

Advantest Corporation

# Information Meeting

**FY2011  
Results Summary**

April 26, 2012

Hiroshi Nakamura, Managing Executive Officer

# Summary of FY2011 Results

**ADVANTEST**

(¥B)

	FY 2010	FY2011								
		1Q	2Q	3Q	4Q			Full Year		
					Guidance (as of Jan.)	Results	Q on Q (%)	Guidance (as of Jan.)	Results	Y on Y (%)
<b>Orders</b>	109.0	38.4	27.6	25.9	33.1	<b>34.3</b>	+32.6	125.0	<b>126.2</b>	+15.8
<b>Sales</b>	99.6	26.8	37.7	30.7	42.8	<b>45.8</b>	+49.5	138.0	<b>141.0</b>	+41.6
Cost of Sales	51.1	13.7	20.5	17.3	-	<b>20.8</b>	+20.2	-	<b>72.3</b>	+41.3
<b>Gross Margin</b>	48.5	13.1	17.2	13.4	-	<b>25.0</b>	+86.6	-	<b>68.7</b>	+41.8
<b>Operating Income</b>	6.1	0.8	-3.1	-3.0	6.3	<b>6.1</b>	-	1.0	<b>0.8</b>	-86.3
Non-operating Income	-0.5	-0.4	-2.0	-0.4	-	<b>-1.4</b>	-	-	<b>-4.2</b>	-
<b>Income before Tax</b>	5.6	0.4	-5.1	-3.4	-	<b>4.7</b>	-	-1.8	<b>-3.4</b>	-
<b>Net Income</b>	3.2	0.3	-4.8	-3.2	6.7	<b>5.5</b>	-	-1.0	<b>-2.2</b>	-
<b>Operating Income (excluding merger costs)</b>	6.1	1.6	1.0	-0.5	7.2	<b>7.1</b>	-	9.3	<b>9.2</b>	+50.1
<b>Backlog</b>	29.6	41.2	40.0	35.2	25.5	<b>23.6</b>	-32.9	25.5	<b>23.6</b>	-20.3

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2012/4/26

## ○ Results for FY2011:

- **Orders** 126.2 billion yen, 16% up year-on-year.  
Orders of non-memory testers for MPUs and applications processors grew robustly throughout the year.
- **Sales** 141.0 billion yen, up a significant 42% year-on-year.

## ○ Advantest began to include Verigy in its consolidated results in FY2011 2Q. Verigy contributed strongly to full-year totals with:

- orders of 27.1 billion yen, and
- sales of 27.4 billion yen.

## ○ Costs associated with the acquisition of Verigy amounted to 8.3 billion yen, holding operating income to 0.8 billion yen.

## ○ Costs associated with the a writedown on investment securities, restraining 4.2 billion yen to non-operating income and net income to 2.2 billion yen.

## ○ Excluding merger-related costs, operating income was 9.2 billion yen.

**(FYR) Summary of FY2011 Results  
Excluding Verigy & Acquisition Costs**



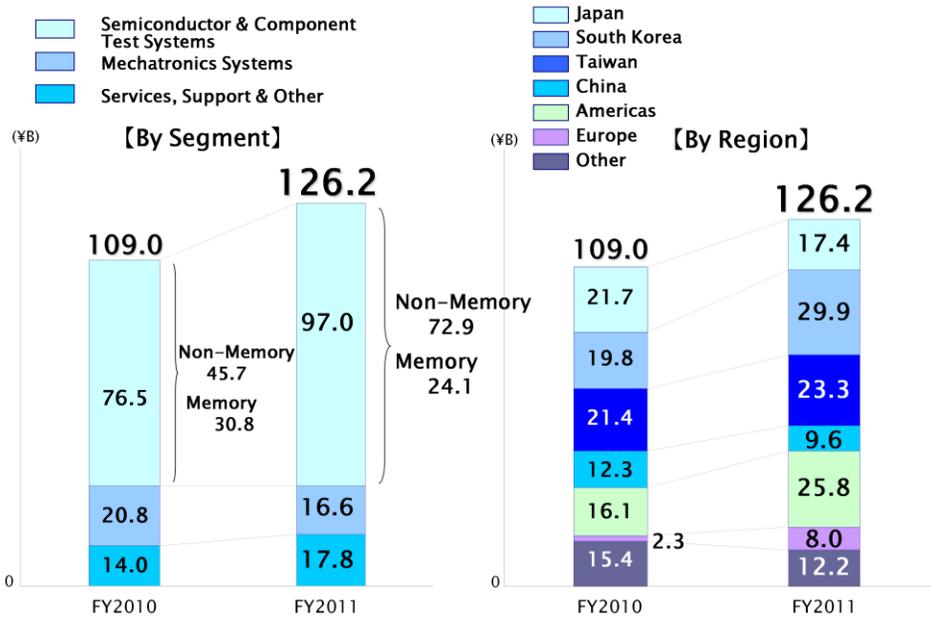
(¥B)

	FY 2010	FY2011						
		1Q	2Q	3Q	4Q	Q on Q (%)	Full Year	Y on Y (%)
Orders	109.0	38.4	18.6	17.0	25.1	48.5	99.1	-9.0
Sales	99.6	26.8	30.2	22.0	34.6	57.1	113.6	14.0
Cost of Sales	51.1	13.7	15.3	11.9	17.5	47.1	58.4	14.3
Gross Margin	48.5	13.1	14.9	10.1	17.1	69.3	55.2	13.8
Operating Income	6.1	1.6	1.5	-0.9	3.6	-	5.8	-5.6
Backlog	29.6	41.2	29.7	24.7	15.2	-38.4	15.2	-48.8

- For your reference, this slide depicts full-year results for the Advantest Group excluding Verigy and all costs related to the acquisition.

# FY2011 Orders

ADVANTEST



Note: Intersegment transactions have been eliminated from totals

○ FY2011 Orders by Business Segment and Region:

○ By business segment:

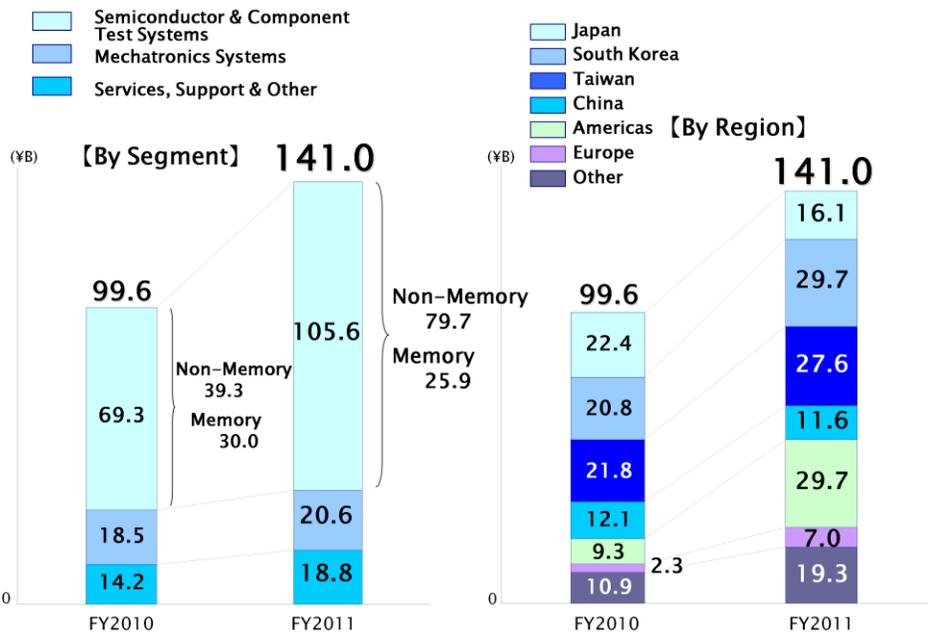
- Orders for non-memory testers grew strongly.
- The memory market deteriorated, causing a decline in orders for memory testers and mechatronics.

○ By region:

- Testers for MPUs and applications processors saw increasing orders from the Americas, the EU, and South Korea.

# FY2011 Sales

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Note: Intersegment transactions have been eliminated from totals

○ FY2011 Sales by Business Segment and Region:

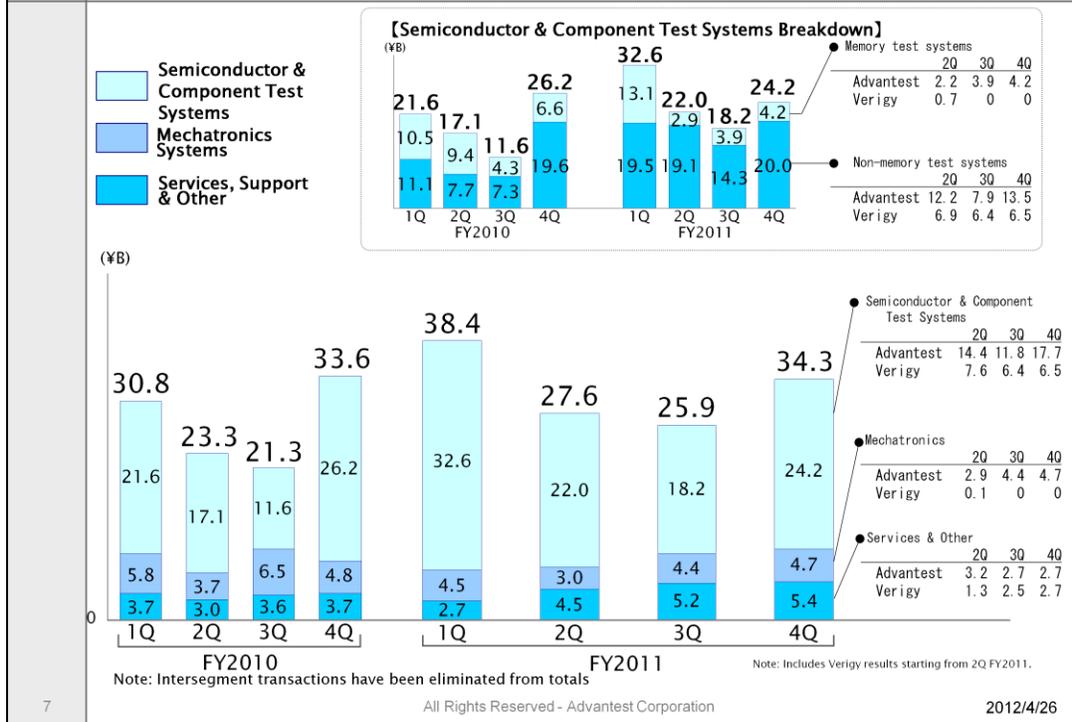
○ By business segment:

- Sales growth was achieved across all segments.
- Though memory tester sales shrank, non-memory tester sales doubled.

○ By region:

- Sales of MPU testers to customers in the Americas and the EU increased.

# 4Q FY2011 Orders by segment **ADVANTEST**



## ○ 4Q FY2011 Orders by Business Segment:

### ○ Semiconductor and Component Test Systems:

- 24.2 billion yen, up 33% from the previous quarter
- of which 6.5 billion yen was contributed by Verigy

#### • Non-memory testers

- The T2000 saw strong orders, driven by volume production of new-model smartphones and tablet PCs.

#### • Memory testers

- Softening PC demand continued to restrain new capital investment.

### ○ Mechatronics Systems:

- 4.7 billion yen, up 9% from the previous quarter

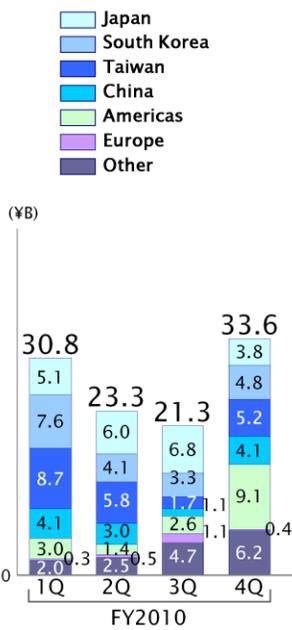
### ○ Services, Support & Other:

- 5.4 billion yen, up 4% from the previous quarter

# 4Q FY2011 Orders by region



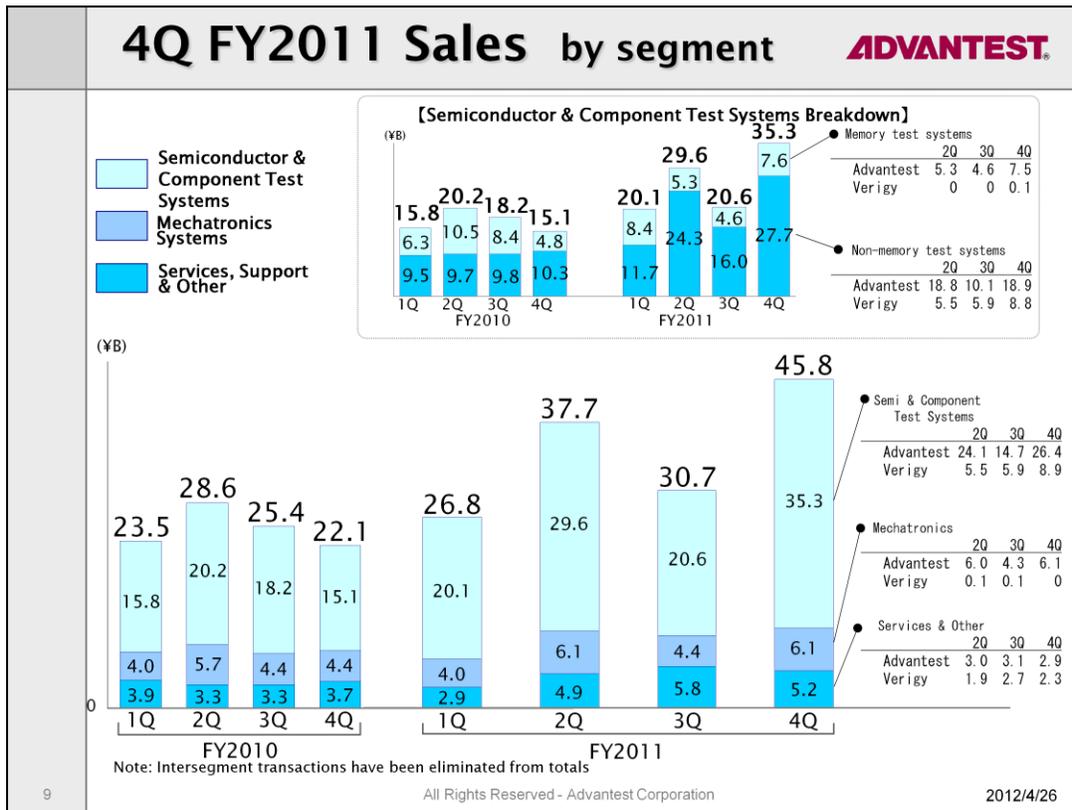
(shipping destination)



	2Q		3Q		4Q	
	Advantest	Verigy	Advantest	Verigy	Advantest	Verigy
Japan	3.4	0.2	4.7	0.5	3.9	0.6
Korea	4.8	1.8	4.6	2.1	11.2	1.2
Taiwan	-1.6	2.7	1.9	3.8	1.2	2.2
China	3.8	0.5	0.3	0.2	2.1	1.0
Americas	5.8	2.3	3.1	0.6	3.5	1.2
Europe	0.6	0.5	0.7	0.4	1.4	1.2
Other	1.8	1.0	1.7	1.3	1.8	1.8

## ○ 4Q FY2011 Orders by Region:

- South Korea
  - Strong T2000 orders reflected demand for a wide range of semiconductors used in smartphones and tablet PCs
- Taiwan
  - Orders declined on pushouts of capital investment in back-end AP test



○ 4Q FY2011 Sales by Business Segment:

○ Semiconductor and Component Test Systems:

- 35.3 billion yen, up 72% from the previous quarter
- of which 8.9 billion yen was contributed by Verigy

• Non-memory testers

- Sales doubled, led by demand for the T2000 for applications processor test. Sales of the V93000 and the new Smart Scale solution were also strong, especially in the RF market.

• Memory testers

- Sales growth was driven by the T5773 for high-speed NAND flash test.

○ Mechatronics Systems:

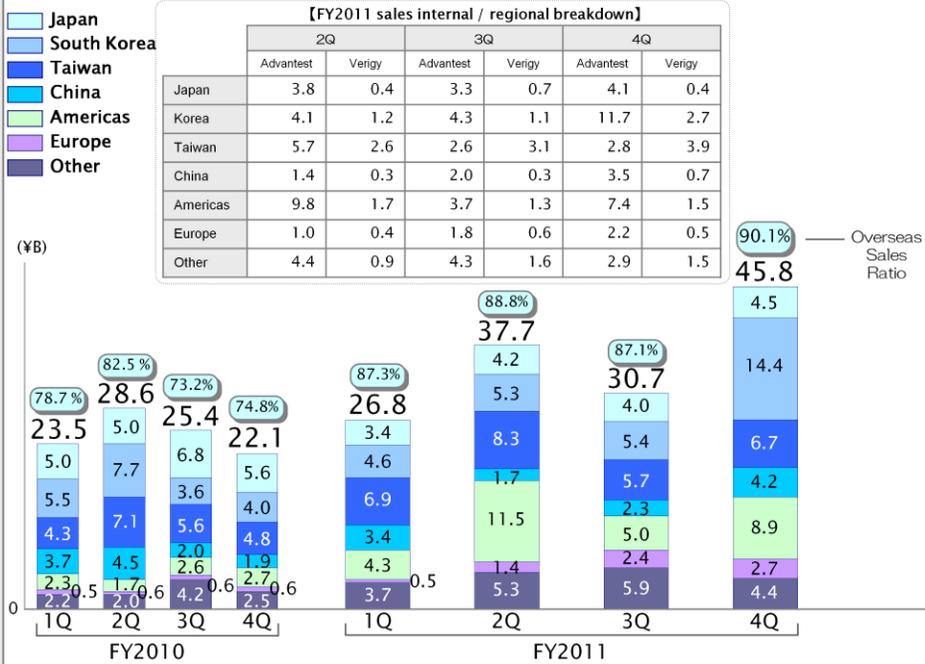
- 6.1 billion yen, up 36% from the previous quarter

○ Services, Support & Other:

- 5.2 billion yen, down 12% from the previous quarter

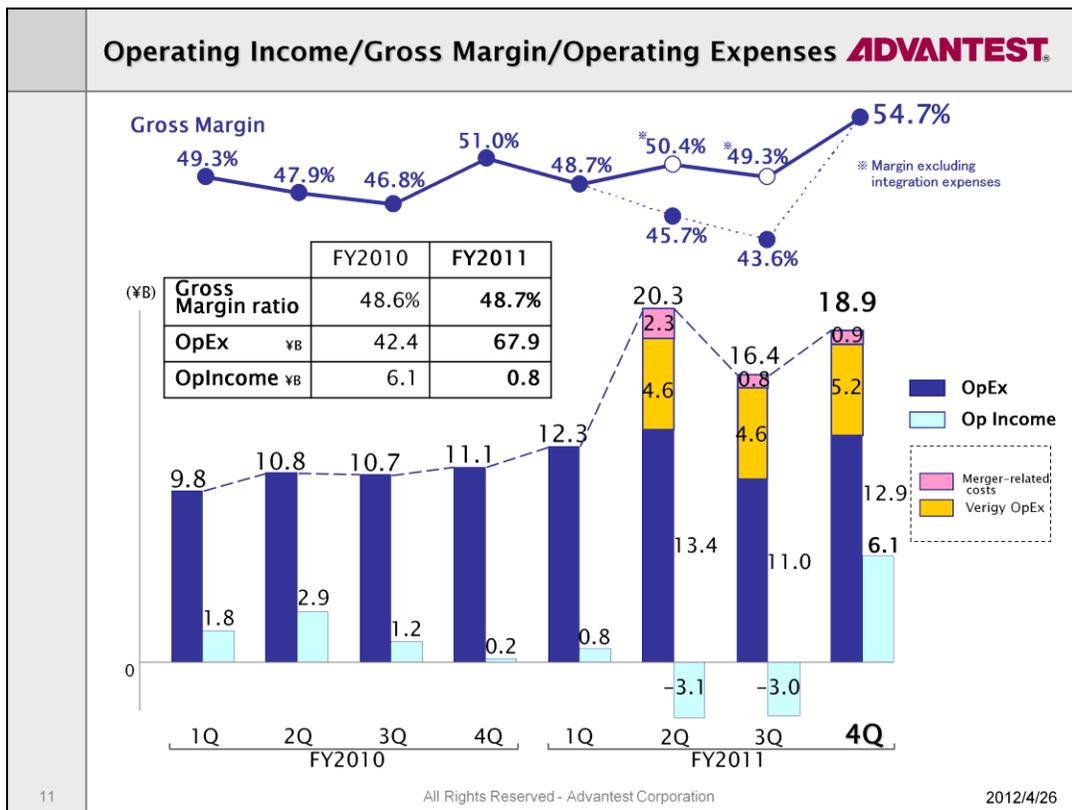
# 4Q FY2011 Sales by region

(shipping destination)



## ○ 4Q FY2011 Sales by Region:

- South Korea
  - Increased production of semiconductors used in smartphones and tablet PCs drove significant sales growth of:
  - 14.4 billion yen, up 170% from the previous quarter.



○ FY2011 Operating Income / Gross Margin / Operating Expenses

○ 4Q FY2011:

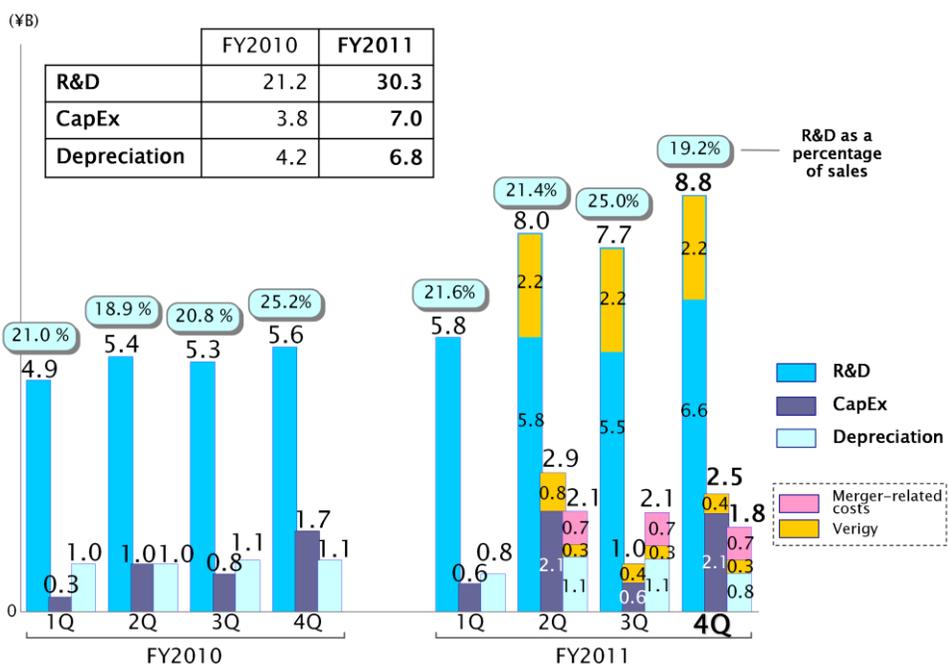
- Gross Margin: 54.7%, improved due to sales increase in lower average cost of sales
- Operating Expenses: 18.9 billion yen, of which
  - Merger-related costs: 0.9 billion yen
  - Verigy operating expenses: 5.2 billion yen
- Operating Income : 6.1 billion yen

○ FY2011: One-time costs related to the Verigy acquisition totaling 8.3 billion yen constrained results.

- Gross Margin: 48.7%
- Operating Expenses: 67.9 billion yen
- Operating Income: 0.8 billion yen

## R&D Expenses/CapEx/Depreciation

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2012/4/26

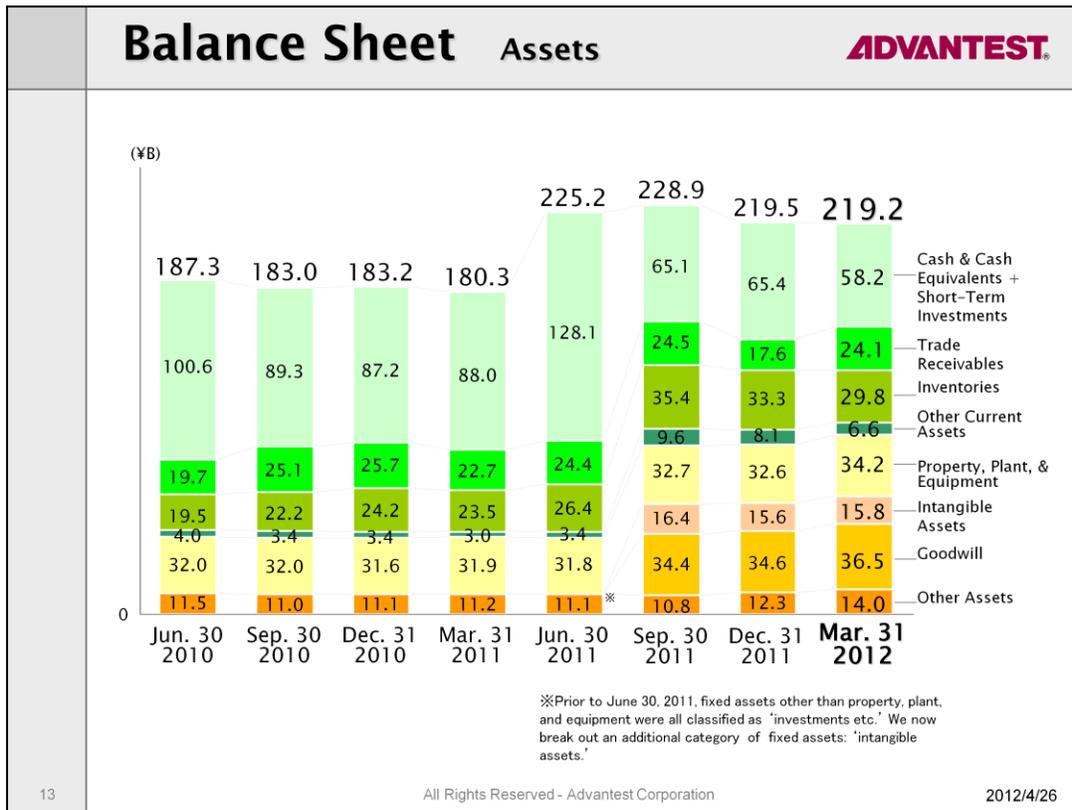
○ FY2011 R&D Expenses / CapEx / Depreciation:

○ 4Q FY2011:

- R&D Expenses:
  - 8.8 billion yen, 14% up on year, of which
  - Verigy R&D expenses: 2.2 billion yen
- CapEx:
  - 2.5 billion yen
- Depreciation:
  - 1.8 billion yen
  - including 0.7 billion yen in merger-related costs and write downs on intangible assets

○ FY2011:

- R&D Expenses: 30.3 billion yen
- CapEx: 7.0 billion yen
- Depreciation: 6.8 billion yen



○ Balance Sheet as of March 31, 2012:

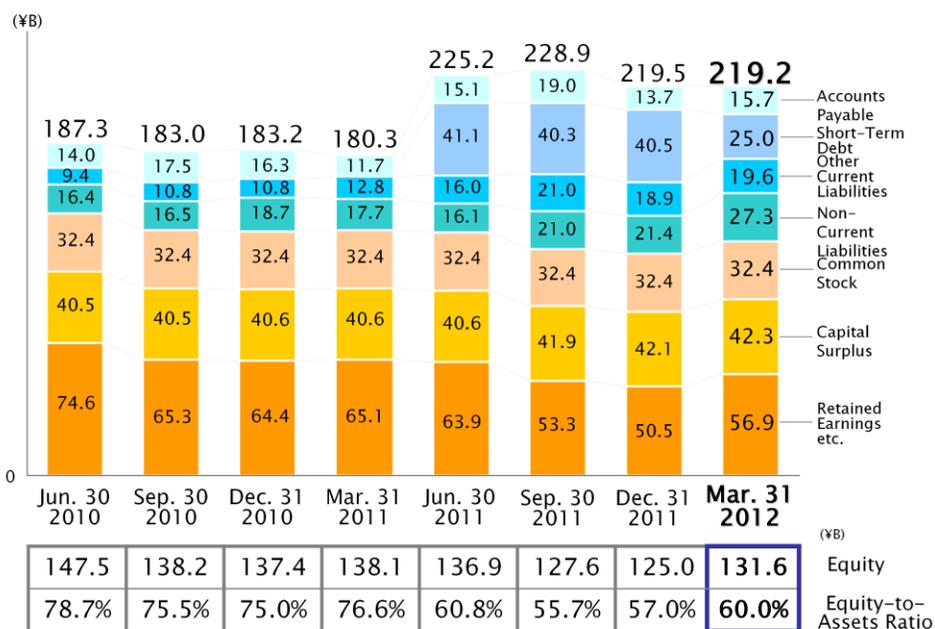
○ Assets:

- Cash & cash equivalents: 58.2 billion yen, down 7.2 billion yen from the end of the previous fiscal period.
- Trade receivables : 24.1 billion yen, up 6.5 billion yen from the end of the previous fiscal period.
- Goodwill: no impairment loss recorded in the present period. 36.5 billion yen since it is US\$ base assets, it may vary due to currency exchange rate

○ Thus, total assets were 219.2 billion yen, a sequential decrease of 0.3 billion yen.

# Balance Sheet Liabilities & Equity

**ADVANTEST**



## ○ Balance Sheet as of March 31, 2012:

- Equity: 131.6 billion yen
- Equity-to-assets ratio: 60.0%, up 3 points from from the end of the previous fiscal period.
- Short-term debt: 25 billion yen, down 15.5 billion yen from the end of the previous fiscal period.
- Non-current liabilities: 27.3 billion yen, up 5.9 billion yen from the end of the previous fiscal period.

## **FY2012 Outlook**

# **Mobile Device Segment Powering a New Growth Spurt**

April 26, 2012

Haruo Matsuno  
Representative Director, President & CEO

# FY2012 Results Forecast

**ADVANTEST**

(¥B)	FY2011	FY2012	Growth Rate
<b>Orders</b>	126.2	152.0 ~ 178.0	20.4% ~ 41.0%
<b>Sales</b>	141.0	150.0 ~ 170.0	6.3% ~ 20.5%
<b>Operating Income</b>	9.2 Ex merger costs	12.0 ~ 20.0	30.8% ~ 118.0%
<b>Operating Margin</b>	6.5%	8.0% ~ 11.8%	

Exchange rate assumptions: \$1 = ¥83, 1 euro = ¥110

	FY2011	FY2012
<b>Dividend per share</b>	¥15 (paid in two semi-annual instalments)	¥20 (paid in two semi-annual instalments)

○ For the last several years, we have declined to publish full-year forecasts. However, in 2011, we acquired Verigy Ltd., and secured a market share of approximately half of the total tester market. With a clearer view of the future, we can now provide an outlook for FY2012 as follows:

- Orders: 152.0 billion yen – 178.0 billion yen
- Sales: 150.0 billion yen – 170.0 billion yen
- Operating income: 12.0 billion yen – 20.0 billion yen

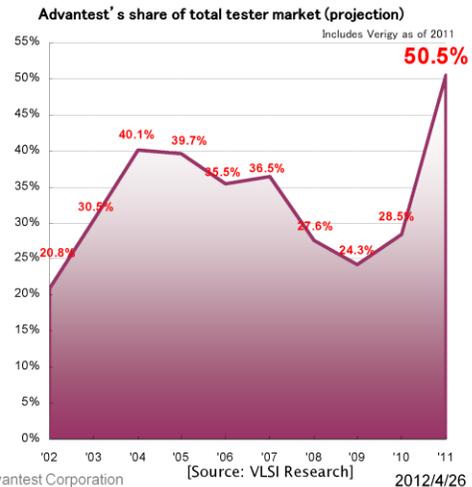
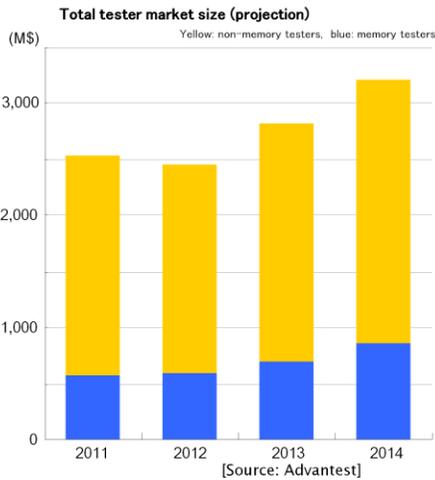
• In FY2012, we will reinforce our future growth platform by boosting our R&D and capital investment. Chiefly, investment will be directed to building a new factory in South Korea, expanding new businesses, and directing resources to growth sectors. As a result, we expect an operating margin of approximately 8% - 12%.

• Based on our expectations of continued growth, we will pay an annual dividend of 20 yen, an increase of 5 yen from the previous fiscal period.

## ◆ Semiconductor Tester Market Trends

2012: YoY contraction expected, but scale of contraction to be mild  
 2013 and forward: Return to growth foreseen

Smartphones and other mobile devices to lead growth in memory and non-memory alike



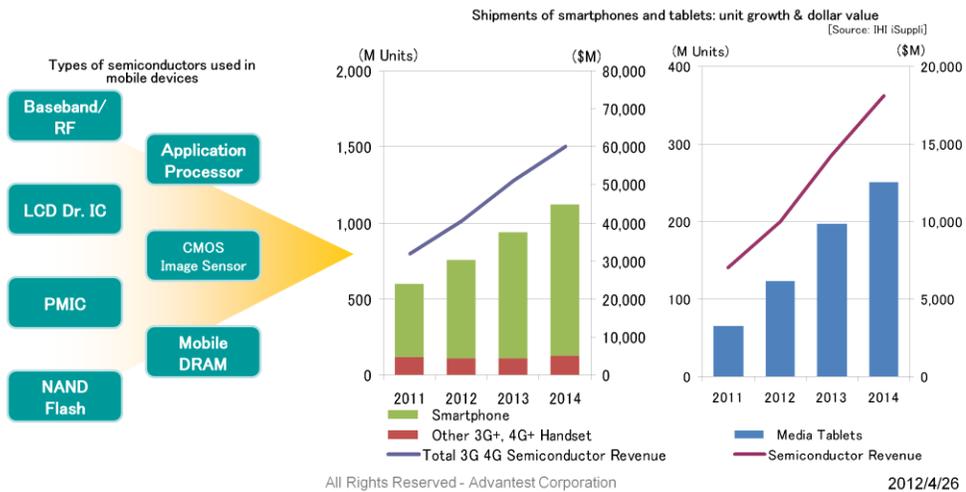
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○ Regarding the tester market trends that underlie our forecast for FY2012:

- Statistics from many market research firms foretell negative year-on-year growth for the tester market this year. We, too, expect a decline in the MPU tester market.
- However, based on visible demand for testers for mobile device semiconductors, even if there is a contraction, it is likely to be mild.
- Moreover, in 2013 and further out, we expect demand for testers to continue growing, driven by smartphones and other mobile devices.

## ◆ Riding the Mobile Device Wave

- Advantest offers a competitive test solution for every type of chip used in smartphones, tablets, and other mobile devices. Further market share and sales growth lie ahead.



### ○ Trends in our tester business.

- The data in the lower half of this slide, for your reference, gives an overview of the mobile device market. In 2011, shipments of smartphones reached about 500 million. By 2014 shipments are expected to grow to near to 1 billion units.

- Many different types of semiconductors are used in mobile devices. Advantest already offers a competitive solution for every type, as you see on the left here.

- Thus, regardless of whether the tester market shrinks in FY2012, we aim to increase our sales by maintaining the momentum of last fiscal year and increasing our market share further.

## ◆ Enhanced Management Efficiency

### • Reorganization

• Formerly a subsidiary, Verigy was fully integrated into Advantest on April 1<sup>st</sup> 2012. The Group's overseas subsidiaries were also reorganized on the principle of one subsidiary per region.

• Advantest's sales structure has been reinforced and realigned to keep pace with the horizontal division of the semiconductor industry into foundries, fabless companies, and OSATs.

※OSAT: Outsourced Semiconductor Assembly and Test

### • A New HR System

#### “Advantest Resource Management System (ARMS)”

• Advantest's new human resources management system puts the right people in the right place, wherever that may be in the world. It maximizes the productivity of our 5000 employees and enables new business creation and concentration of resources in growth sectors.

○ Now, a few of our measures to enhance our efficiency.

• On April 1<sup>st</sup>, we fully integrated Verigy, which had been a subsidiary within the Advantest Group. At the same time, we took several steps to reinforce our organization for further global expansion.

• We reinforced and consolidated our subsidiaries outside Japan on the principle of one subsidiary per region, aiming to increase efficiency and strengthen our sales and support structure.

• Semiconductor supply chains now wrap around the globe, encompassing fabless companies in Europe and the US, OSATs in Asia, and foundries worldwide. Keeping pace with the accelerating shifts in the structure of the industry, we have reorganized and reinforced our sales teams in every region.

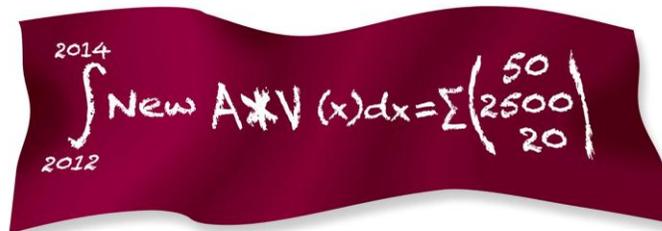
• We have also introduced a new, globally oriented HR system: ARMS (Advantest Resource Management System). Bringing out the vitality of our 5000 employees, the new system is designed to maximize productivity and direct resources to growth sectors, while fostering the creativity of the engineers who are building our new businesses.

## Medium-Term Goals

- Lastly, a few words regarding our medium-term goals.

# **ACT2014**

*Advantest Culture Transformation*



**ADVANTEST**

#### Goals for 2014

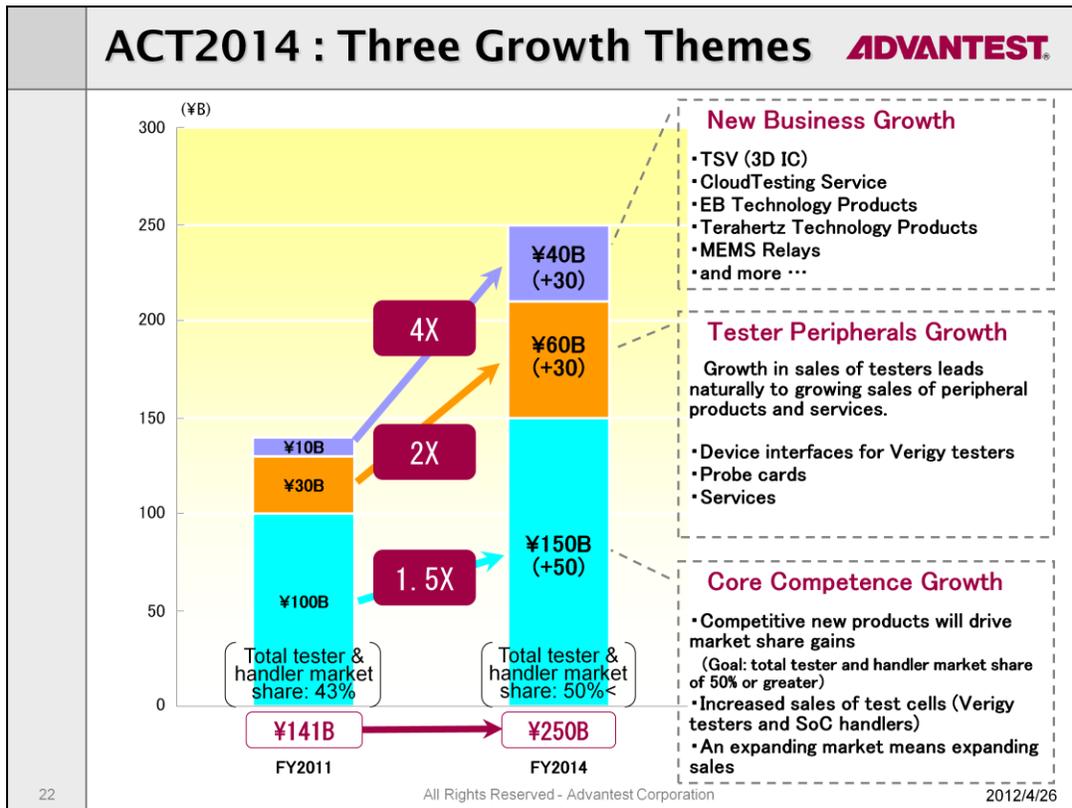
- **Sales: ¥250 billion**
- **Operating profit margin: 20% or greater**
- **Tester & handler market share: 50% or greater**

○ Our new corporate initiative, ACT2014, was launched this month.

• Grounded in a long-term perspective, the initiative aims to use the next three fiscal years to build a solid foundation for our continued growth by generating innovation from the integration of Verigy into Advantest. It sets out three medium-term goals:

Sales of 250 billion yen,  
an operating profit margin of 20% or greater, and  
a share of the total tester and handler market of 50% or greater.

We aim to achieve these goals by FY2014.



○ What will it take for us to achieve sales of 250 billion yen?

- We are pursuing business growth in several directions on the axis of our core competence: measurement. These efforts fall under three themes.

- First, sales growth through greater competitiveness in our core business. In the three years ahead, testers and handlers will continue to form the core of our business. We aim to generate revenues from this business of 150 billion yen in 2014 by continuing to introduce competitive new products and achieving a market share of greater than 50%.

- Second, increased revenue from test peripherals. As our sales of testers and handlers grow, so will revenues from services and device interfaces, as we expand our DI lineup to support Verigy testers. We are also aggressively growing our probe card business.

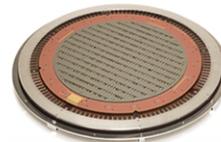
- Third, new businesses. New test solutions for TSVs and our newly launched CloudTesting™ Service represent new semiconductor-related revenue sources. Additionally, products utilizing EB technology and terahertz technology as well as MEMS relays—now being marketed to outside customers—are contributing to cycle-resistant, stable growth.

◆ **Mechatronics & Services**

- Sales of test cells comprising Verigy testers, test handlers, and device interface products

**Only Advantest can offer one-stop test solutions.**

- Sales of probe cards to customers in South Korea, Taiwan, the USA, and Japan



Probe Card

- A new factory planned in Cheonan, South Korea, will anchor future business expansion

- Comprehensive service offerings now include engineering and financing services, expected to be future revenue sources



Dynamic Test Handler M6242

○ A little more about our potential to grow sales of tester peripherals.

- Hitherto, our mechatronics business has been harnessed to the memory market, but as the structure of our tester business shifts, so too will mechatronics.

- Verigy's backend testers have previously been used in combination with third-party handlers and device interfaces. We are now able to offer these testers as part of complete test cells.

- Our probe cards are now being aggressively marketed in four major global regions.

- We plan to build a new factory to manufacture test handlers in South Korea.

- We also continue to reinforce our service offerings, which now include engineering and financial services. These are also future revenue sources.

**◆ Multi-directional growth on the measurement axis**

- CloudTesting™ IP solutions launched
- TSV measurement solutions nearing commercialization
- Advantest is scaling up its marketing and sales of non-semiconductor products including:

**MVM-SEM™**  
(Multi Vision Metrology Scanning Electron Microscope)

**Terahertz technology products**  
**MEMS relays**

- Development and commercialization of other pipeline products is being accelerated



Terahertz Imaging System TAS7500

○ We are also expanding into new businesses and new sectors.

- We have launched a new IP solutions business, CloudTesting, to uncover new revenue opportunities in semiconductor R&D and other areas outside the high volume manufacturing.

- In anticipation of the wide adoption of TSV manufacturing in 2013, we are preparing to launch solutions for this sector.

- We are also scaling up marketing and sales of our non-semiconductor-related product lines, including MVM-SEM, terahertz technology products, MEMS relays, and more. Additional resources are being directed to pipeline projects targeting other new business sectors.

かわる × わかる、  
未来をここへ。

## ■Event

June 6-7, 2012 (Weds. – Thurs.) Tokyo International Forum

Free Entry (advance registration required)

Beyond semiconductor test equipment ...  
Visit the leading edge of the future at Advantest Expo 2012

## ■Products on Exhibition

Semiconductor Testers and Handlers / Terahertz Imaging System / CloudTesting™ /  
New Testing and Handling for TSV / Optical LSI Tester / And More ...

Creating true value

**ADVANTEST. EXPO 2012**



○ Finally, I would like to invite you all to an event that we're very excited about.

- This is the opening act of ACT2014: Advantest Expo 2012. It will be held at the Tokyo International Forum on June 6<sup>th</sup> and 7<sup>th</sup>.

- With many actual products on display, as well as concept exhibitions, this year's Expo will reconfirm Advantest's position as a high-tech leader. Come and share our 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 and 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.