

Advantest Corporation

# Information Meeting

October 28, 2009

**Haruo Matsuno**  
Representative Director  
President and CEO

# Financial Results for 2nd Quarter Fiscal 2009

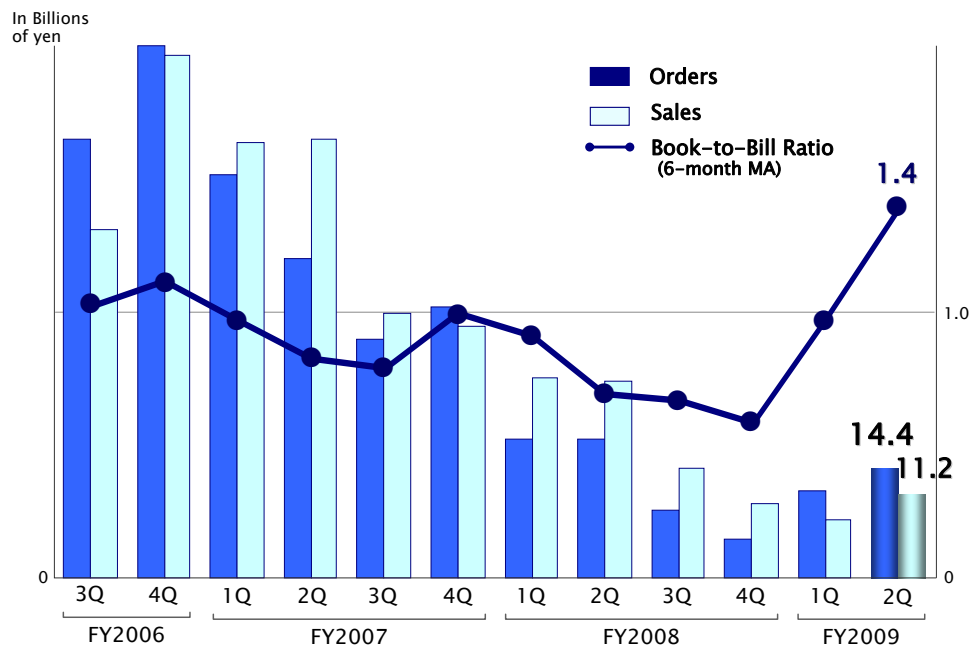
		FY2009				(In Billions of Yen)
		1Q	2Q			
	Guidance (as of July 29)		results	Q 0n Q (%)	Variance With guidance	
<b>Orders</b>	11.6	10.0	<b>14.4</b>	+23.8	+4.4	
<b>Sales</b>	7.6	10.0	<b>11.2</b>	+46.6	+1.2	
Cost of Sales	3.3	-	<b>5.4</b>	+58.1	-	
<b>Gross Profit</b>	4.3	-	<b>5.8</b>	+37.4	-	
<b>Operating Income</b>	-4.5	-3.7	<b>-3.5</b>	-	+0.2	
Non-operating Income	0.8	-	<b>0.8</b>	+1.1	-	
<b>Income before Tax</b>	-3.7	-3.2	<b>-2.7</b>	-	+0.5	
<b>Net Income</b>	-3.8	-3.3	<b>-3.3</b>	-	0	
<b>Backlog</b>	9.8	9.8	<b>13.1</b>	+33.1	+3.3	

○ Results for 2Q FY2009:

- Orders 14.4 billion yen,  
exceeding our July forecast by 4.4 billion yen
- Sales 11.2 billion yen,  
exceeding our July forecast by 1.2 billion yen
- Order backlog 13.1 billion yen
- Operating loss narrowed sequentially to 3.5 billion yen,  
exceeding our July forecast.
- Visibility currently extends no further than 3Q FY2009. We are thus unable to announce our full-year forecast at this time. Guidance will be disclosed when it is available.

# Orders / Sales Trend

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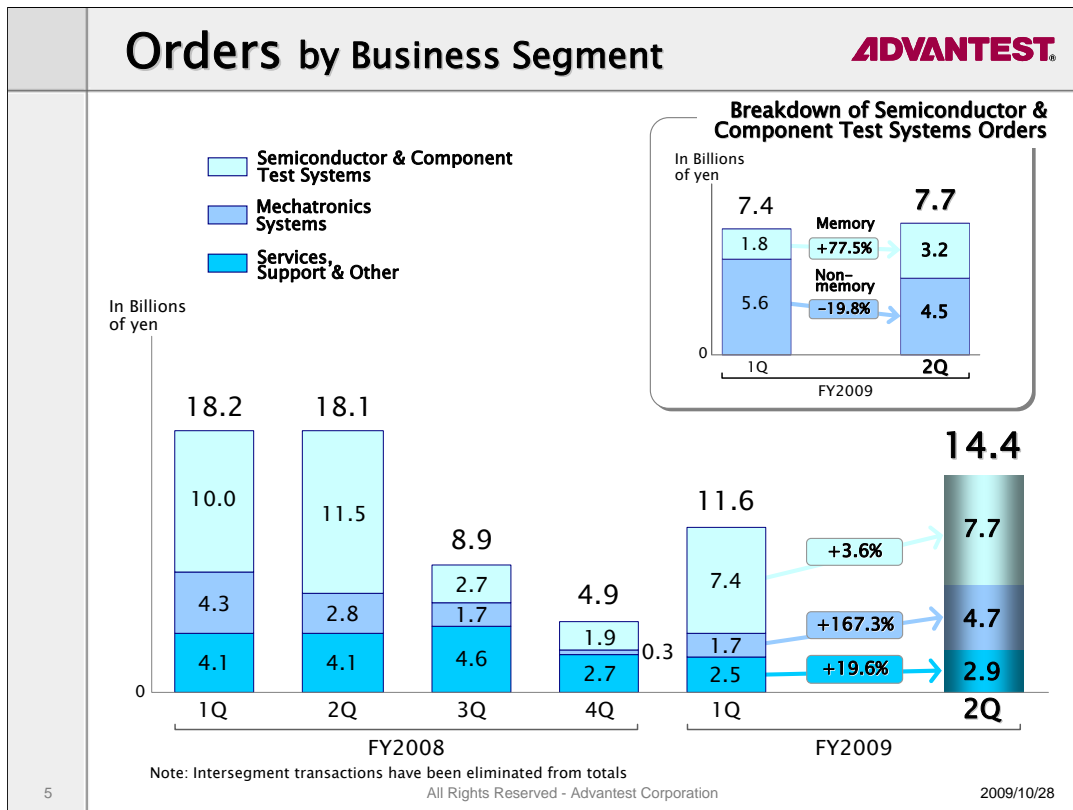
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○ Sales and orders trends, 3Q FY2006 to present:

- Orders hit a bottom in 4Q FY2008 and are now recovering strongly.
- Our book-to-bill ratio exceeded 1.0 in the current quarter.



○ 2Q FY2009 Orders by Segment:

○ Semiconductor and Component Test Systems:

- 7.7 billion yen
- Memory test orders grew 78% to 3.2 billion yen. Back-end DDR3 tester orders are trending up robustly.
- Non-memory test orders decreased 20% sequentially to 4.5 billion yen. Despite the overall decrease, LCD driver IC tester orders increased over the previous quarter.

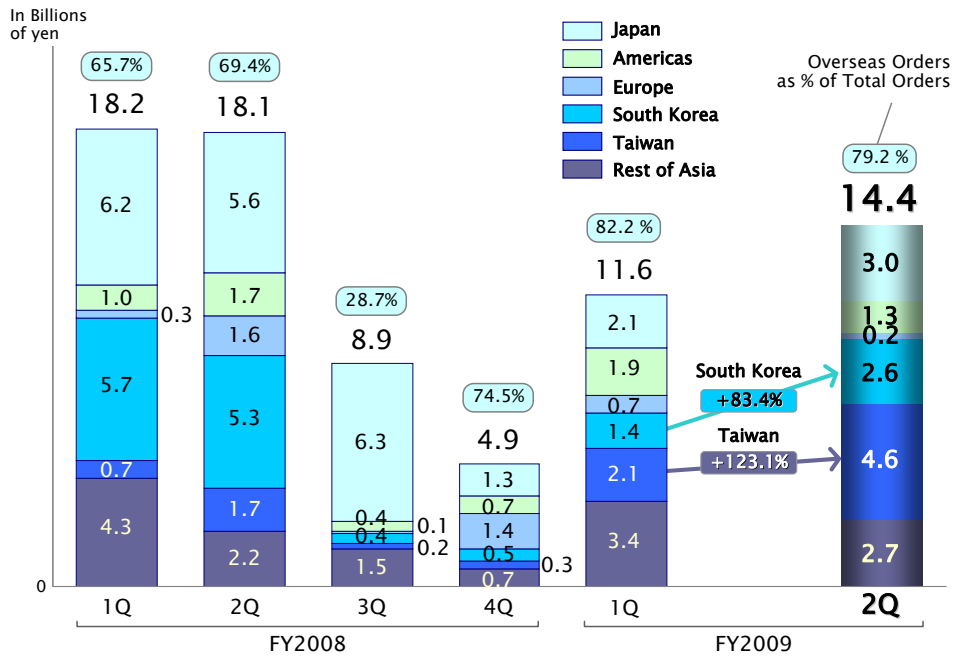
○ Mechatronics Systems

- Orders more than doubled sequentially to 4.7 billion yen
- ☆ Reasons for growth:
  1. Memory handlers benefited from DRAM production ramp-ups
  2. In non-memory handlers, Advantest won a major new customer in the U.S.

○ Services, Support & Other

- Orders grew 20% sequentially to 2.9 billion yen
- ☆ Reasons for growth: Improving tester utilization rates boosted demand for maintenance and other services.

# Orders by Region



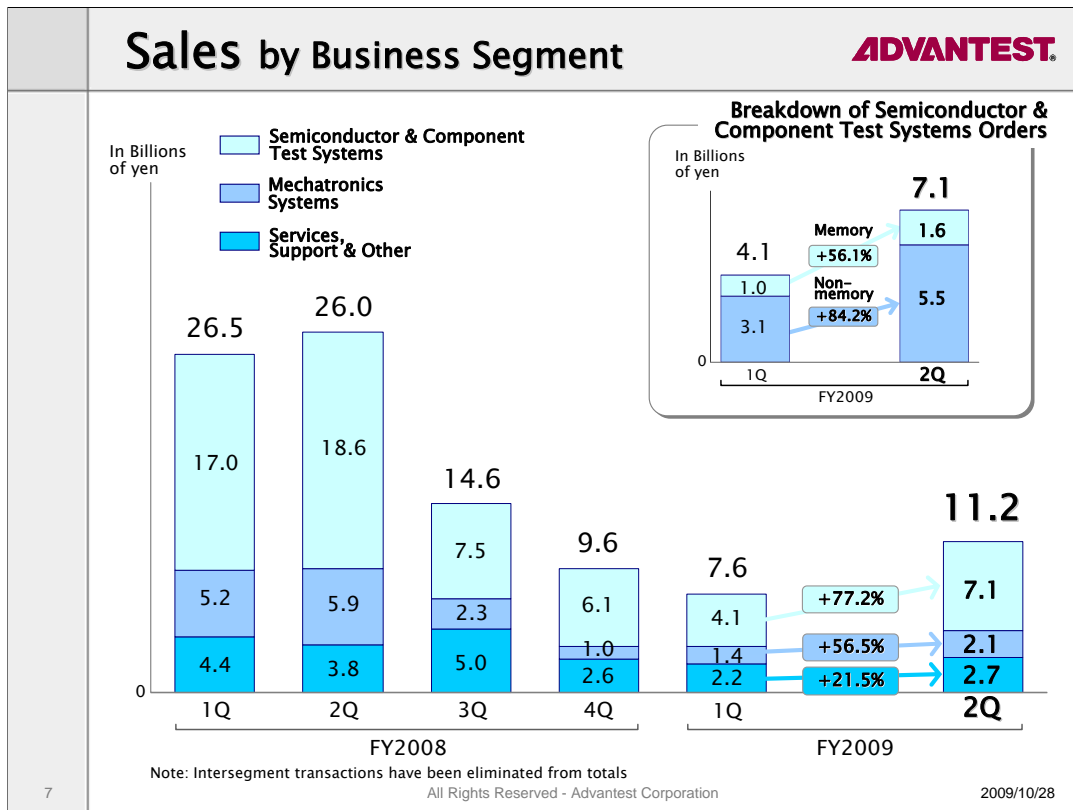
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○ 2Q FY2009 Orders by Region:

○ Orders from Taiwan and South Korea expanded significantly.



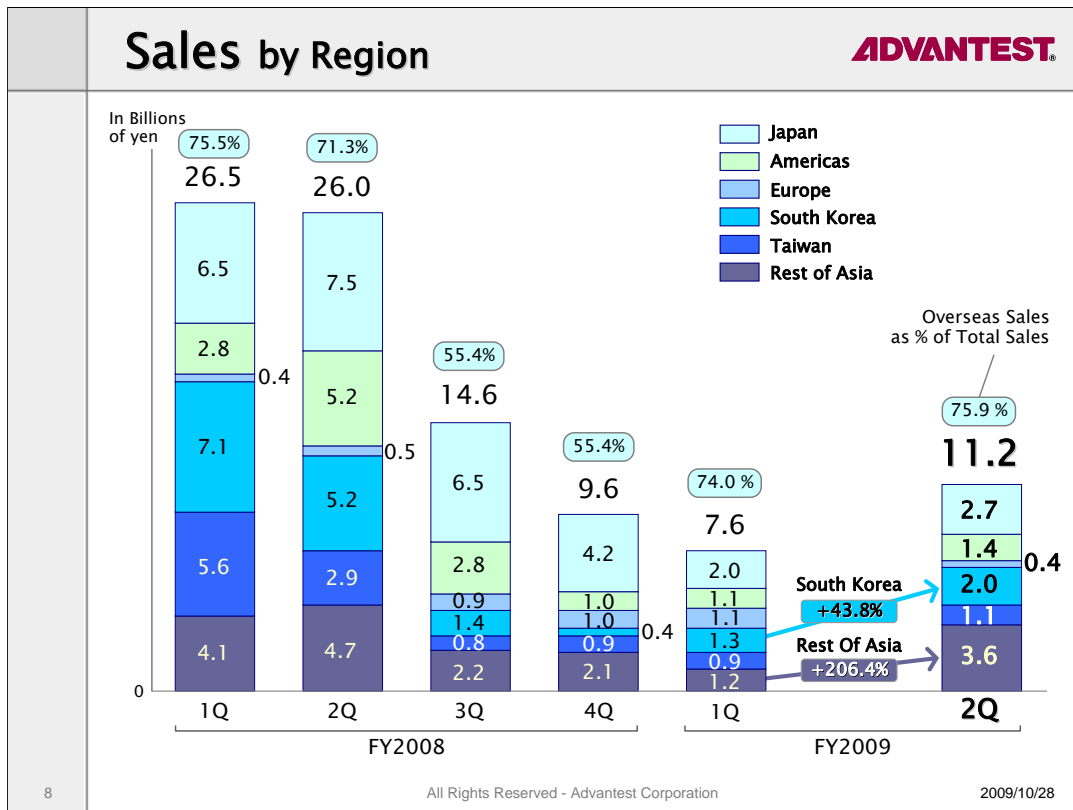
○ 2Q FY2009 Sales by Segment:

○ Semiconductor and Component Test Systems

- 7.1 billion yen, up 77% quarter-on-quarter

- Reasons for sales growth:

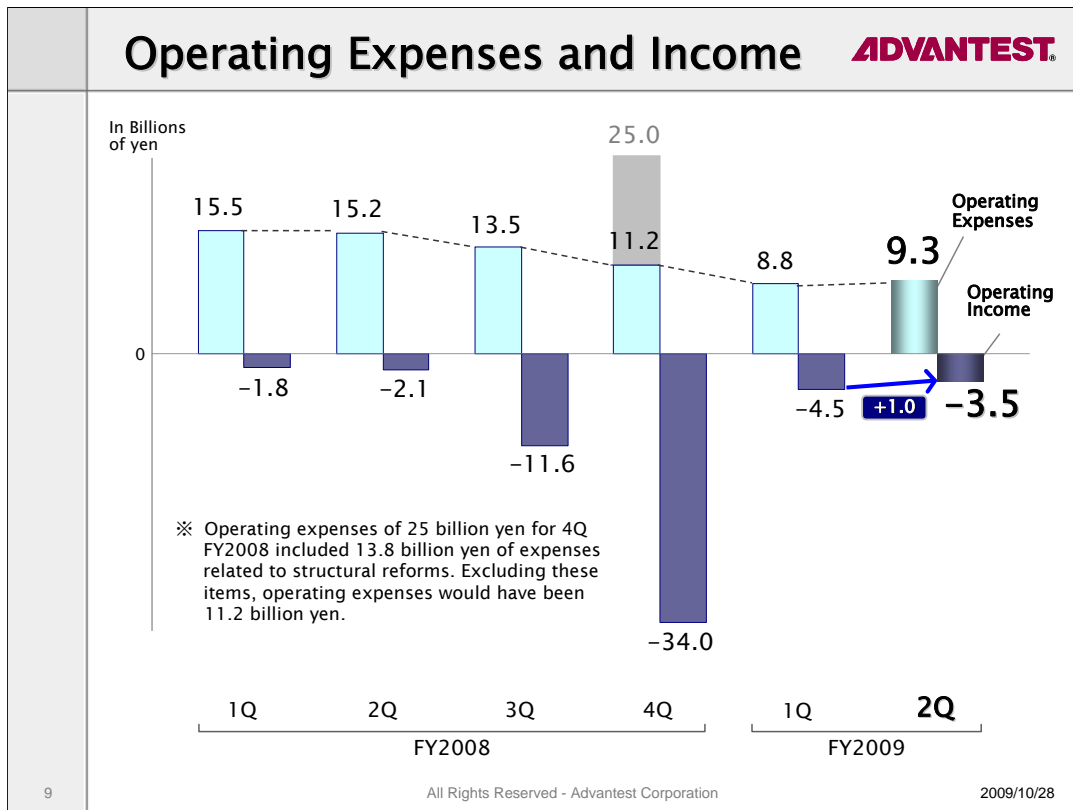
1. Non-memory tester sales grew 84% sequentially to 5.5 billion yen as a result of increased shipments of the T2000 module for MPU test.
2. Memory tester sales grew 56% sequentially to 1.6 billion yen due to increased shipments of DDR3 back-end testers.



○ 2Q FY2009 Sales by Region:

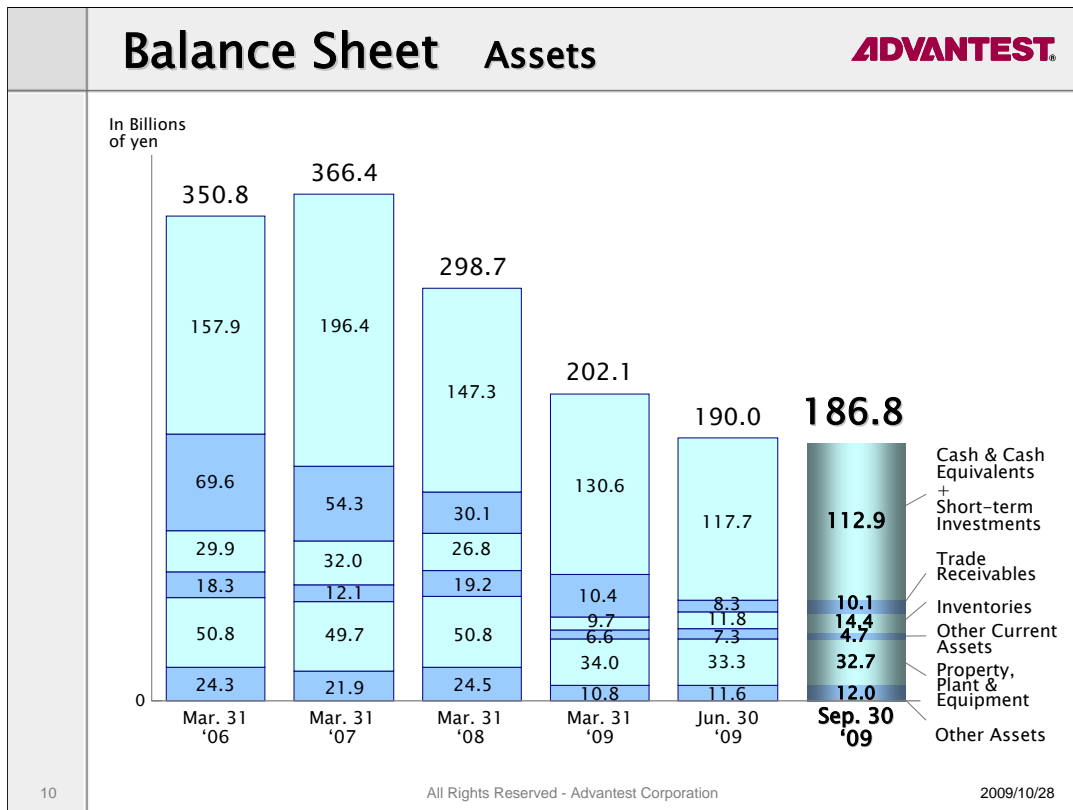
- Orders from the Asia region, including South Korea, expanded significantly.





○ 2Q FY2009 Operating Expenses and Operating Profit:

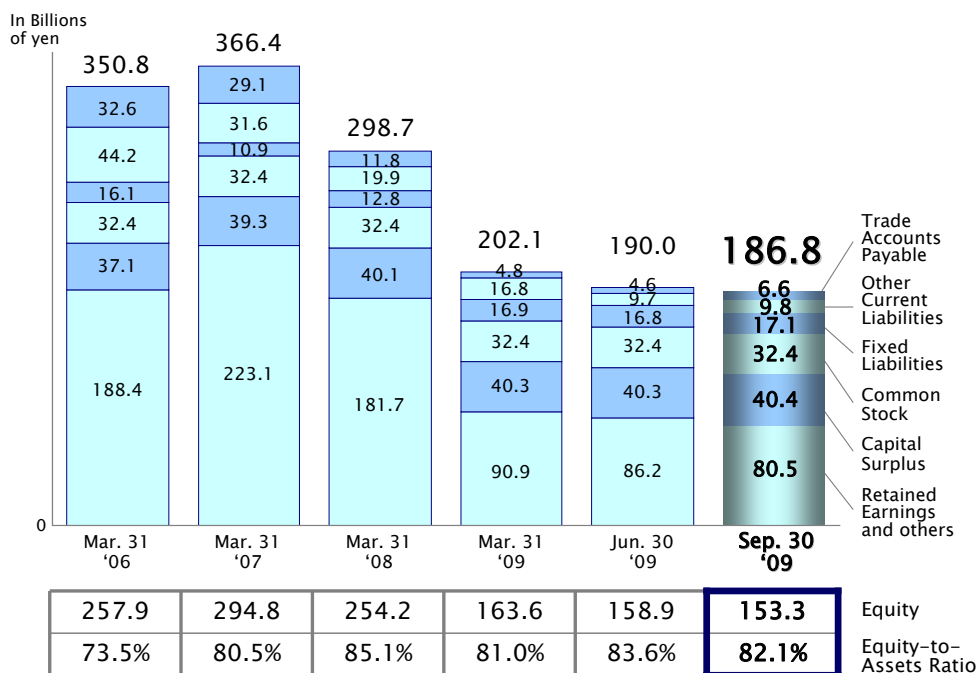
- Operating expenses increased by 0.5 billion yen sequentially, due to an increase in our reserves and other factors stemming from increased sales, but remained at a historically low level.
- Operating loss narrowed by 1 billion yen sequentially.



○ Balance Sheet for 2Q FY2009 (Assets):

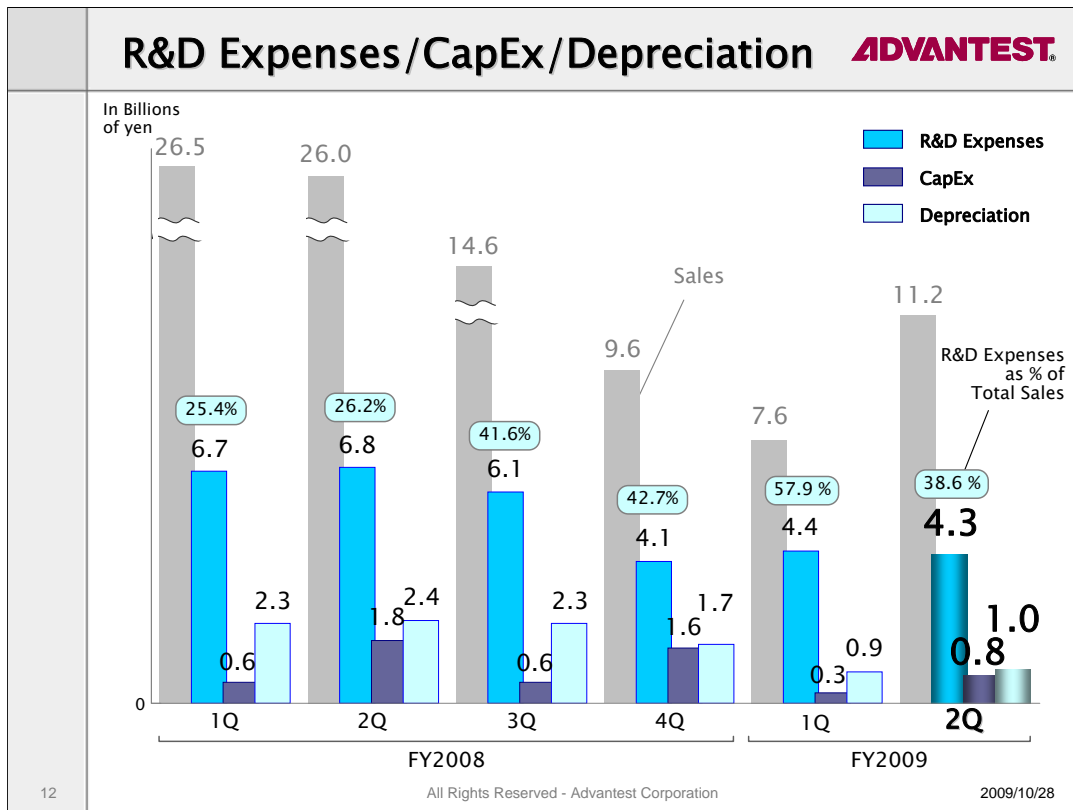
- Total assets declined 3.2 billion yen from the previous quarter to 186.8 billion yen.
- Cash & cash equivalents and short-term investments declined 4.8 billion yen from the previous quarter to 112.9 billion yen.

# Balance Sheet Liabilities & Equity **ADVANTEST.**



○ Balance Sheet for 2Q FY2009 (Liabilities and Equity):

- Equity: 153.3 billion yen
- Equity-to-assets ratio: 82.1%

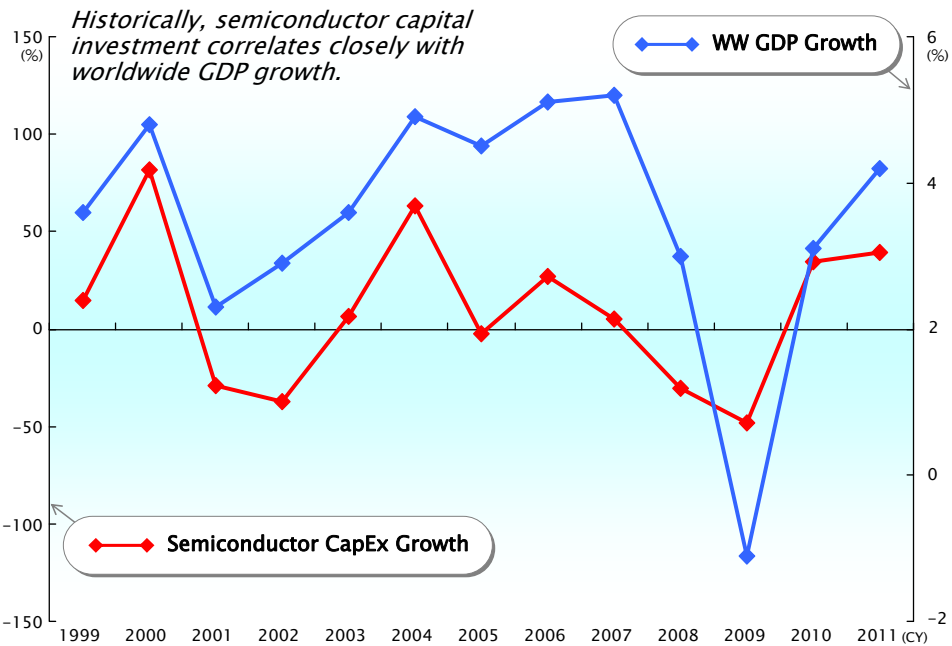


- Despite a still-challenging business environment, Advantest maintained R&D spending of 4.3 billion yen, on a level with the previous quarter.

# Business Update

## A Positive Outlook for Semiconductor CapEx

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- The outlook for semiconductor capital investment has begun to turn positive.

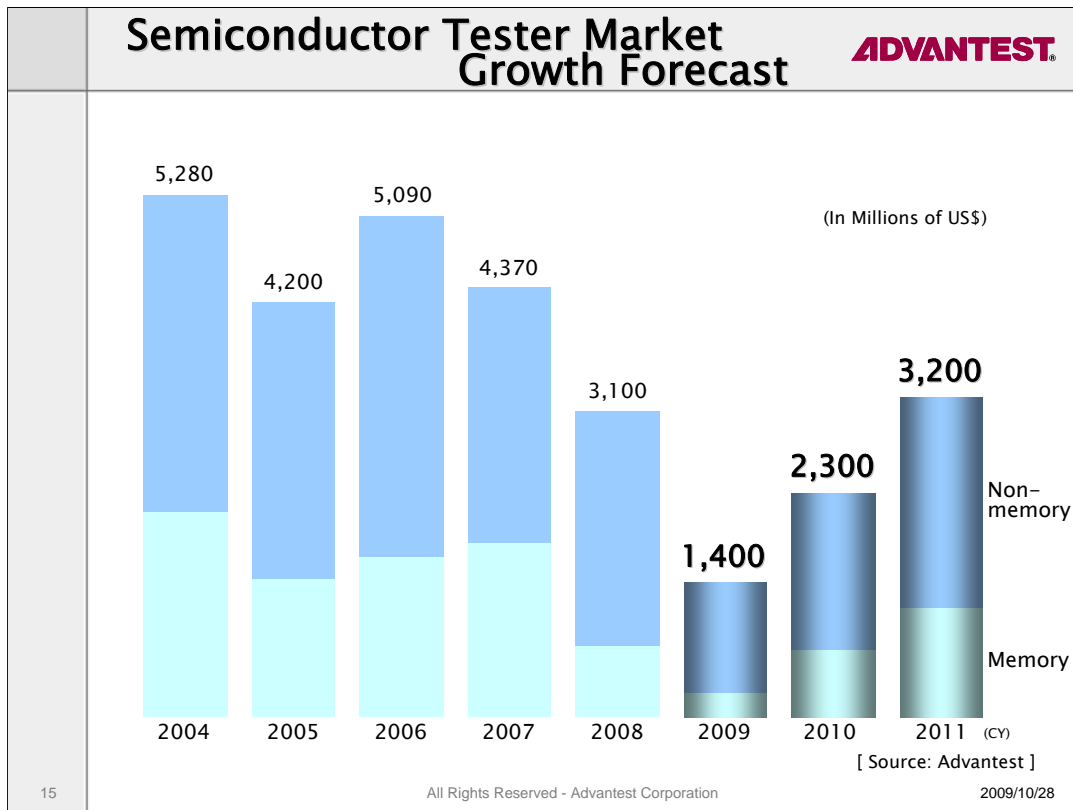
- Macro-economic and industry-specific indicators

- GDP growth

The IMF announced on October 1st that it nowforecasts global GDP growth (blue line on the graph) of 3.1% in 2010 and 4.2% in 2011.

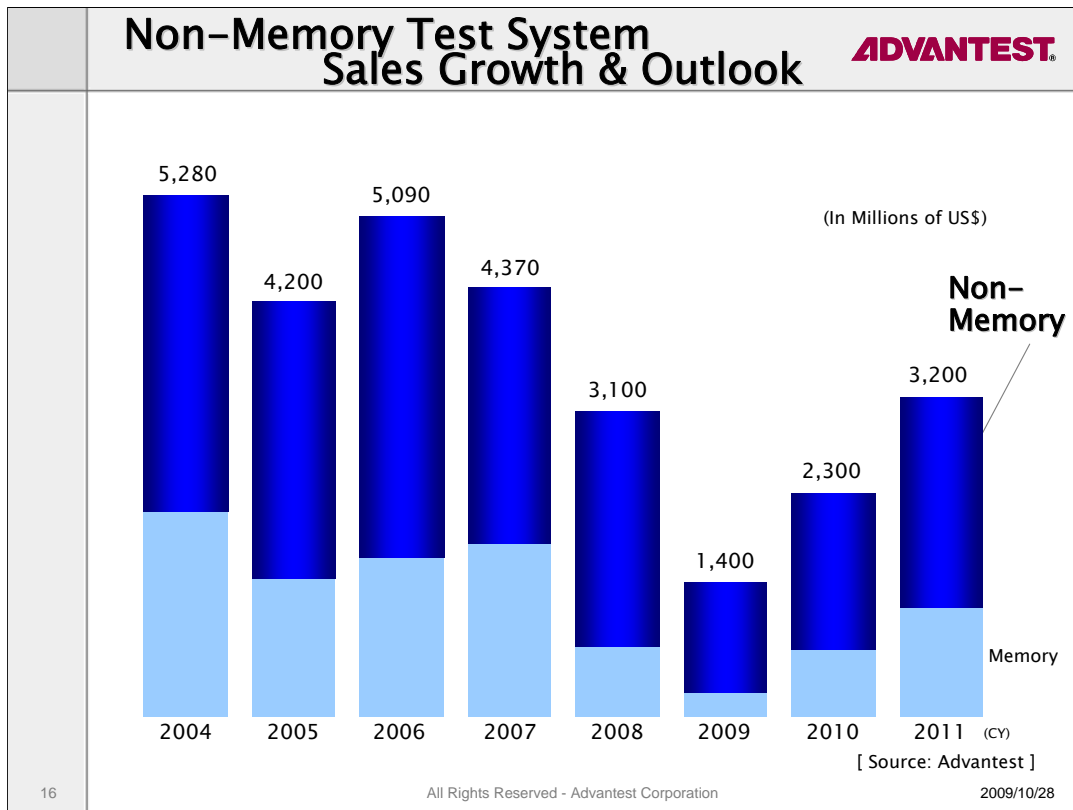
- Semiconductor CapEx

Semiconductor capital investment trends correlate closely with global GDP growth (red line on the graph), presaging greater demand for testers.



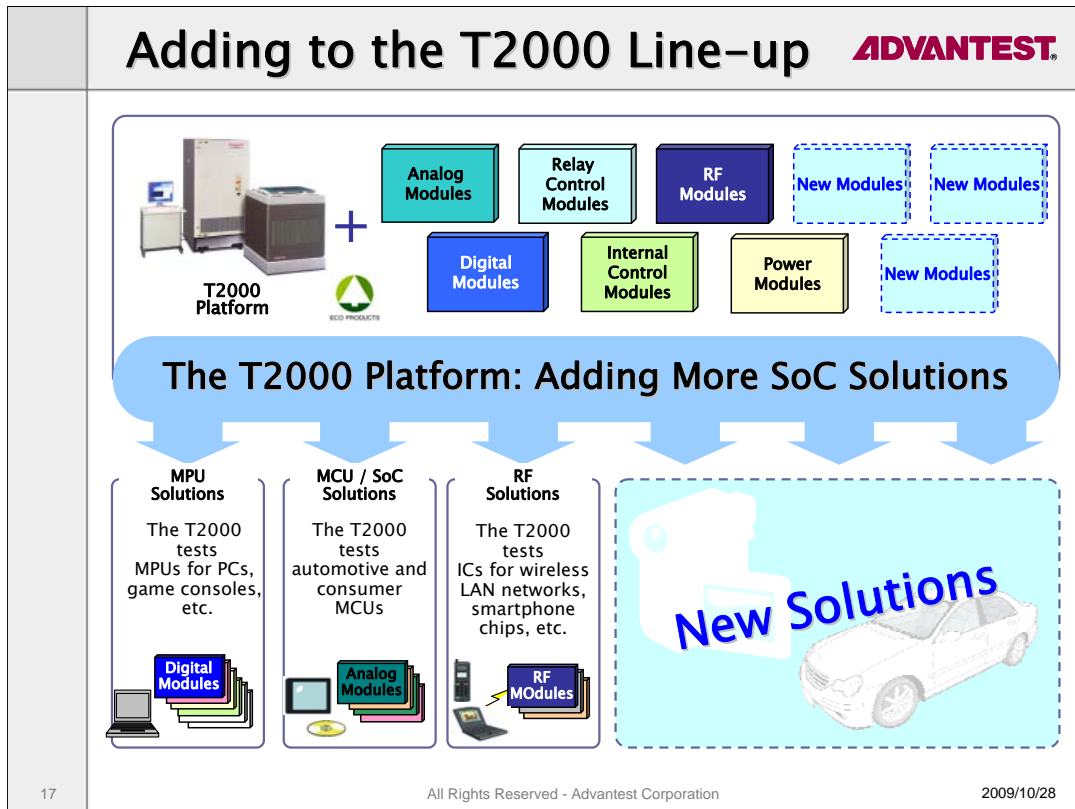
○ Advantest's forecast for the semiconductor tester market in 2010 – 2011.

- The global tester market is forecast to shrink to US\$1.4 billion in 2009, even lower than initial estimates. Semiconductor manufacturers are seeing improved utilization rates, fueled by emerging market demand for consumer electronics, among other factors. However manufacturers remain cautious and are deferring capital investment.
- The recovery is expected to commence in 2010. By 2011, the global tester market is forecast to expand to approximately US\$3.2 billion, slightly overtaking 2008 levels.
  - ① Enterprise demand for PCs is expected to grow. As companies' earnings recover, they are expected to resume investment in IT.
  - ② Consumer demand for semiconductor end products is expected to grow, stimulated by the spread of new applications such as hybrid cars, televisions with LED displays, mobile internet devices, smartphones, PCs with new operating systems, and other consumer electronics.
  - ③ Advantest foresees greater investment in testers as chip-makers expand production and invest in process miniaturization.



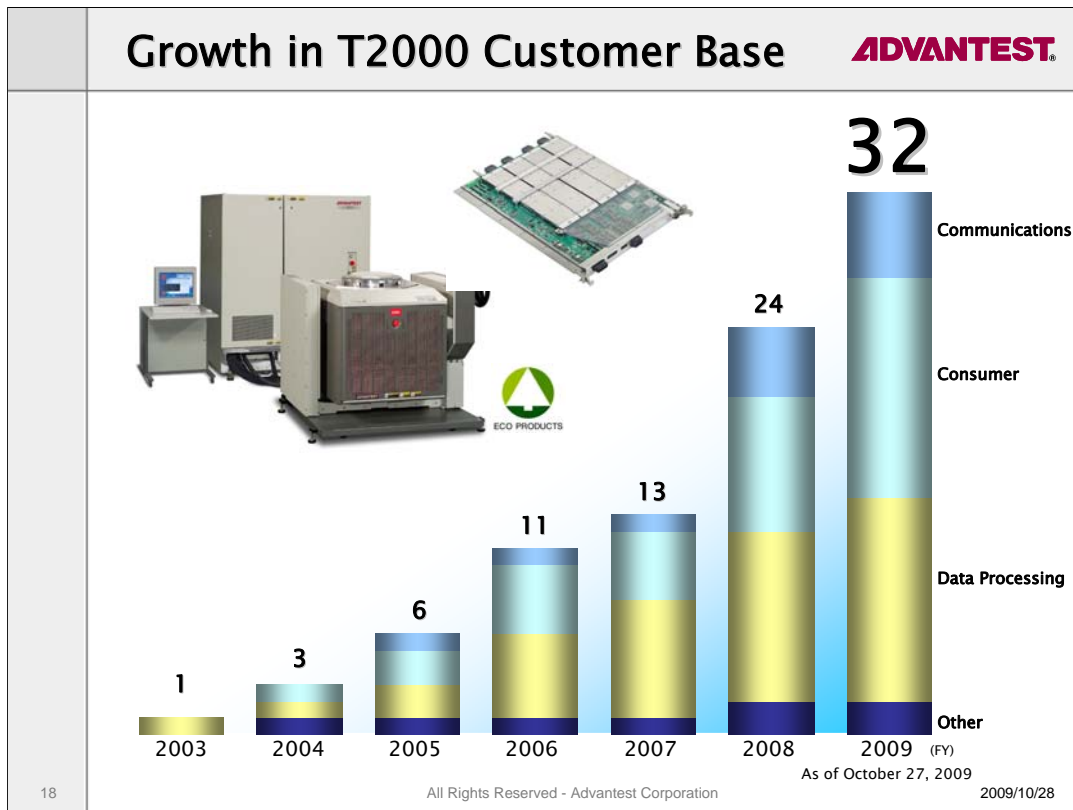
- As a central element of our sales growth strategy, Advantest is focusing on the non-memory tester market.
- The non-memory tester market:
  - More stable and larger than the memory tester market
  - Advantest aims to secure a 30% share of this market.
- In April 2009, Advantest launched a new sales structure
  - Our new “matrix management” structure enables faster response to the needs of customers whose partnerships span the globe, as in the case of fabless and foundry companies, by combining the advantages of regional- and customer-based accounts.
  - The new sales structure has already begun to deliver business wins.



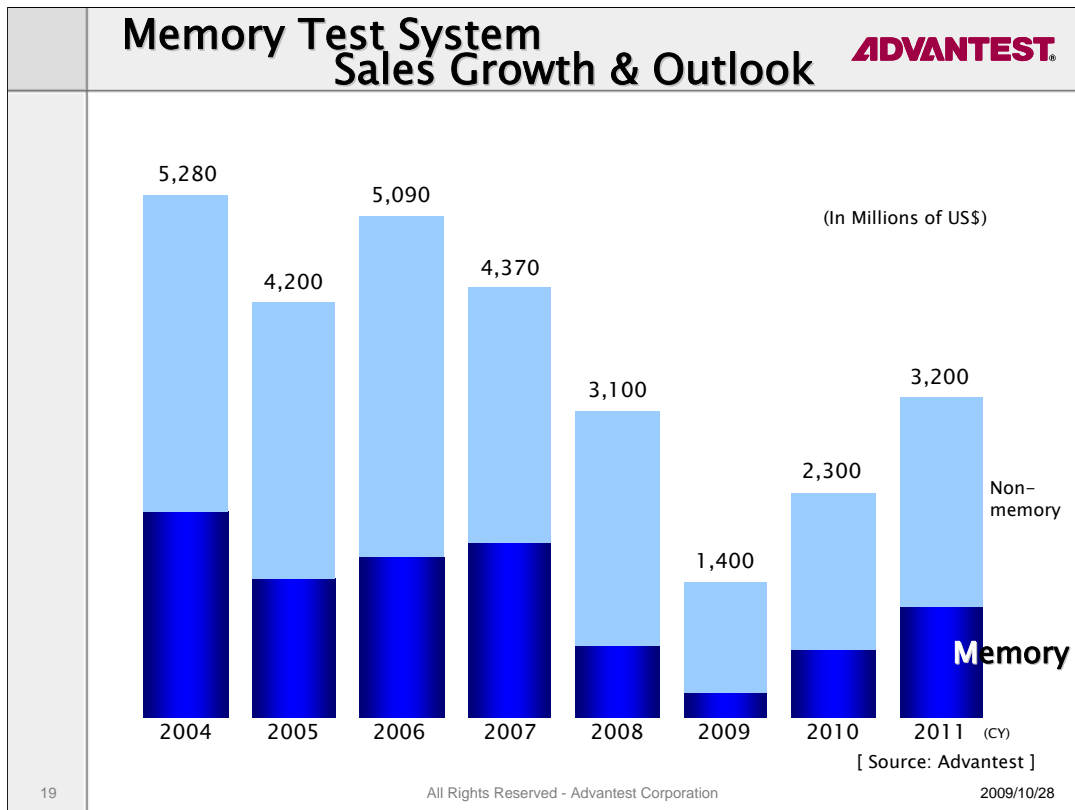


○ Advantest is aggressively expanding the lineup of modules for our key platform, the T2000.

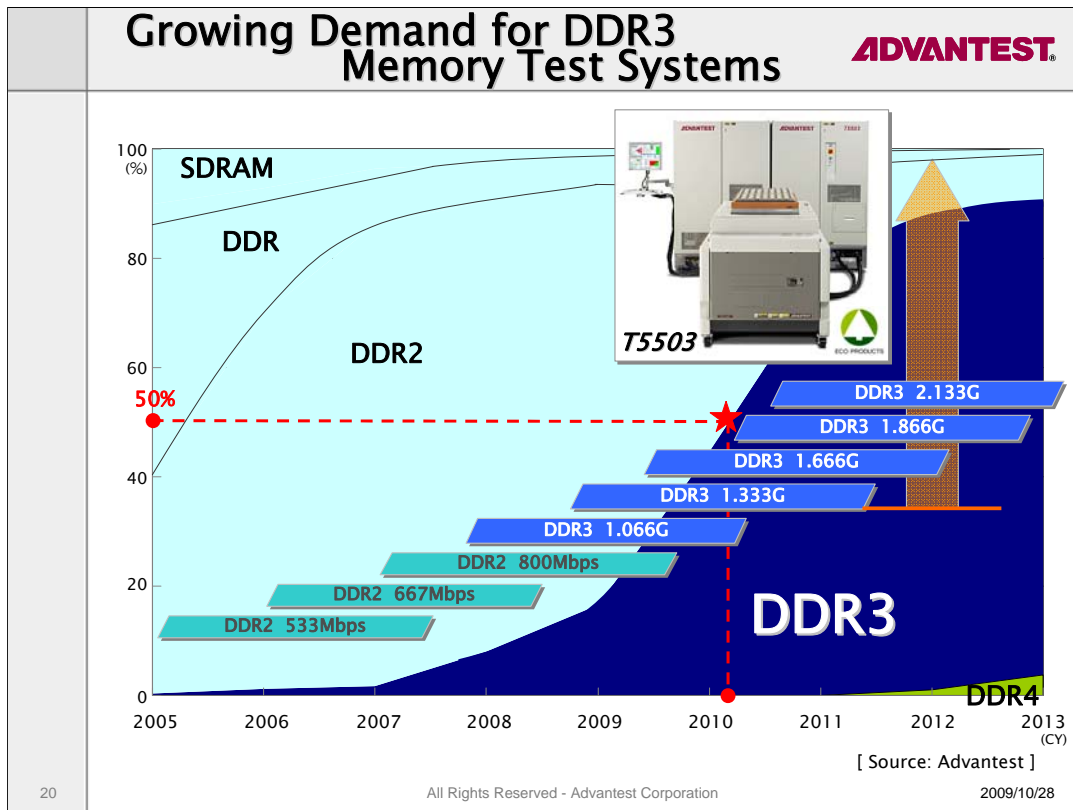
- We have already delivered test solutions for diverse non-memory devices including MPU, MCU, SoC, and RFIC devices.
- Advantest is adding further depth to the T2000 module lineup, including modules for automotive and CMOS sensor test that expand the capacities of the platform.
- Advantest specializes in the precision mounting technology that is necessary to build high-pin-count modules. Higher pin counts increase the number of devices that can be tested at once, improving throughput and further boosting the competitiveness of Advantest's solutions.



- The T2000's diverse lineup of configurations and high cost-performance have more than doubled the size of its customer base in the past two years. We expect an increasing number of users to choose the T2000 in future.
- Additionally, Advantest expects to see increasing demand for LCD driver IC testers.
  - LCD driver IC demand is expected to grow as a result of factors including the widespread adoption of televisions with LED displays, PCs with new operating systems and touch screens, and sales of LCD TVs in emerging markets.
  - The T6373, boasting the industry's highest throughput, has already been launched, and is expected to sell well.



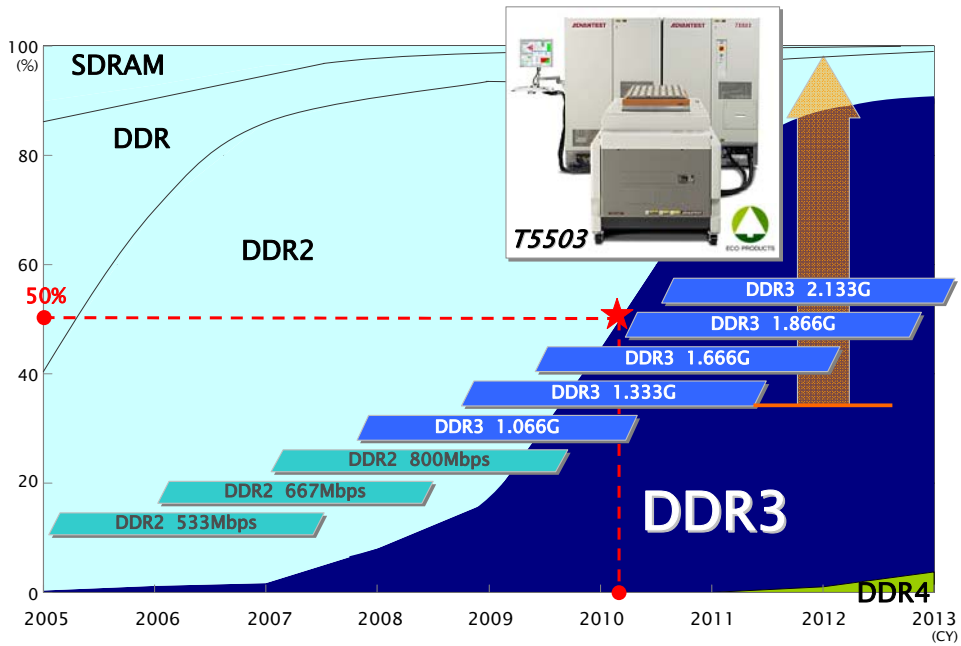
- In the memory tester market, Advantest aims for a market share greater than 70%.



- In DRAM applications, PCs running DDR3 memory are expected to enjoy increasing demand.
  - More PCs are being built with MPUs that only support DDR3 memory
  - With the widespread adoption of notebooks and mobile internet devices, more and more of these products are using low-power DDR3 memory
  - In the first half of 2010, shipments of DDR3 are expected to account for half of all DRAM shipments
- The only available high-speed DDR3 tester for volume production that can support data transfer rates of more than 1.3 Gbps – a speed expected to become mainstream – is Advantest’s T5503.
- Advantest’s T5385 for DDR3 front-end test, with an industry-best parallel test capacity of 768 devices, is poised to take advantage of renewed investment in 2010.
- Advantest aims to maintain and expand its share of the DDR3 tester market.

## Growing Demand for DDR3 Memory Test Systems


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- In the flash memory test market, Advantest is planning to launch a new concept tester, currently in development, and new products that offer even higher throughput.

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- In addition to our tester mainframes,
  - Advantest plans near-future additions to our lineup of device interfaces and other consumables, including probe cards boasting proprietary technology.
  - Advantest is also expanding lease and rental schemes, in addition to direct sales.

	<h2 style="margin: 0;">Strategy for Stable Growth</h2> 
22	<div style="border: 2px solid #000080; border-radius: 15px; padding: 10px; margin-bottom: 10px; background-color: #e0ffff;"> <p><b>Improved Profitability</b></p> <ol style="list-style-type: none"> <li>1) Productivity enhancement &amp; procurement optimization</li> <li>2) Development of highly competitive products</li> <li>3) Continued restriction of overhead spending</li> </ol> </div> <div style="border: 2px solid #000080; border-radius: 15px; padding: 10px; background-color: #e0ffff;"> <p><b>Business Diversification</b></p> <p>multiple projects presently underway</p> </div>
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○ In addition to expanding sales, Advantest is implementing measures to ensure stable growth in future.

○ Improved Profitability

- Productivity enhancement & procurement optimization
- Development of highly competitive products
- Continuation of administrative spending restrictions in line with the lower-cost business structure announced in 2008

○ Business Diversification

- Multiple projects are presently under development, following the launch of our Terahertz 3D Imaging System.

**The Challenge to Change!**

# 1000 Days

**"7S" Principles**

Speed Simplicity Steadiness Skills Streamlining Surprise Smile

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- On July 1<sup>st</sup>, Advantest launched a new corporate initiative to promote the business activities described above.
  - With the “7S” principles as keywords, employees are encouraged to take their jobs one day at a time, while retaining a medium-term outlook. Since the launch of the initiative 430 activities have been registered.
- Advantest aims to use this initiative to return to profitability in the near future.

**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.