

FY2015 2Q Information Meeting

**October 26th, 2015
Advantest Corporation**

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.

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**Financial Results
for 2nd Quarter of FY2015
(Period ended September 30, 2015)**

**Advantest Corporation
Hiroshi Nakamura
Director and Managing Executive Officer**

Summary of Results

(¥B)

	FY2014				FY2015					
	1Q	2Q	3Q	4Q	1Q	Results	2Q		YoY	
								QoQ		YoY
							¥B	%	¥B	%
Orders	49.2	38.2	38.7	50.2	44.0	27.1	-16.9	-38.5%	-11.1	-29.1%
Sales	36.8	42.1	41.0	43.4	40.3	46.4	+6.1	+15.2%	+4.3	+10.1%
Gross Profit	20.3	22.9	23.4	23.8	22.6	24.4	+1.7	+7.6%	+1.3	+5.8%
Operating Income	2.4	4.0	3.4	4.8	2.7	4.0	+1.3	+49.1%	0	+1.2%
Income Before Tax	3.2	4.8	5.3	5.6	2.8	3.5	+0.7	+25.0%	-1.3	-27.4%
Net Income	1.3	3.3	4.6	3.7	1.9	2.5	+0.6	+32.9%	-0.7	-22.1%
Backlog	44.4	40.4	38.1	45.0	48.7	29.4	-19.3	-39.6%	-11.0	-27.3%

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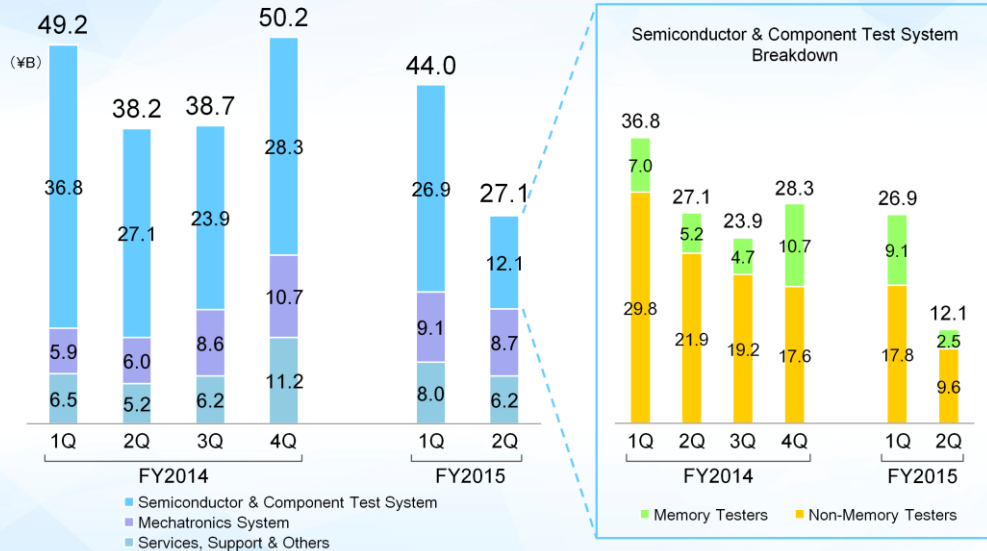
○ FY2015 2Q Results Summary

- Orders ¥27.1 billion -38.5% QoQ
- Sales ¥46.4 billion +15.2% QoQ
- Operating Income ¥4.0 billion +49.1% QoQ
- Income Before Tax ¥3.5 billion +25.0% QoQ
- Net Income ¥2.5 billion +32.9% QoQ

- As the slowdown in the semiconductor market intensified, we were able to exceed our sales targets, despite lower orders QoQ.
- Our growing customer base and a stronger focus on non-tester segments contributed to this achievement.

- Backlog ¥29.4 billion -¥19.3 billion QoQ

Orders by Quarter and Business Segment



Note: Intersegment transactions have been eliminated from totals

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○ FY2015 2Q Orders by Segment

○ Semiconductor & Component Test System

- -55% QoQ ¥12.1 billion
 - Non-memory Testers: ¥9.6 billion
 - Memory Testers: ¥2.5 billion

- Non-memory tester orders were suppressed by weakening end-product demand, notably in the Chinese smartphone market.
- Memory tester orders also sagged, owing to the DRAM / NAND tester investment cycle and production line ramp postponements by some customers.

○ Mechatronics System

- -4% QoQ ¥8.7 billion

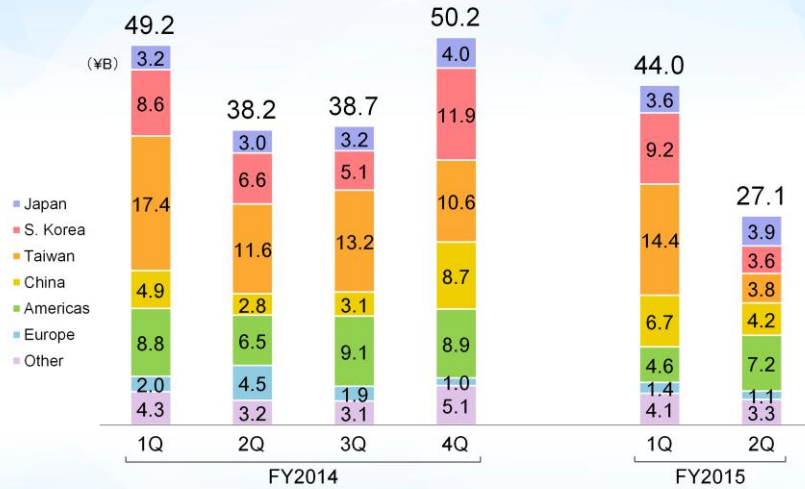
- Weaker tester orders also restrained orders of handlers and device interfaces.

○ Services, Support & Others

- -22% QoQ ¥6.2 billion

- Seasonality in annual maintenance contracts played a role in lower orders.

Orders by Quarter and Region



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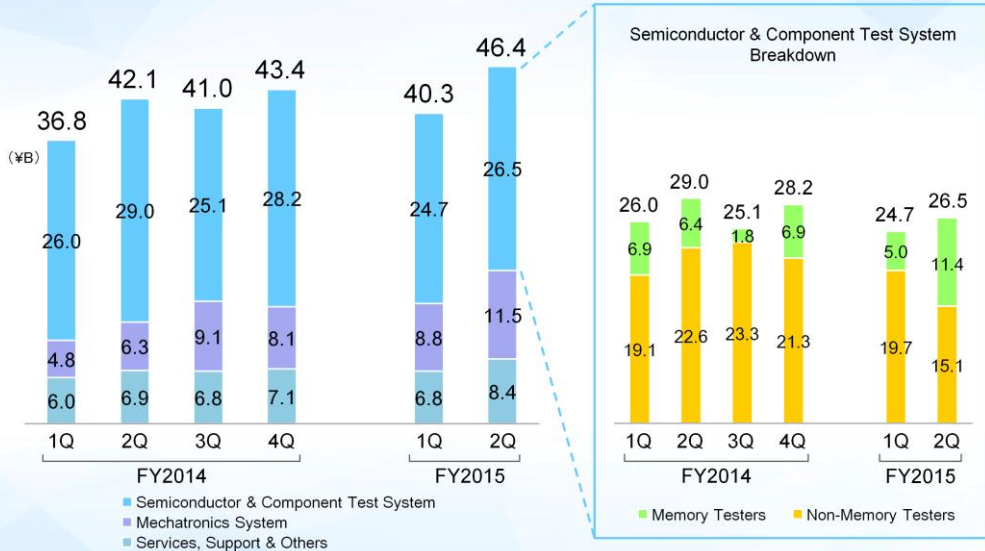
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○ FY2015 2Q Orders by Region

- Taiwan
The slowdown in smartphone sales depressed orders of non-memory testers for applications processors, display driver ICs, and other devices.
- South Korea and China
Memory tester orders slumped due to the NAND investment cycle and DRAM customers' revisions to their investment plans.
- Americas
Nanotechnology orders grew.

Sales by Quarter and Business Segment



Note: Intersegment transactions have been eliminated from totals

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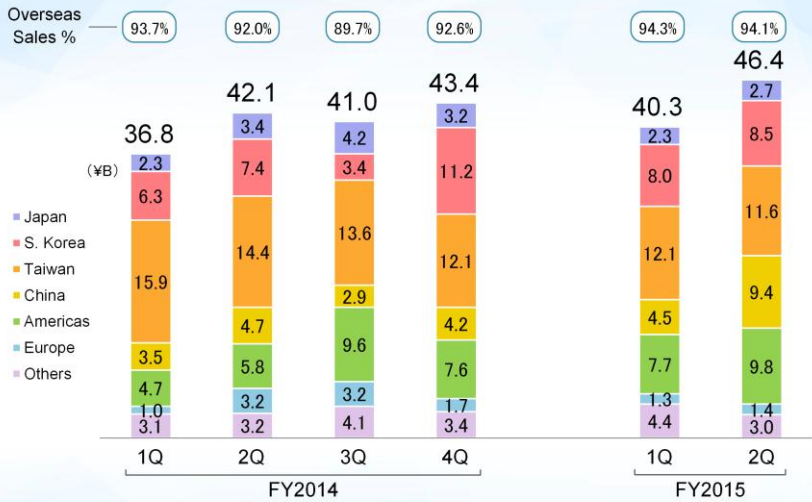
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- FY2015 2Q Sales by Segment
- Semiconductor & Component Test System
 - +7% QoQ ¥26.5 billion
 - Non-memory Testers: ¥15.1 billion
 - Memory Testers: ¥11.4 billion
 - Momentum was lacking in non-memory tester sales, due to the smartphone market slowdown, but growth in memory tester sales compensated.
- Mechatronics System
 - +30% QoQ ¥11.5 billion
 - Device interface and nanotechnology sales grew.
- Services, Support & Others
 - +24% QoQ ¥8.4 billion
 - Increased services revenues and SSD testers contributed to higher sales.

Sales by Quarter and Region



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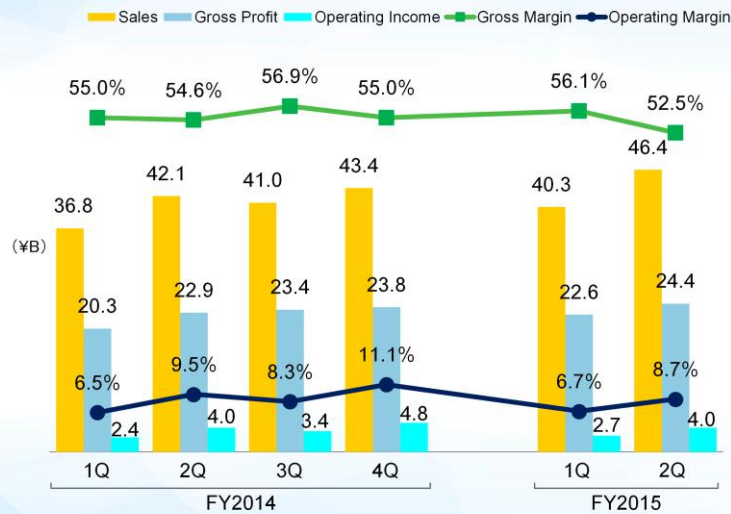
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○ FY2015 2Q Sales by Region

- Taiwan
Although orders declined, our order backlog for smartphone-related non-memory testers converted solidly into sales.
- China
Sales increased, reflecting growth in NAND demand.
- Americas
Nanotechnology and SSD tester sales grew.
- As a result of the above, 94.1% of sales in the period were to customers outside Japan.

Sales / Gross Profit / Operating Income



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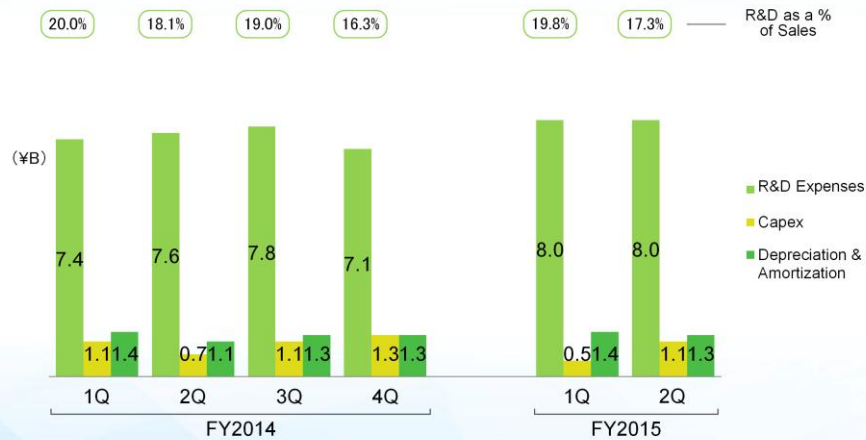
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○ FY2015 2Q Sales / Gross Profit / Operating Income

- Gross Profit +¥1.7 billion QoQ ¥24.4 billion
Due to fewer highly profitable non-memory testers in our sales mix, our gross profit ratio declined by 3.6 points QoQ.
- Operating Income +¥1.3 billion QoQ ¥4.0 billion
- Operating Margin 8.7%

R&D Expenses / Capex / Depreciation and Amortization



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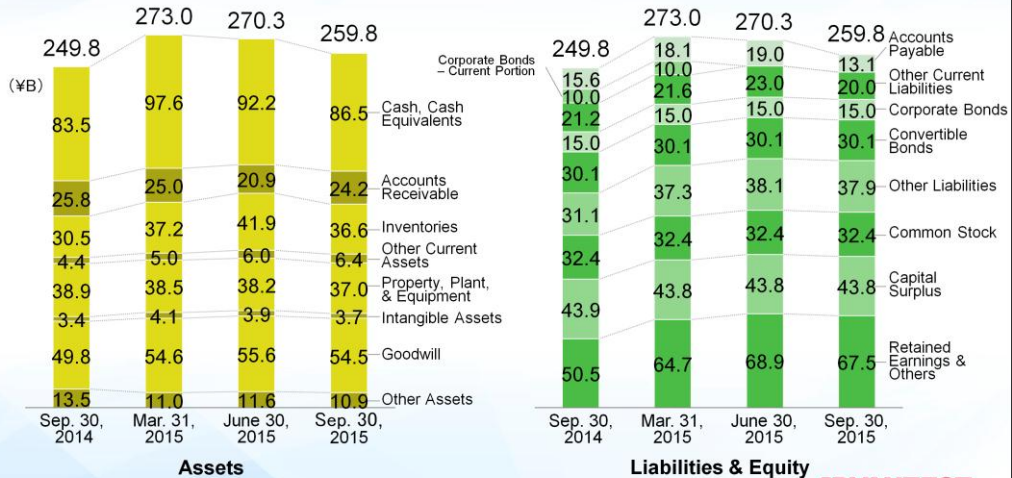
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○ FY2015 2Q R&D Expenses / Capex / Depreciation and Amortization

- No significant change from the previous quarter.
- R&D Expenses ¥8.0 billion
- Capex ¥1.1 billion
- Depreciation and Amortization ¥1.3 billion

Balance Sheet

(Shareholders' Equity)	126.8	140.9	145.1	143.7
(Equity-to-Assets Ratio)	50.8%	51.6%	53.7%	55.3%



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- Balance Sheet as of September 30, 2015
- Assets:
 - Cash & Cash Equivalents
-¥5.7 billion QoQ ¥86.5 billion
 - Inventories
-¥5.3 billion QoQ ¥36.6 billion
 - Total Assets
-¥10.6 billion QoQ ¥259.8 billion
- Liabilities & Equity
 - Shareholders' Equity ¥143.7 billion
 - Equity-to-Assets Ratio
+1.6 points QoQ: 55.3%

FY2015 Business Outlook

Advantest Corporation
Shinichiro Kuroe
Representative Director, President & CEO

FY2015 Financial Results Forecast

(¥B)	Exchange Rate Assumptions for FY2015 Forecasts: 1 US\$ = ¥ 120, 1 Euro = ¥135							For Reference Purposes: Previous Forecast (July) (1 US\$ = ¥ 120, 1 Euro = ¥135)	
	FY2014 Full Year	FY2015 1Q	FY2015 2Q	FY2015 1H	FY2015 2H (forecast)	FY2015 Full Year (forecast)	vs. FY2014	FY2015 1H (forecast)	FY2015 Full Year (forecast)
Orders	176.3	44.0	27.1	71.1	78.9	150.0	-14.9%	82.0	167.0
Backlog	45.0	48.7	29.4	29.4	35.0	35.0	-22.2%	42.0	47.0
Sales	163.3	40.3	46.4	86.7	73.3	160.0	-2.0%	85.0	165.0
Operating Income	14.6	2.7	4.0	6.7	3.3	10.0	-31.6%	8.0	15.0
Operating Income Margin	9.0%	6.7%	8.7%	7.8%	4.4%	6.3%	-2.7pts	9.4%	9.1%
Income Before Tax	18.9	2.8	3.5	6.3	3.2	9.5	-49.6%	8.0	15.0
Net Income	12.9	1.9	2.5	4.4	2.3	6.7	-48.3%	6.2	12.0
Net Income Margin	7.9%	4.7%	5.5%	5.1%	3.1%	4.2%	-3.7pts	7.3%	7.3%

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○ FY2015 Financial Results Forecast

• FY2015 2H Forecast

- Orders ¥78.9 billion -¥6.1 billion vs. our original forecast
- Sales ¥73.3 billion -¥6.7 billion vs. our original forecast
- Operating Income ¥3.3 billion -¥3.7 billion vs. our original forecast
- Net Income ¥2.3 billion -¥3.5 billion vs. our original forecast

• FY2015 Full Year Forecast

- Orders ¥150.0 billion -¥17.0 billion vs. our original forecast
- Sales ¥160.0 billion -¥5.0 billion vs. our original forecast
- Operating Income ¥10.0 billion -¥5.0 billion vs. our original forecast
- Net Income ¥6.7 billion -¥5.3 billion vs. our original forecast

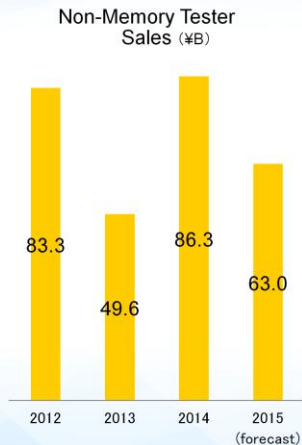
- Based on customer enquiries, orders bottomed out in 2Q, and will recover in 3Q and 4Q.

- We estimate that 3Q will mark the bottom for sales.

Highlights of Our Outlook for Each Segment

■ Semiconductor & Component Test System

Non-Memory Testers



- ✓ The drop-off in smartphone sales triggered by the slowdown of the Chinese economy has delayed key customers' tester orders.
- ✓ From the end of 2015 through the beginning of 2016, predicted growth in high-end smartphone logic IC production should touch off a full recovery of non-memory tester demand.
- ✓ With increasing device complexity in view, Advantest will continue to focus on partnerships with MCU, automotive IC, and IoT device companies.

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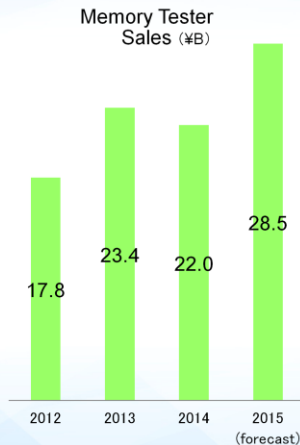
○ Non-Memory Testers

- The slowdown of the Chinese economy, the global anchor of smartphone demand, has triggered a drop-off in smartphone sales.
- Since summer, this has caused key customers with close ties to the Chinese market to postpone semiconductor production capacity expansion.
- From the end of 2015 through the beginning of 2016, predicted growth in high-end smartphone chip production should touch off a full recovery of non-memory tester demand.
- Further out, predictions of a recovery of Chinese 4G-related demand and the adoption of mid/low-priced smartphones in emerging economies underpin our expectation that the non-memory tester market should grow in 2016.
- There is a trend in IoT devices towards combining RF circuits, sensors, MCUs, and analog circuits on a single chip. Intelligent test method solutions that improve test efficiency are needed.
- Advantest will continue to focus on partnerships with MCU, automotive IC, and IoT device companies, and intensify our engagement with the new tester demand created by increasing device complexity.

Highlights of Our Outlook for Each Segment

■ Semiconductor & Component Test System

Memory Testers



- ✓ Robust tester demand is expected to continue, due to the ongoing development of further-miniaturized, higher-speed and higher-capacity DRAM and NAND devices.
- ✓ In line with the launch of new PC chipsets, DRAM suppliers are shifting DDR4 higher in their product mixes. Advantest expects they will install new high-speed DRAM testers for these production needs.
- ✓ In 2H, we expect to expand our market share with the T5503HS and T5833.
- ✓ New products to be launched in 2H will meet outstanding needs for UFS/PCIe and flash memory solutions, enabling Advantest to ensure we meet targets in FY2015..

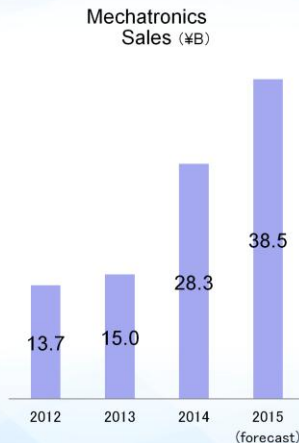
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○ Memory Testers

- At present, the key theme of customers' tester investment in both the DRAM and NAND sectors alike is support for the trend towards faster, higher-capacity memory devices.
- Orders scheduled to be posted in 2Q were instead postponed to the second half, causing 1H orders to come in below expectations.
- However, robust tester demand is expected to continue, due to the tangible growth in further-miniaturized, higher-speed, and higher-capacity DRAM and NAND devices.
- Following this development, we expect to expand our market share in 2H with sales led by the T5503HS and T5833.
- New product launches planned for 2H will support UFS/PCIe interfaces for NAND flash memory, as well as NOR flash, helping to ensure we meet targets in 2H.

Highlights of Our Outlook for Each Segment

■ Mechatronics System



Nanotechnology

- ✓ New customer wins contributed to a strong 1H.
- ✓ We aim to increase full-year revenues 40% YoY.

Device Interfaces

- ✓ Memory DI products trended strongly in 1H.
- ✓ We aim to grow revenues by more than 20% YoY this period by expanding our non-memory DI business, among other measures.

Test Handlers

- ✓ High-end device suppliers express strong interest in our memory and non-memory test handlers with thermal control and fine-pitch support.

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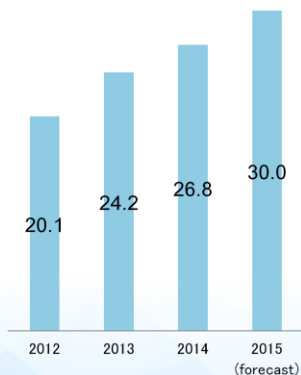
○ Mechatronics System

- In nanotechnology, expectations around our EB technologies continue to rise in step with needs for high-precision process and measurement tools. New customer wins contributed to a string of positive results in 1H. In 2H, we will focus on providing granular support for customers' technical requirements, with the goal of increasing full-year revenues 40% YoY.
- In device interfaces, memory DI products trended strongly in 1H. We aim to expand our non-memory DI business in 2H, with the goal of growing revenues by more than 20% YoY, despite a year-on-year slowdown in tester sales.
- In test handlers, we are seeing strong interest from high-end logic and memory device suppliers in our fine-pitch package support and thermal control technology for device-generated heat and low-temperature test support.

Highlights of Our Outlook for Each Segment

■ Services, Support & Others

Services, Support & Others
Sales (¥B)



Field Services

- ✓ The profit base of our services business continues to solidify, due to increasing numbers of annual maintenance contracts and a rich post-sales lineup.

New Businesses

- ✓ We will seek to leverage the momentum of high-speed I/F SSD adoption to expand our SSD tester business.
- ✓ We are seeing increasing adoption of our terahertz analysis solution for 2.1/2.5/3D semiconductor mold thickness measurement.
- ✓ Our photoacoustic microscope, to be launched in 2H, will grow our presence in the scientific instruments market as a tool for R&D in regenerative medicine, dermatology, and plastic surgery.



Hadatomo
photoacoustic
microscope

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○ Services, Support & Others

- Our field services business, the heart of this segment, has continuously grown its profits over the last several years on a policy of increasing annual maintenance contracts. In 2H, we will further reinforce the profitability of this business by rounding out our lineup of post-sales offerings, among other measures.
- In SSD testers, we will seek to leverage the momentum of high-speed I/F SSD adoption to gain more customer contacts and grow this business.
- In terahertz analysis solutions, our solution for 2.1/2.5/3D semiconductor mold thickness measurement generated results in 1H. We see further opportunities in the evolution of semiconductor assembly process technologies, especially for high-end devices, which is generating production difficulties that our solutions can resolve.
- We also plan to launch a photoacoustic microscope in 2H, opening a new market for our amassed technological expertise.

Takeaways

- ✓ Although we predicted that the tester market would shrink in 2015, the demand environment deteriorated more than foreseen.
- ✓ This gloomier business environment has led to a revision of our semiconductor and component test systems sales forecast, down 15% from our original forecast to ¥91.5 billion.
- ✓ However, the strong performance of our mechatronics and services segments support a full-year sales forecast of ¥160.0 billion, down just 3% in comparison to our original forecast.
- ✓ Our most pressing challenge is further growth of our mechatronics and services businesses, and this will be a focus of our efforts going forward.

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○ Takeaways

- Although we predicted that the tester market would shrink in 2015, based on customer production and tester investment schedules, the demand environment deteriorated more than foreseen.
- We have revised our semiconductor and component test systems sales forecast to ¥91.5 billion, down 15% from our original forecast of ¥108.0 billion.
- Our mechatronics and services segments posted robust sales in 1H, and are expected to do so again in 2H.
- These expectations support a full-year sales forecast of ¥160.0 billion, down just 3% in comparison to our original forecast.
- Our most pressing challenge is further growth of our mechatronics and services businesses. We will continue to reinforce these non-tester businesses to maintain stable sales and profit growth when the semiconductor tester market is demonstrating cyclical weakness.