

Advantest Corporation

Information Meeting

January 28th, 2014

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.

**Financial Results
for 3rd Quarter of FY2013**

January 28th, 2014

**Hiroshi Nakamura
Director and Managing Executive Officer**

Summary of Results

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(¥B)

	FY2012				FY2013				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	Q on Q (%)	Y on Y (%)
Orders	46.2	25.3	24.4	29.8	39.5	21.4	27.4	28.2	12.6
Sales	33.4	39.2	24.6	35.7	30.1	29.5	19.7	-33.6	-20.4
Cost of Sales	15.8	18.7	11.6	17.9	14.8	16.0	15.2	-5.5	30.9
Gross Profit	17.6	20.5	13.0	17.8	15.3	13.5	4.5	-66.8	-65.6
Operating Income	0.8	2.6	-2.6	-0.7	-3.3	-4.7	-26.4	-	-
Non-Operating Income	0.5	-0.8	-0.4	-0.7	0.5	0.1	-0.5	-	-
Income Before Tax	1.3	1.8	-3.0	-1.4	-2.8	-4.6	-26.9	-	-
Net Income	0.4	1.1	-3.4	-1.9	-3.6	-5.7	-24.8	-	-
Backlog	36.4	22.5	22.3	16.4	25.8	17.7	25.5	44.3	14.6

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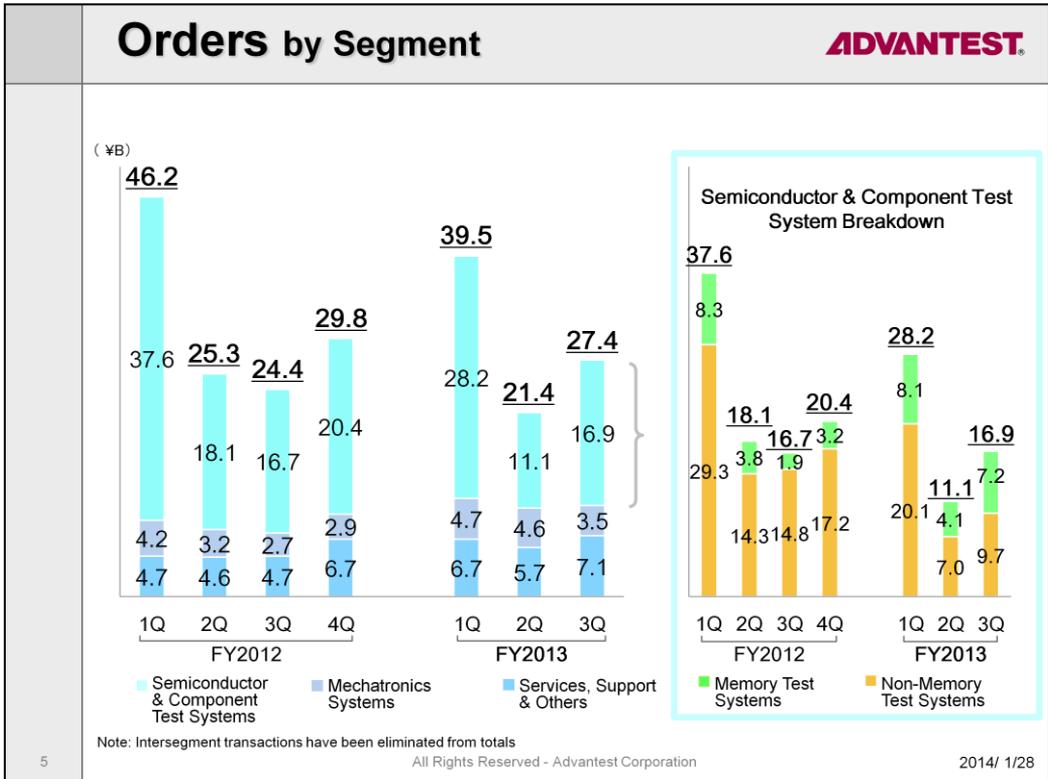
○ FY2013 Q3 Results Summary

- Orders ¥27.4 billion +28% QoQ
- Sales ¥19.7 billion -34% QoQ
- Operating Income -¥26.4 billion
- Income Before Tax -¥26.9 billion
- Net Income -¥24.8 billion

- Backlog ¥25.5 billion up ¥7.8 billion from end September

- Inventory valuation losses and impairment losses for long-lived assets were booked in 3Q.

- Factors underlying decrease of sales and orders as well as operating / net losses will be explained in the following slides.



○ FY2013 Q2 Orders by Segment

○ Semiconductor & Component Test Systems

- +53% QoQ ¥16.9 billion
- of which, non-memory testers ¥9.7 billion
- of which, memory testers ¥7.2 billion

- Demand is recovering for non-memory testers for smartphone chips, etc.
- Memory tester demand for DRAM front-end processes is growing

○ Mechatronics

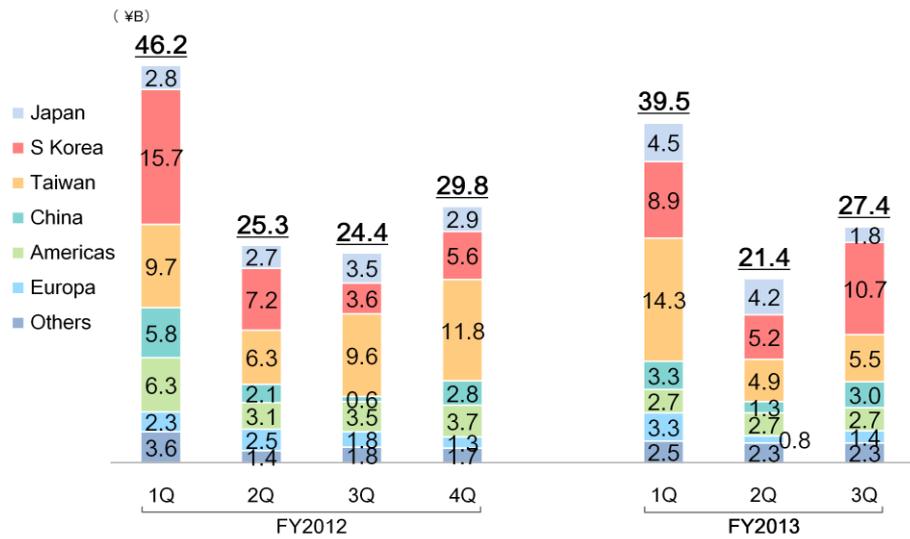
- -25% QoQ ¥3.5 billion
- Orders for EB lithography equipment declined.

○ Services, Support & Others

- +24% QoQ ¥7.1 billion
- Reinforcement policy implemented from start of FY2013 is delivering growth in this business

Orders by Region

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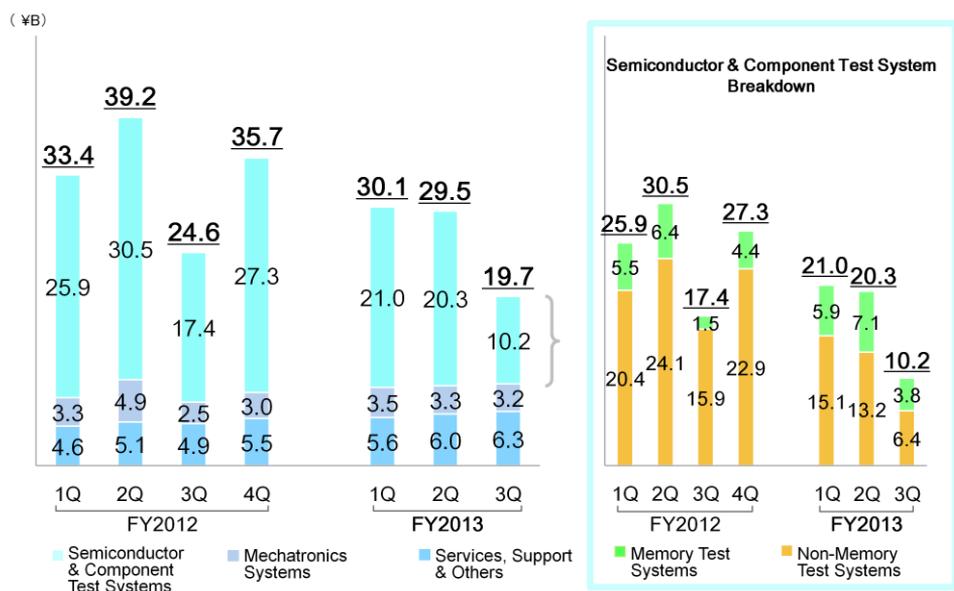


○ FY2013 3Q Orders by Region

- South Korea
DRAM investment paused in Q2, but is now growing again.
- China
LCD driver IC tester demand is expanding.
- Japan
Orders for EB lithography equipment declined.

Sales by Segment

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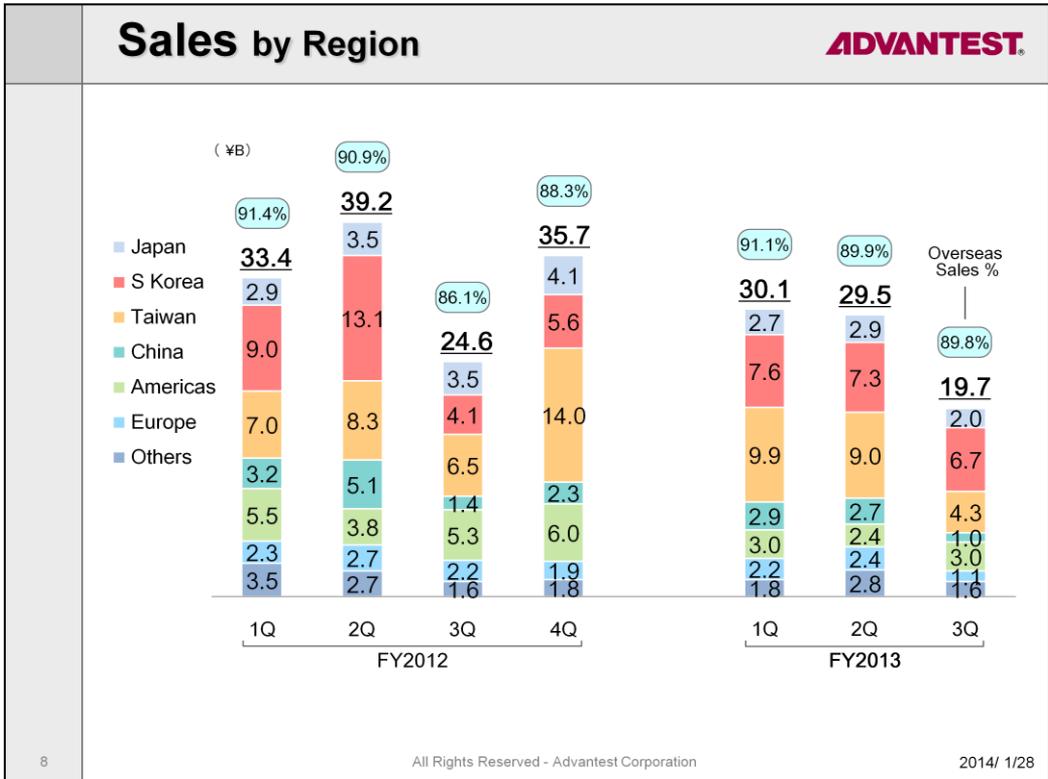


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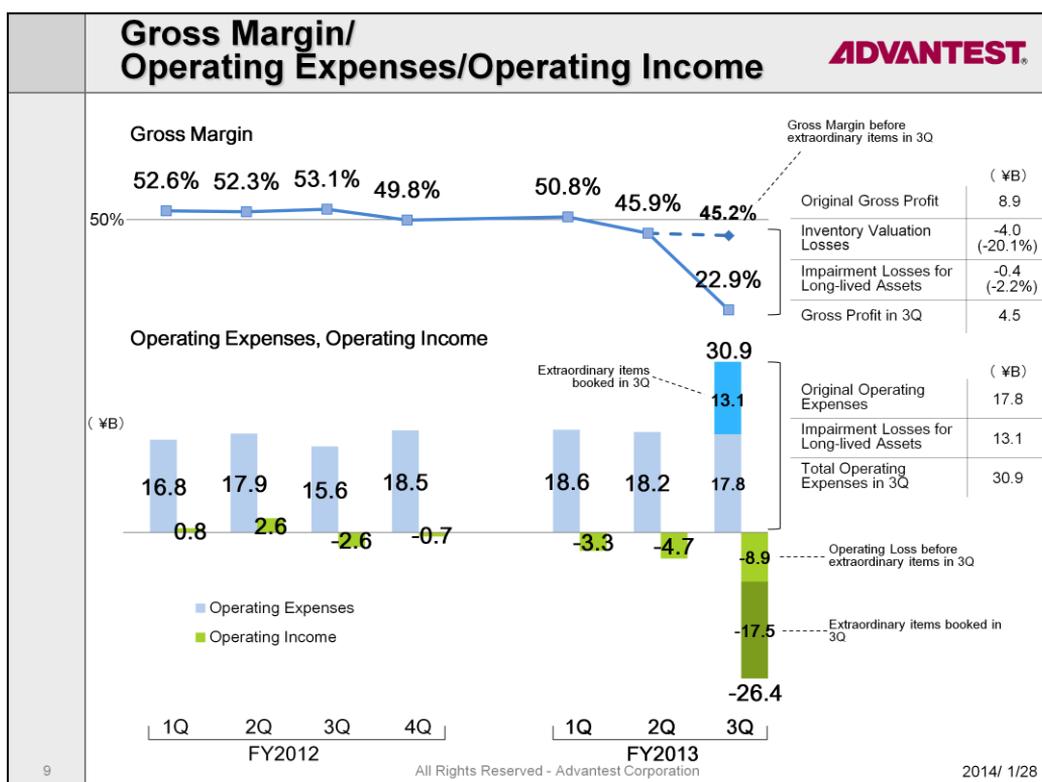
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- FY2013 Q2 Sales by Segment
- Semiconductor & Component Test Systems
 - -50% QoQ ¥10.2 billion
 - of which, non-memory testers ¥6.4 billion
 - of which, memory testers ¥3.8 billion
 - Sales reflect lower orders in FY2013 2Q.
 - Non-memory testers saw falling demand from the LCD driver IC and high-end logic IC categories.
 - Memory testers suffered from declining DRAM back-end demand.



○ FY2013 3Q Sales by Region

- Taiwan
Decline in sales was chiefly caused by lower demand from the LCD driver IC category.
- Other regions also shared overall weakness.



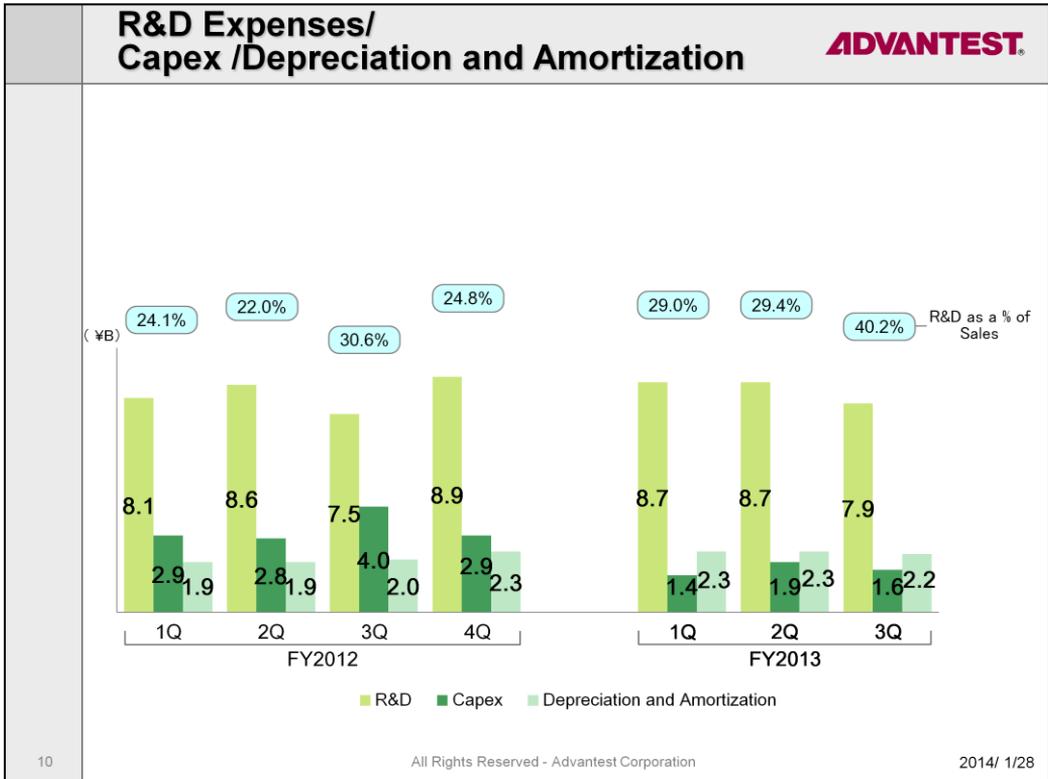
○ FY2013 3Q Gross Margin / Operating Expenses / Operating Income

- Gross Margin declined 23.0 points QoQ to 22.9%.
The principal factors behind this decline were extraordinary items booked in 3Q:

Inventory valuation losses	¥4.0 billion
Impairment losses for long-lived assets	¥0.4 billion

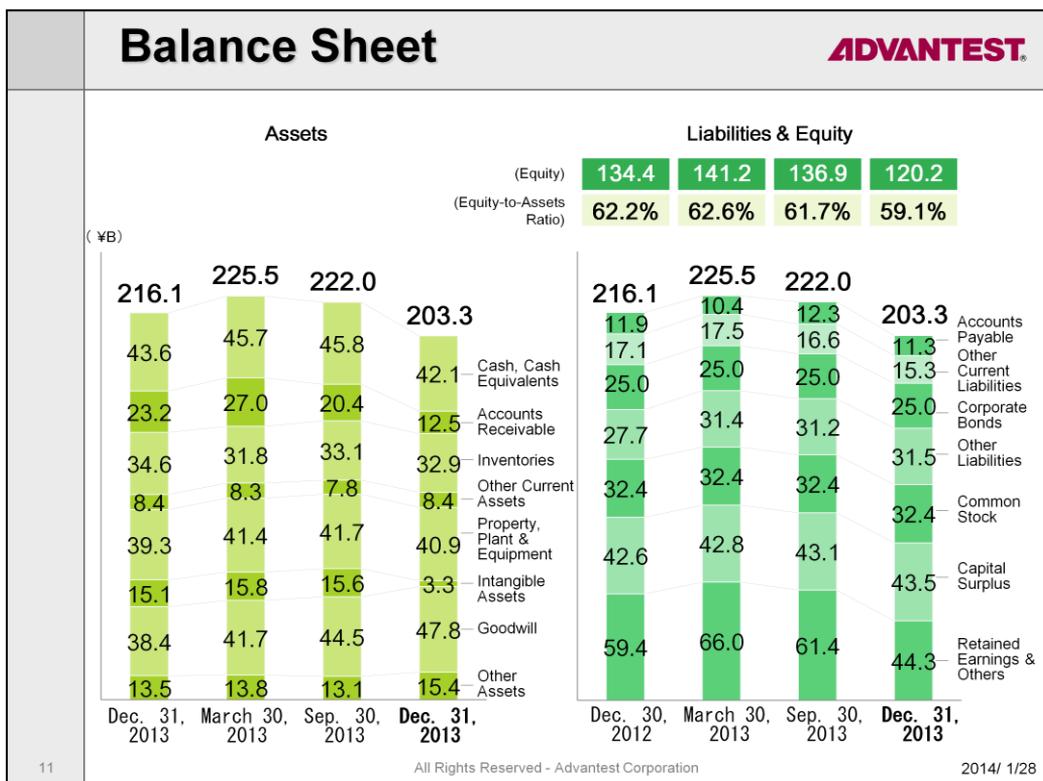
These items added a total of ¥4.4 billion to our cost of sales.

- Gross profit before extraordinary items was ¥8.9 billion; gross margin before extraordinary items was 45.2%.
- Operating expenses were ¥30.9 billion.
This includes impairment losses for long-lived assets of ¥13.1 billion.
Operating expenses before extraordinary items were ¥17.8 billion.
- As a result of the above, an operating loss of ¥26.4 billion was posted,
of which ¥17.5 billion was accounted for by extraordinary items.
Operating loss before extraordinary items was ¥8.9 billion.



○ FY2013 3Q Operating Expenses Breakdown

- R&D Expenses: ¥7.9 billion
- CapEx: ¥1.6 billion
- Depreciations and Amortization: ¥2.2 billion



- Balance sheet for FY2013 3Q, ending December 31st 2013
- Assets:
 - Accounts receivable
Down ¥7.9 billion from end September 2013 ¥12.5 billion
 - Intangible assets
Down ¥12.3 billion from end September 2013,
in line with impairment losses for long-lived assets posted in 3Q ¥3.3 billion
 - Total assets
Down ¥18.7 billion from end September 2013 ¥203.3 billion
- Liabilities & Equity:
 - Equity
Down ¥16.7 billion from end September 2013 ¥120.2 billion
 - Equity-to-assets ratio
Down 2.6 points from end September 2013 59.1%

FY2013 Results Forecast Update

On a Trajectory Towards Consistent Profit

Target: BEP ¥120 Billion

January 28th, 2014

Haruo Matsuno
Representative Director & CEO

FY2013 Full Year Results Forecast (Update)

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(¥B) (announced on September 25)

	FY2012	FY2013 Previous Forecast (A)	FY2013 Updated Forecast(B)	Change (A-B)	YoY Change
Orders	125.7	148.5	120.0	-28.5	-5.7
Sales	132.9	143.0	110.0	-33.0	-22.9
Operating Income	0.1	0	-36.0	-36.0	-36.1
Net Income	-3.8	-2.5	-35.9	-33.4	-32.1

*Exchange rate assumptions have been revised.
Assumptions announced on 09/25/2013: US\$1=¥98, 1 Euro=¥129.
Current assumptions for 4Q: US\$1=¥105, 1 Euro=¥140

- **Our full-year forecast has been revised downward amid a highly challenging business climate**

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○ FY2013 Results Forecast Update

- Our original forecast called for a contraction in the tester market, but smartphone demand softened more than expected in 1H, leading to a fall in demand for non-memory testers. Accordingly, we revised our full-year forecast on September 25th, 2013.
- Our business environment subsequently improved, in comparison to 1H, but the pace of recovery has not met expectations, leading us to revise our full-year forecast once more.

○ Our revised forecast for FY2013 is as follows:

- Orders ¥120 billion
- Sales ¥110 billion
- Operating loss ¥36 billion
- Net loss ¥35.9 billion

- These figures are calculated using the following exchange rate assumptions for 4Q:
US\$1 = ¥105, 1 euro = ¥140

FY2013 4Q Results Forecast

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(¥B)

Numbers in bracket represent a YoY comparison to the corresponding period in FY2012

	FY2012			FY2013		
	1Q-3Q	4Q	Full Year	1Q-3Q	4Q (est.)	Full Year (est.)
Orders	95.9	29.8	125.7	88.3 (-7.8%)	31.7 (6.0%)	120.0 (-4.6%)
Sales	97.2	35.7	132.9	79.3 (-18.5%)	30.7 (-13.9%)	110.0 (-17.2%)
Operating Income	0.8	-0.7	0.1	-34.4 (-)	-1.6 (-)	-36.0 (-)
Net Income	-1.9	-1.9	-3.8	-34.1 (-)	-1.8 (-)	-35.9 (-)

○ FY2013 4Q Results Forecast

- Based on the current pace of the tester market recovery, our forecast for FY2013 4Q is as follows:
 - Orders ¥31.7 billion
 - Sales ¥30.7 billion
 - Operating loss ¥1.6 billion
 - Net loss ¥1.8 billion
- Although we expect orders and sales to grow in comparison to 3Q, our overall business climate remains challenging.
- We expect to narrow our losses in 4Q, in comparison to 1H, as a result of gains from the cost-cutting measures we have implemented since 2H.

**Two Structural Shifts
Designed to Produce Stable Profitability**

Challenge

Solution

✓ **Rising Costs,
Declining Profits**



Cost Structure Improvement
A Leaner Cost Structure in
FY2014
Target: BEP ¥120B

✓ **Maturation of
Tester Market**



Business Structure Improvement
Expand Earnings From
Mechatronics, Services,
New Businesses
(Shift Resources to Growth Areas)

○ On a Trajectory Towards Consistent Profit

- The Advantest Group currently confronts two major challenges:
 1. Yen depreciation has increased our costs, damaging profitability.
 2. The tester market, the axis on which our business cycle presently turns, has dramatically contracted over the past few years, constraining sales growth.
- In response to the maturation of the tester market, we altered our trajectory two years ago to invest in new businesses and reinforce our test peripherals business.
- The following slides demonstrate our vision for FY2014 and the measures to improve our cost structure that we began to implement in FY2013 1H.

A Cost Structure for Consistent Profitability

ADVANTEST

The steps outlined below are expected to generate cost savings of approx. **¥12.5B** compared with end Sep. 2013
BEP ¥143.0B → BEP ¥120.0B

Key Cost-Cutting Areas

- | | |
|---|------------------------------|
| (1) Payroll Optimization | Annual savings: ¥7.0B |
| - Supplemental hiring freeze to shrink headcount
- Bonuses minimized in unprofitable periods
- Restrictions on overtime | |
| (2) Operating Cost Reduction | Annual savings: ¥1.0B |
| - Full IT systems integration
- Consolidation of business premises
(parts of Gunma Factory 2 and ATL, other affiliate premises to be shuttered) | |
| (3) Depreciation Expense Reduction | Annual savings: ¥2.0B |
| (4) Improvement of Gross Profit | Annual savings: ¥2.5B |

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○ A New Cost Structure

- The Advantest Group's breakeven point (BEP) was ¥143 billion at the end of FY2013 1H.
- To improve our cost structure, we are optimizing payroll costs. Our headcount is being pared down by restrictions on replacement hiring, bonuses have been drastically reduced during periods of unprofitability, and overtime has been restricted, generating an expected ¥7 billion in annual cost savings.
- We also foresee annual savings of ¥1 billion in operational costs. Our integration with the former Verigy will be completed in April when the two companies' IT systems are unified, meaning a reduction in related costs from that date. Consolidation of business premises is expected to deliver additional savings.
- We booked impairment losses for long-lived assets in FY2013 3Q, reducing our depreciation costs by an anticipated ¥2 billion annually.
- Most of the fixed cost savings detailed above should be realized by FY2014 1H.
- We further anticipate gross profit gains of ¥2.5 billion annually from an ongoing review of our product portfolio designed to improve gross margins, among other efforts.
- These steps will enable the Advantest Group to lower its BEP from ¥143 billion (as of the end of FY2013 1H) to ¥120 billion.

Management Targets for FY2014

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- Our medium-term business plan originally envisioned sales of ¥250 billion in FY2014
- But macroeconomic stagnation, changes in end-user markets, and changing technology trends restrained tester market growth below expectations
- Related markets also suffered, putting our previous targets out of reach

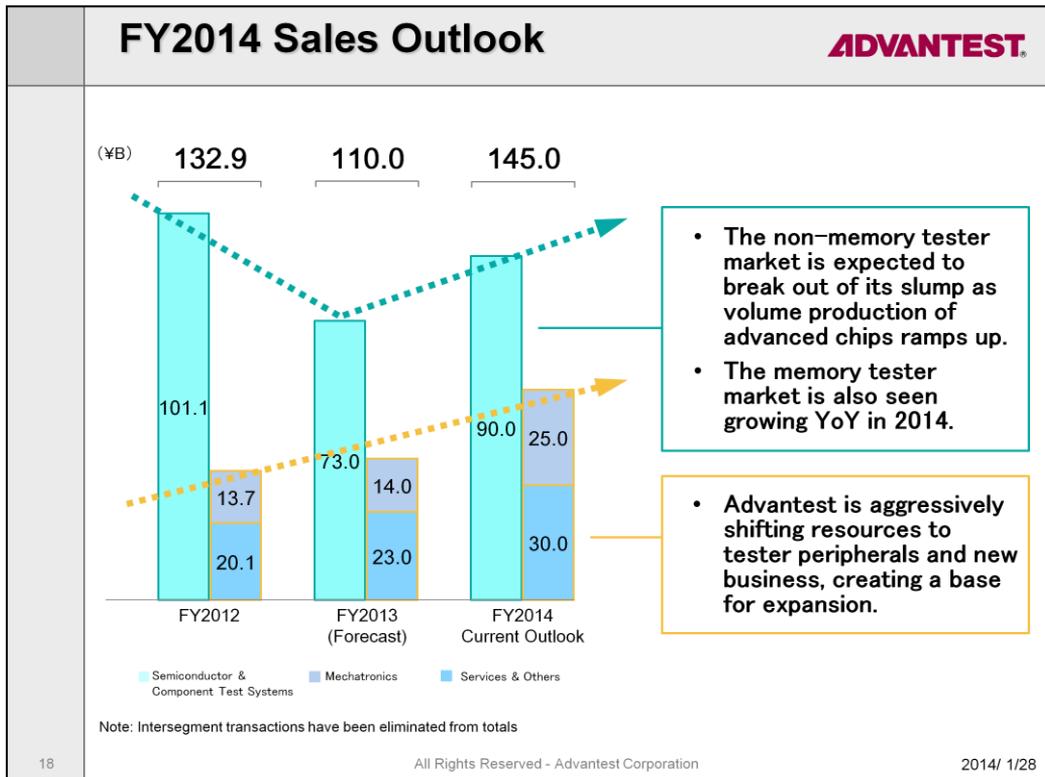
FY2014 Management Targets

	Original	Current
• Sales	¥250B	¥145B
• Operating Profit Ratio	>20%	7%

○ Management Targets for FY2014

- Our ongoing corporate initiative originally set a sales target of ¥250 billion in FY2014.
- After we set that target, the PC market declined, forestalling the growth that we had expected to see in the tester market. In fact, the tester market contracted.
- As a result, we no longer expect to achieve the FY2014 sales and earnings figures we previously targeted. However, we continue to implement the growth policies set under our corporate initiative.
- Based on current industry trends and market sentiment, our new targets for 2014 are as follows:

Sales	¥145 billion
Operating profit ratio	7%



○ FY2014 Sales Outlook

- Whereas the market contracted sharply in 2013, 2014 is expected to be a year of recovery. Multiple chipmakers have announced plans to ramp up production of advanced semiconductors, underpinning our prediction that the non-memory test market will return to growth in 2014.
- The memory tester market is also expected to grow incrementally in scale.
- Based on predictions that both the memory and non-memory segments will expand, Advantest's overall tester sales in FY2014 are expected to reach approximately ¥90 billion.
- Anticipated growth in our mechatronics and service businesses positions these segments as drivers of the Advantest Group's future growth, contributing to revenue stability, in line with our policy of expanding our non-tester businesses.
- This policy has been implemented over the last two years in the form of various measures to increase revenues from non-tester businesses, and is now bearing fruit. We continue to focus resources aggressively in these areas, further accelerating our shift to a more stable business model with built-in resistance to the fluctuations of the tester market.

Outlook by Segment: Tester Business

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■ Memory Tester Business

- Higher-speed DRAM will drive demand
- Growing NAND flash test demand from makers of highly functional devices used in SSDs and portable electronics is also anticipated



T5831 NAND Flash Memory Test System

■ Non-Memory Tester Business

- Demand to recover strongly from spring, although softness in the PC market and less vigorous smartphone growth persists
- Advantest will continue to seek share growth in MCU, CIS, and PMIC sectors

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○ Outlook by Segment: Tester Business

○ Memory Tester Business

- We expect robust memory tester demand to carry over from 2013. In DRAM testers, front-end demand grew in 2013, but in 2014, we expect demand to center on back-end testers that offer support for new products compliant with next-generation specifications.
- NAND flash testers are predicted to see growing demand from makers of highly functional devices used in SSDs and portable electronics. Advantest will focus on expanding sales of new products in this space.

○ Non-Memory Tester Business

- This segment is poised to recover from the downturn that started last summer, but is vulnerable to less-than-vigorous demand for the end products whose sales trends drive the non-memory tester market.
- Our present estimates see tester demand starting to recover strongly from April through the summer.
- We also anticipate new demand for our flagship high-end logic IC testers from the major chipmakers that are currently moving forward with investment in advanced manufacturing capacity
- We will also endeavor to grow our share in sectors such as MCU, CIS, and PMIC test, where superior productivity and cost-effectiveness gives our testers a decisive advantage.

Outlook by Segment: Mechatronics, Services

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■ Mechatronics Business

- Focus on increasing adoption of EB lithography and SEM equipment
- New test handler aligned with semiconductor trends is also expected to demand

New M4871 SoC Test Handler



■ Services & New Businesses

- Benefiting from reinforcement, services are expected to continue delivering revenue growth
- Incremental growth is also expected from wireless test, SSD testers, terahertz products and other new businesses

○ Outlook by Segment: Mechatronics Business

- Market interest is building around our nanotechnology systems utilizing EB technology. We plan to steadily promote market recognition of Advantest's technology and win more orders for these products, with EB lithography and CDSEM tools leading sales in tandem.
- Our new test handler, the M4871, is also expected to generate higher sales in the mobile semiconductor space, where finer-pitch devices are moving into the mainstream.

○ Outlook by Segment: Service Business & New Businesses

- Our measures to expand revenues from services, fully implemented from FY2013, are steadily producing results.
- In our new business portfolio, system-level test products, such as wireless test and SSD testers, are displaying the best prospects for growth. We have also expanded the served market of our terahertz system business, and expect these businesses to deliver increasing contributions to revenues.