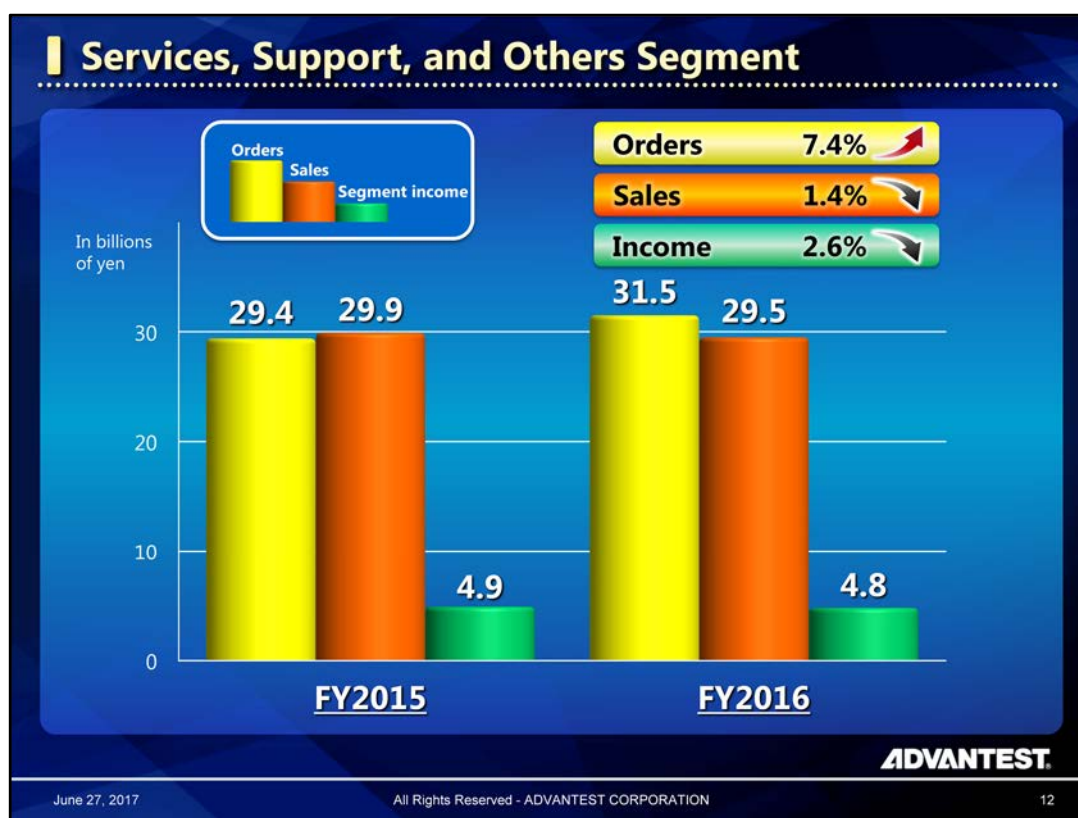
In the device interface business, although orders received exceeded the previous fiscal year, sales fell due to the impact of lower DRAM semiconductor investment at the beginning of the year.



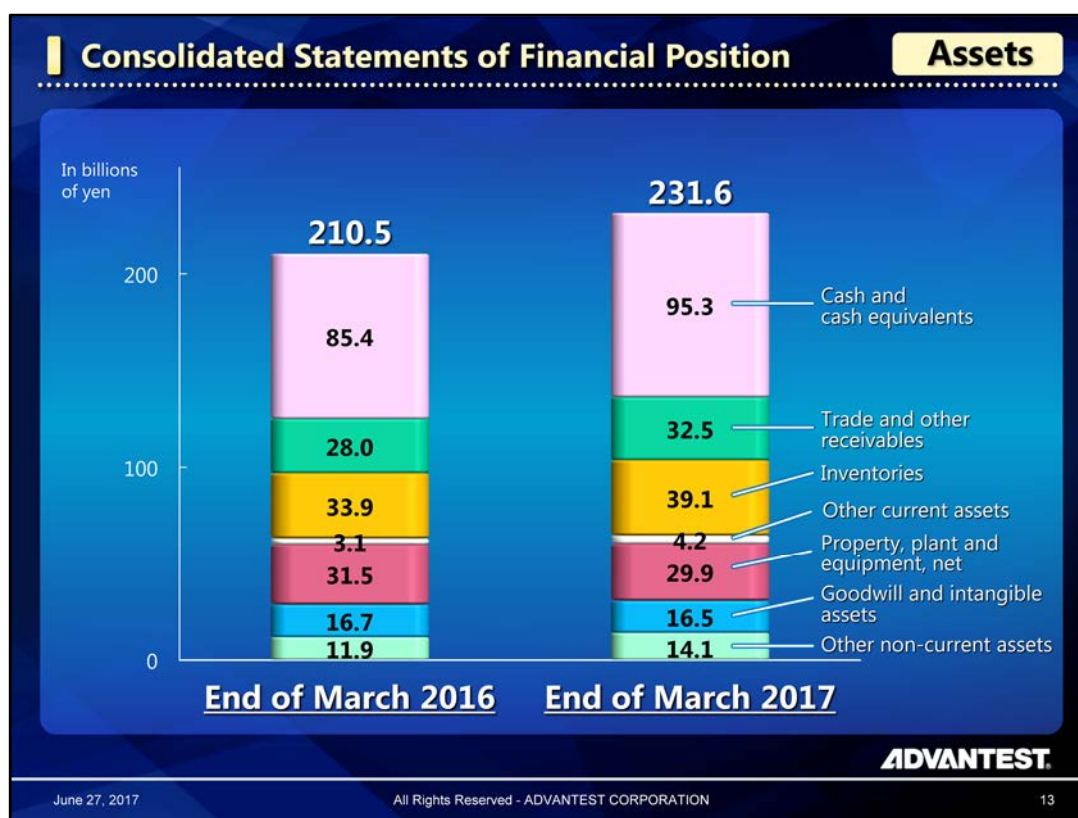
As a result, orders received for this segment were 26.9 billion yen, a 1.6% drop year-on-year, net sales were 25.2 billion yen, a 20.0% decline year-on-year, and the segment posted a loss of 1.5 billion yen, down 4.1 billion yen from the previous fiscal year.



The profitability of the Services, Support, and Others Segment was also impacted by yen appreciation. However, demand for field services was robust against the backdrop of increased semiconductor production.



As a result, orders received for this segment were 31.5 billion yen, a 7.4% increase year-on-year, net sales were 29.5 billion yen, a 1.4% drop year-on-year, and segment income was 4.8 billion yen, a 2.6% decline year-on-year.

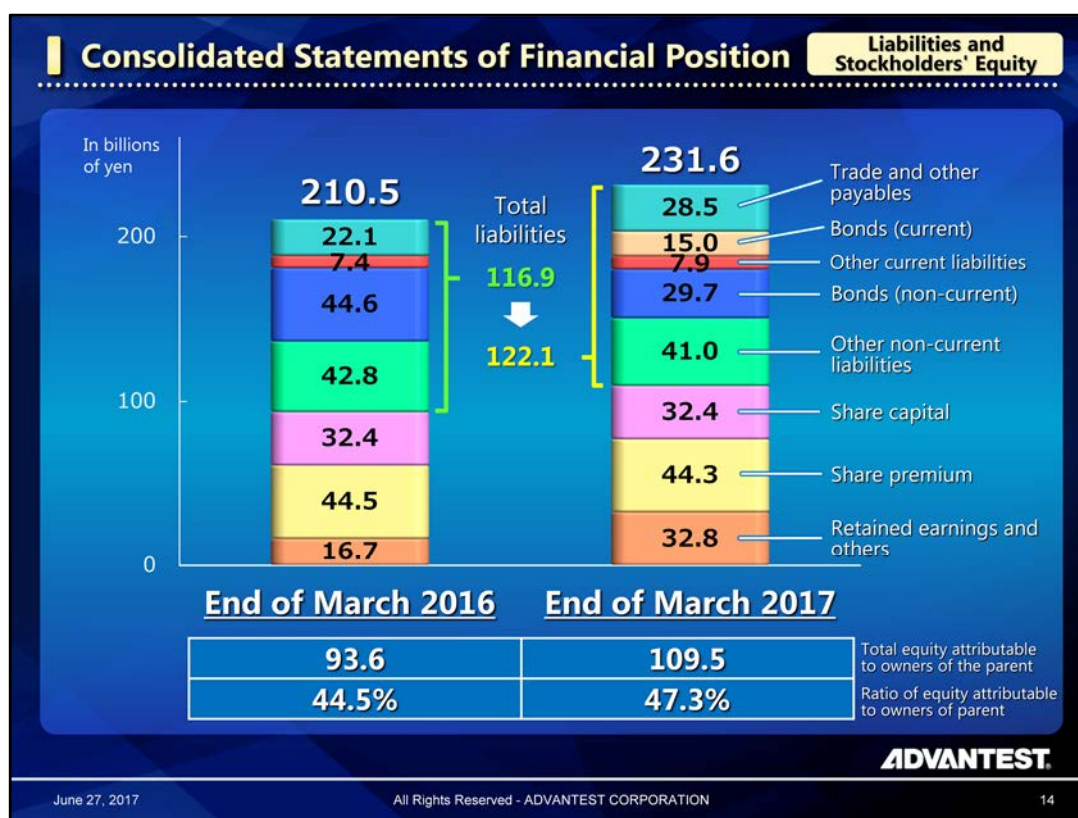


Next, consolidated statements of financial position, as shown on page 38 of the Convocation Notice.

First, total assets increased by 21.2 billion yen from the end of the previous fiscal year to 231.6 billion yen.

This was primarily due to an increase of 9.9 billion yen in cash and cash equivalents, an increase of 5.2 billion yen in inventories, and an increase of 4.4 billion yen in trade and other receivables.





Total liabilities were 122.1 billion yen, an increase of 5.3 billion yen compared to the previous fiscal year, primarily due to an increase of 6.4 billion yen in trade and other payables.

Total equity was 109.5 billion yen. The ratio of equity attributable to owners of the parent increased by 2.8 points to 47.3%.

**Distribution of Surplus for FY2016** **75<sup>th</sup> Term**

<b>Interim dividend</b>	<b>¥13 per share</b>
<b>Year-end dividend</b>	<b>¥12 per share</b>
<b>Annual dividend</b>	<b>¥25 per share</b>

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At their meeting on May 22, 2017, the board of directors approved a dividend of 12 yen per share as the year-end dividend for the 75th term. Dividend-related documents were sent out with the convocation notice for this meeting.

Together with the interim dividend, the total annual dividend for FY2016 was 25 yen per share.

<b>FY2017 Financial Results Forecast</b>			
	(In billions of yen)		
	<b>FY2016 Results</b>	<b>FY2017 Forecast</b>	<b>vs. FY2016 (%)</b>
<b>Orders</b>	164.7	175.0	+6.3%
<b>Sales</b>	155.9	172.0	+10.3%
<b>Operating Income</b>	13.9	18.0	+29.4%
<b>Net Income</b>	14.2	15.0	+5.6%

\* Foreign exchange assumptions: 1 USD = 110 JPY, 1 EUR = 120 JPY

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First, based on our outlook for each business segment, our forecast for fiscal year 2017 calls for  
 Orders of 175 billion yen,  
 Sales of 172 billion yen,  
 Operating income of 18 billion yen, and  
 Net income of 15 billion yen.

**Semiconductor and Component Test System Segment**

**Non-memory Test Systems**

- Higher capital investment and sales recovery anticipated following inventory adjustments and model upgrades
- Increased demand for test systems for liquid-crystal and organic EL panels

**Memory Test Systems**

- Increased production of 3D NAND expected to drive NAND test market expansion
- Advantest will capture >50% of NAND market growth
- Strong DRAM test demand due to system replacement

**Advantest will revamp its production structure to meet rising demand**

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Let's take a look at each business sector.

First, the Semiconductor and Component Test System Segment.

For non-memory test systems, the market for fiscal 2017 is expected to decline by about 10% from the previous fiscal year. In the near term, new capital investment in logic test systems is expected to be sluggish, but once inventory adjustments in the Chinese smartphone sector are complete and model upgrades gather momentum, we anticipate capital investment to return, driving a recovery in logic test system sales.

In areas other than logic ICs, demand for test systems for liquid crystal and organic EL panels is strong, and we expect it to increase further in fiscal 2017.

For memory test systems, the market for fiscal 2017 is expected to grow by about 25% from the previous fiscal year, driven by increased production of 3D NAND.

We expect to see capital investment into NAND flash test systems as manufacturers increase their production capacity. As NAND demand grows, competition will intensify, but we believe that Advantest can capture more than half of the coming NAND market growth.

For DRAM test systems, we expect higher demand due to growth of the device market and increases in device volumes. Demand is also expected from customers replacing their old test systems, and so sales are expected to outpace those of the previous year in the same way as the NAND sector.

In the Semiconductor and Component Test System Segment, we will accurately assess market trends going forward and bolster our production system to fully meet rising demand and ensure that no opportunity losses occur.



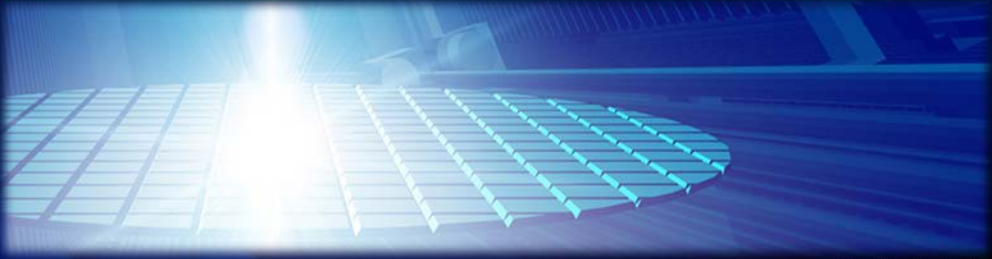
**I Mechatronics System Segment**

**Test Handlers and Device Interfaces**

- Sales expected to rise on greater demand for memory test systems

**Nanotechnology**

- Development of advanced node products is underway



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In the Mechatronics Segment, sales are expected to increase for test handlers and device interfaces in tandem with higher demand for memory test systems.

For Advantest's nanotechnology products, demand for photomask inspection equipment is expected to remain stagnant, with sales remaining at the same level as the previous fiscal year.

We are continuing with product development to meet the anticipated need for advanced nodes, aiming for a sales rebound starting from fiscal 2018.



## **Services, Support, and Others Segment**

### **Field Services**

- Solid sales anticipated due to strong demand

### **SSD Test Systems**

- Product portfolio enhancements underway
- R&D structure and sales structure will be improved to promote sales growth



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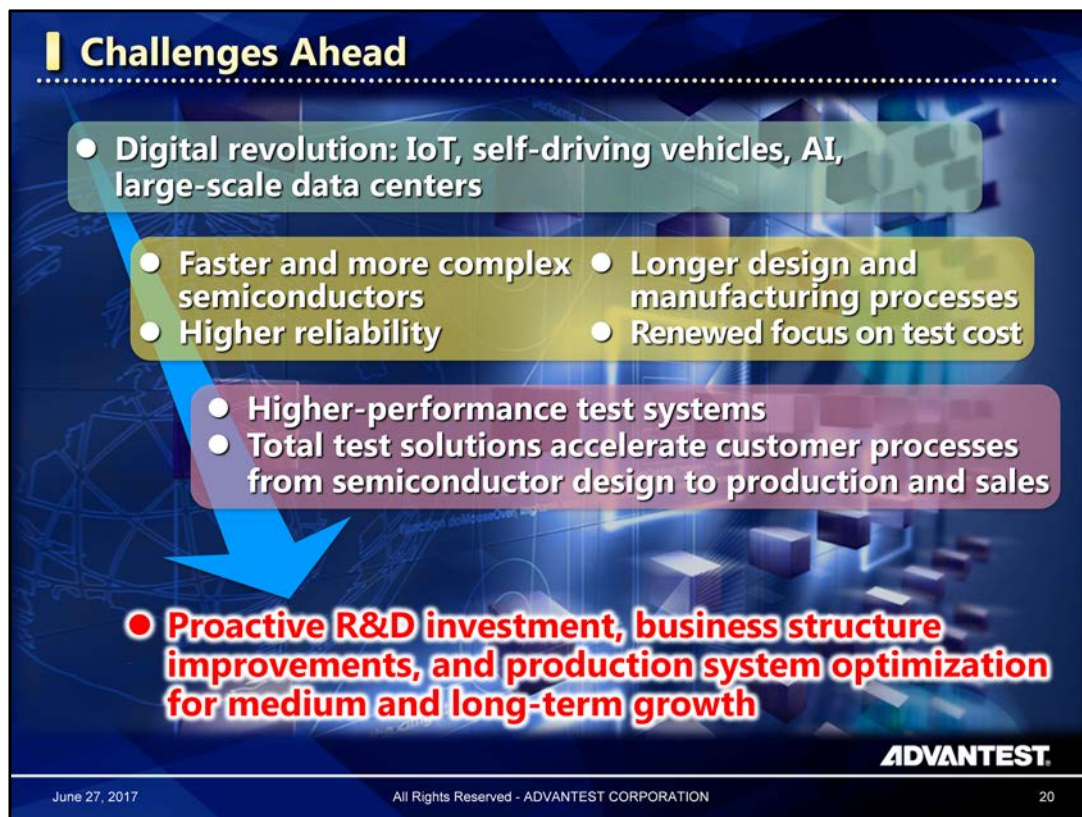
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In the Services, Support, and Other Segment, we expect solid sales for field services moving forward due to strong demand.

Advantest's SSD test systems are positioned as high-growth products, and we are striving to further enhance our product portfolio to support a wide range of protocols.

We are also improving our R&D structure and sales structure to promote sales growth.



Finally, a brief discussion of changes in the test system market.

Currently, new applications such as the IoT, self-driving vehicles, AI, large-scale data centers, etc, are driving a digital revolution.

Semiconductors will increasingly penetrate every aspect of life, creating demand for semiconductors that are faster, more complex, and have higher reliability.

Meanwhile, semiconductor design and manufacturing process times are trending longer and longer.

In addition, it has become more difficult to improve yield and ensure reliability for some devices.

Manufacturers are also increasingly focused on test costs.

To meet the needs of the semiconductor industry regarding these issues, Advantest will not only provide higher-performance test systems, but will also offer total test solutions that accelerate customer operations from semiconductor design through to production and sales by optimizing the entire test process.

Moreover, we will focus on future changes in test needs by proactively implementing R&D investment, business structure improvements, and production system optimization for medium and long-term growth.

We look forward to the continued support and guidance of all our shareholders as we continue to move forward.

## 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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