

ADVANTEST®

The 77th Ordinary General Meeting of Shareholders

June 26, 2019

ADVANTEST CORPORATION

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Overall Conditions

● Global Economy

- Continued growth trajectory overall
- Expansion of protectionist trade policies
- Slowdown in China



Concerns about future of
global economy



During the current consolidated fiscal year, the global economy continued to maintain its growth trajectory overall, supported by continued steady growth in the United States. Nonetheless, growing concerns about the future of the global economy have arisen since autumn 2018, primarily due to the expansion of protectionist trade policies and the slowdown of growth in China.

Overall Conditions

Semiconductor Industry

- Signs of slowdown in data center investment and smartphone market
- Cuts in capital investment plans and adjustments in inventory by customer

On the other hand,

- Installation of larger numbers and more advanced semiconductors
- Improved testing capability for handling more complex testing and enhancing reliability



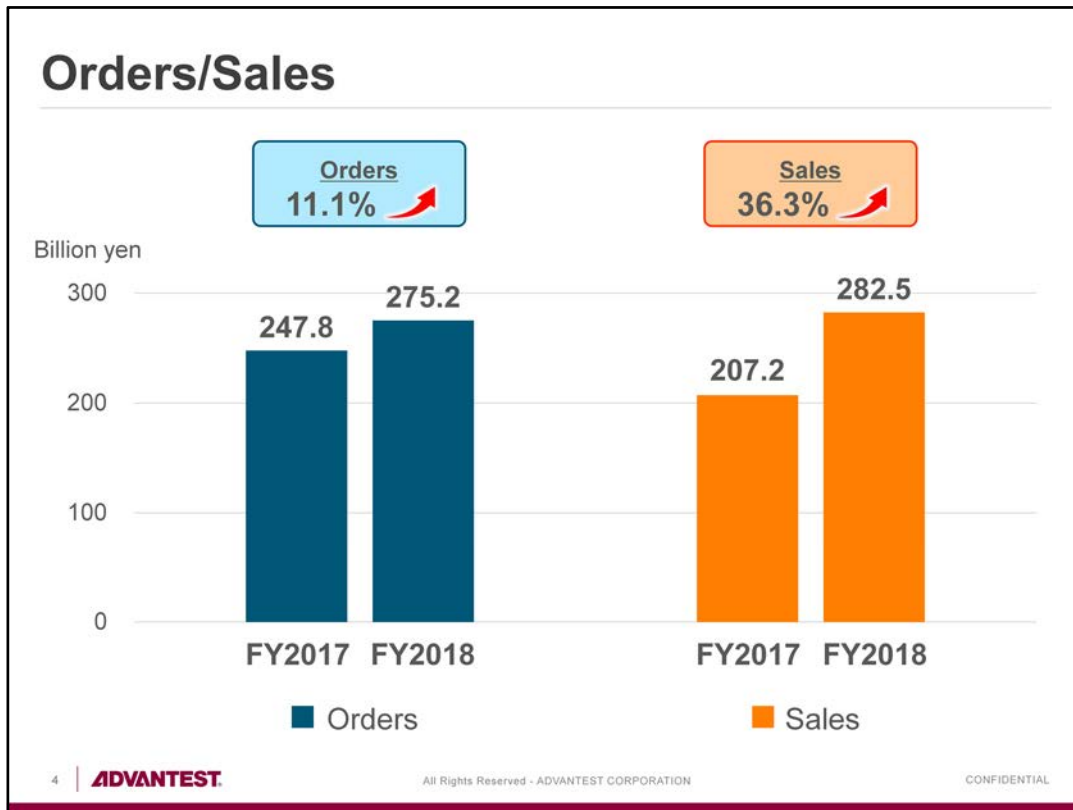
Continued strong demand for semiconductor test equipment



Amid these trends in the global economy, signs of a slowdown in data center investment and the smartphone market, which have led growth in semiconductors and related industries for the last several years, have intensified.

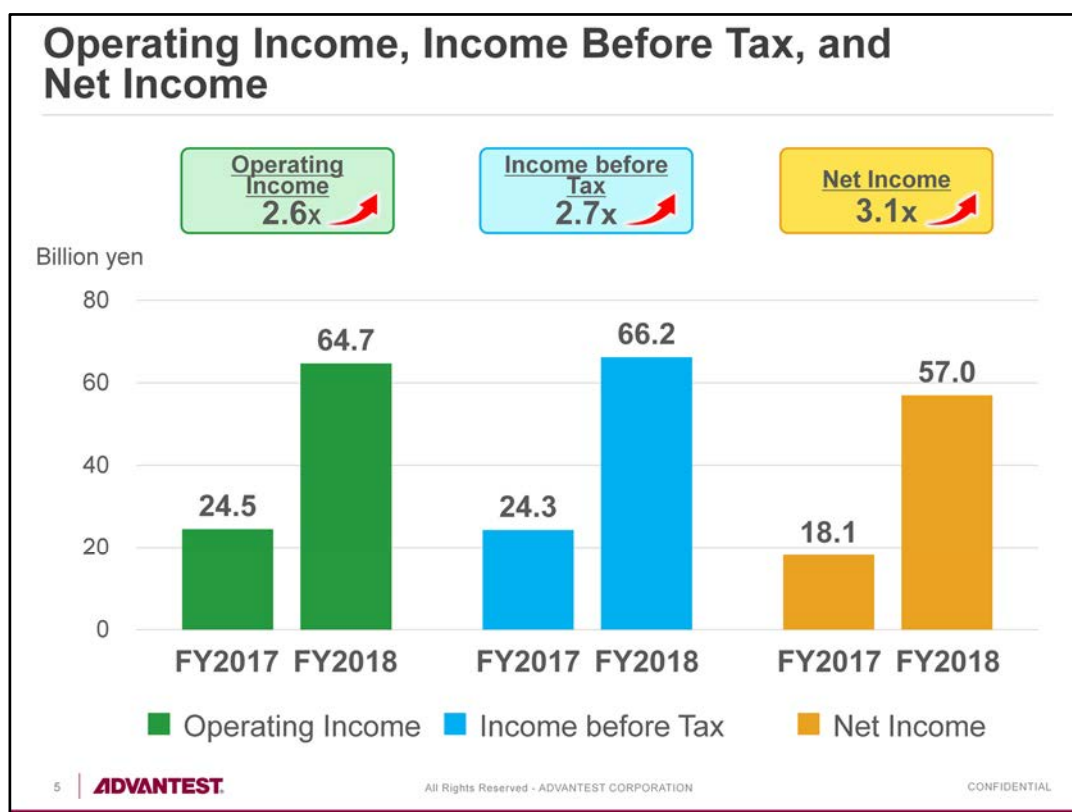
As a result, weaker supply and demand throughout the entire semiconductor market has become clearly evident, and from the second half of 2018, major semiconductor manufacturers have been started to make substantial cuts to their capital investment plans and to adjust inventories.

On the other hand, demand for performance improvements in electronic devices such as data servers, smartphones, displays, and car electronics has remained steady, and the semiconductors incorporated into these electronic devices have become more numerous and even more advanced. In response to the higher performance of the end products, semiconductor manufacturers have taken significant steps to improve their testing capabilities for handling more complex testing and enhancing the reliability of semiconductors. This has led to continued strong demand for semiconductor test equipment.



In this business environment, leveraging its strength as a manufacturer with the most comprehensive product portfolio in the semiconductor test equipment industry, Advantest captured demand for new products from a broad range of customers and further expanded its market share.

As a result, orders received were 275.2 billion yen, a 11.1% increase from the previous fiscal year, and net sales were 282.5 billion yen, a 36.3% increase from the previous year.

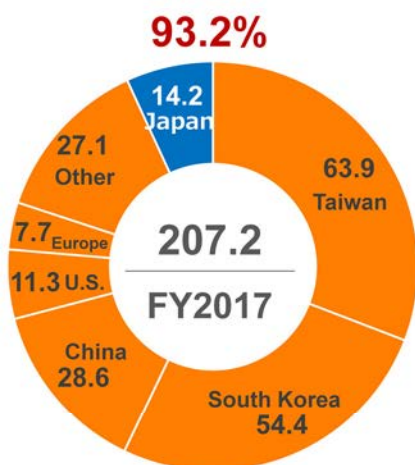


For income,
 Operating income was 64.7 billion yen, an increase of 2.6 times from the previous fiscal year.
 Income before Tax was 66.2 billion yen, an increase of 2.7 times from the previous fiscal year.
 And finally, net income was 57.0 billion yen, an increase of 3.1 times from the previous fiscal year.

The operating income for the current consolidated fiscal year includes a one-time profit of about 3.5 billion yen including 2.5 billion yen associated with the transfer of a portion of the defined benefit pension plan for the employees of Advantest Corporation and its subsidiaries in Japan to a defined contribution pension plan.

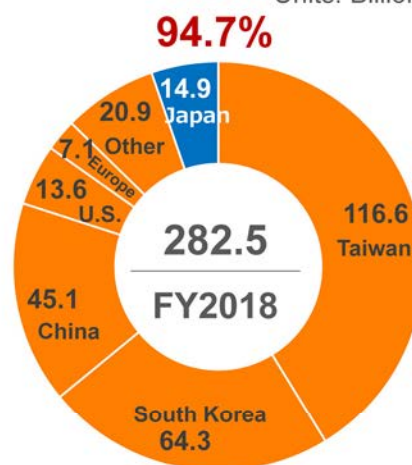
Overseas Sales Ratio

Units: Billion Yen



Average exchange rate

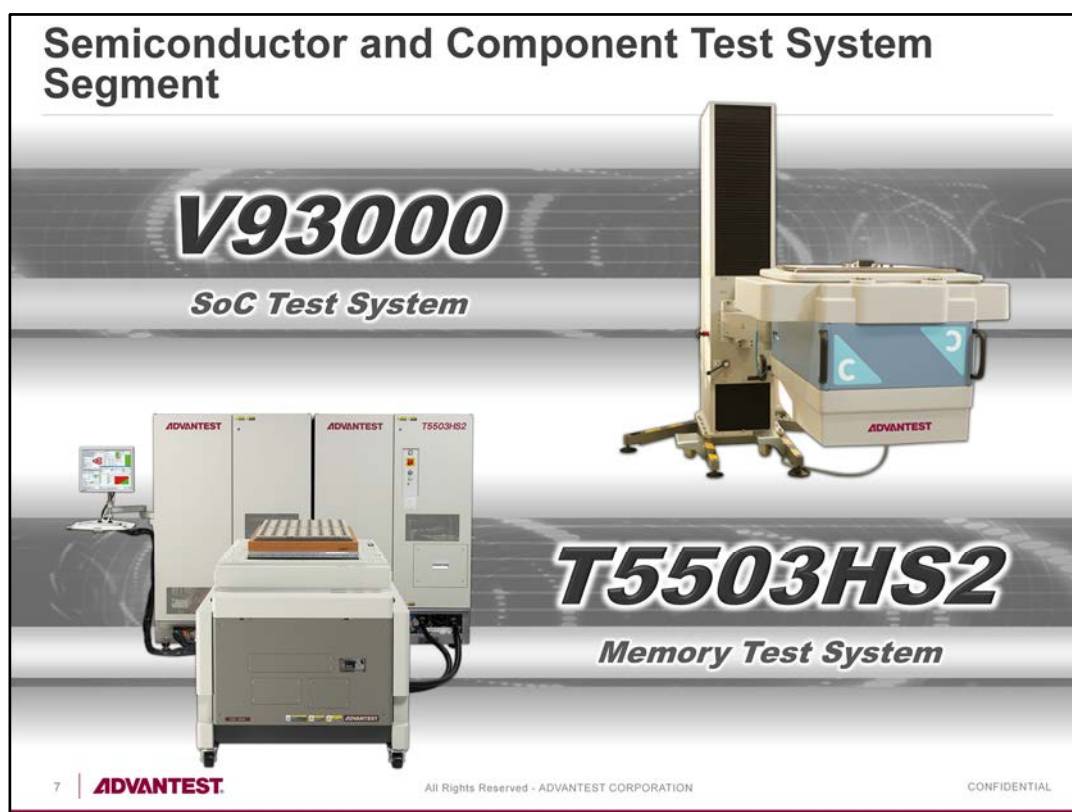
- 1 USD = 111 JPY
- 1 EUR = 129 JPY



Average exchange rate

- 1 USD = 110 JPY
- 1 EUR = 129 JPY

The average current exchange rates in the current fiscal year were 1 USD to 110 JPY and 1 EUR to 129 JPY. The percentage of net sales to overseas customers was 94.7%.



Next, I will explain results for each business segment.

In the Semiconductor and Component Test System segment, demand for SoC test systems remained high due to continued performance advancements in application processors, which are key components for smartphones, and the trend for enhanced testing capability to meet the improved functionality of display driver ICs with touch sensor integration. As a result, both orders received and net sales significantly outperformed results of the previous fiscal year. In the memory test business, although orders received declined from the third quarter onwards due to inventory adjustments for memory semiconductors, sales increased year-on-year, supported by further increased capacity of DRAM and NAND flash memory.

Semiconductor and Component Test System Segment



As a result, orders received for this segment were 206.8 billion yen, a 21.8% increase from the previous fiscal year, net sales were 211.7 billion yen, a 50.2% increase from the previous fiscal year, and segment income was 65.1 billion yen, an increase of 2.2 times from the previous fiscal year.



In the Mechatronics System segment, sales of device interface products, which are closely linked to our memory test business, were strong, buoyed by a high level of investment in test equipment by memory semiconductor manufacturers. Orders received were lower year-on-year due to the impact of inventory adjustments as memory semiconductor manufacturers continued their move to reduce investment from the third quarter onwards.

Mechatronics System Segment



As a result, orders received for this segment were 37.7 billion yen, a 14.2% drop from the previous fiscal year, net sales were 39.2 billion yen, a 9.3% increase from the previous fiscal year, and segment income was a loss of 0.7 billion yen, which was an improvement of 2.0 billion yen from the previous fiscal year.

Services, Support, and Others Segment

***Field Service
Global Support***



ATS5030

Family of System Level Test Solutions

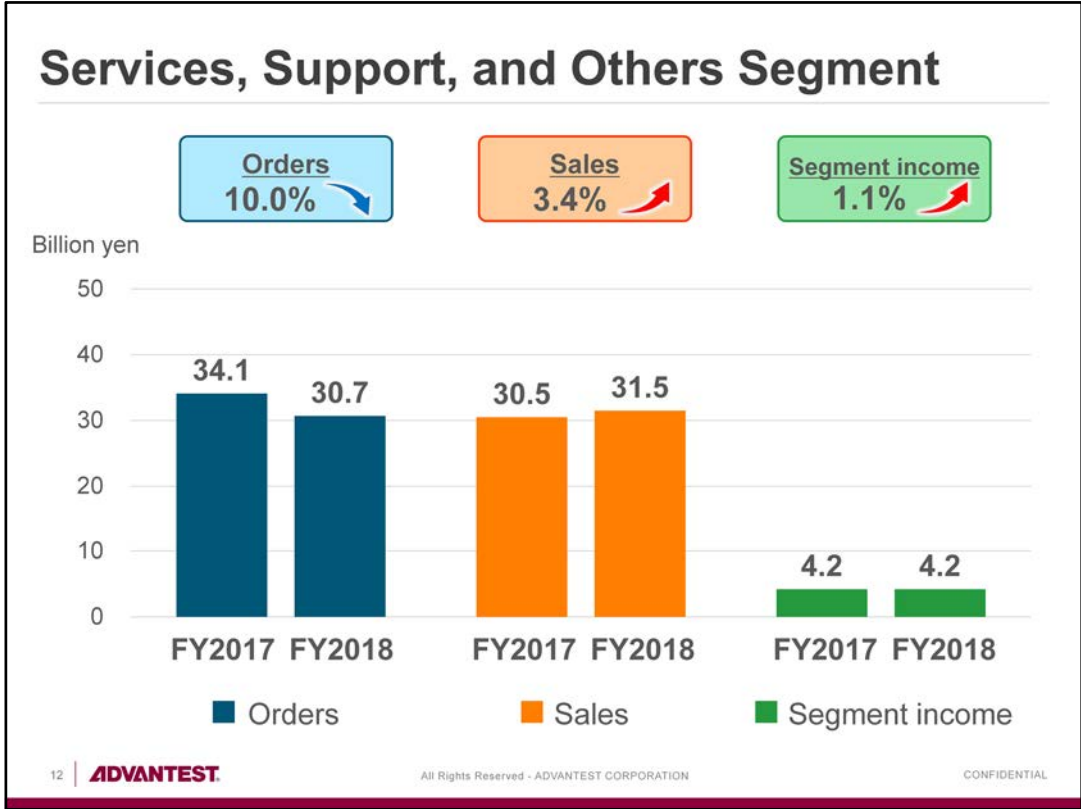
11 | **ADVANTEST**

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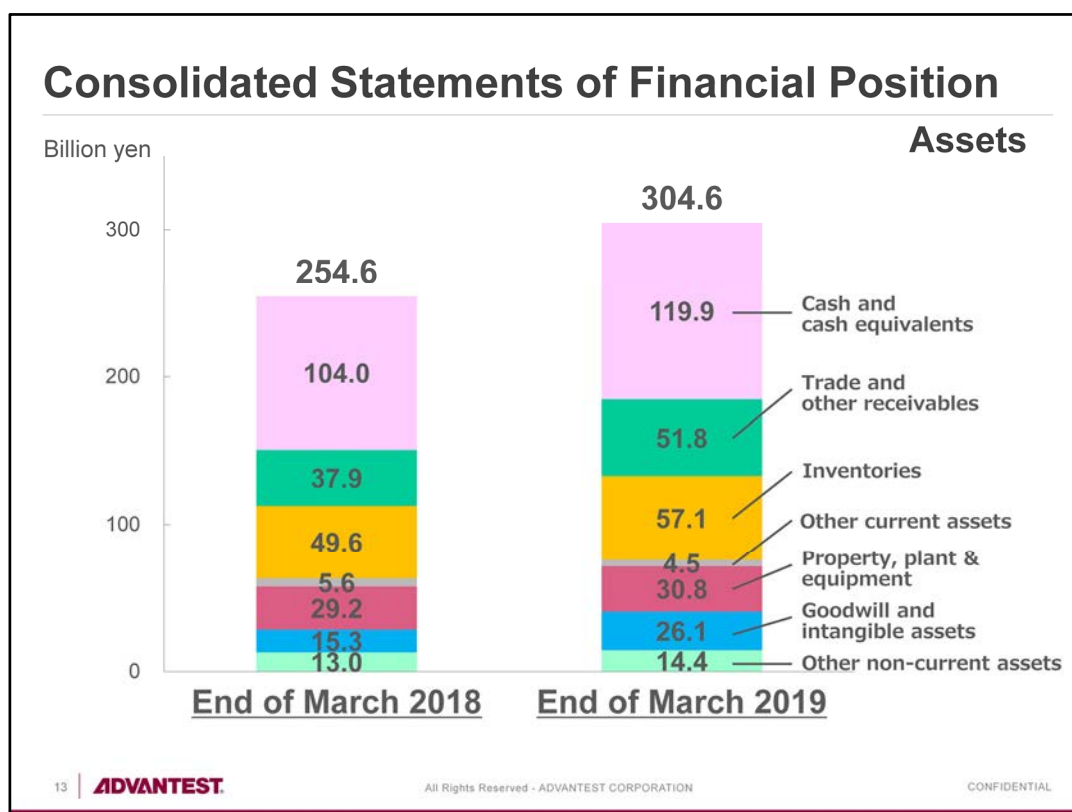
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In the Services, Support, and Others segment, Despite the trend toward inventory adjustments in the semiconductor market, semiconductor manufacturers maintained production at a high level, and the resulting demand for our maintenance service products remained stable.

On the other hand, the SSD test system business saw a slowdown in orders due to stagnation in data center investment.



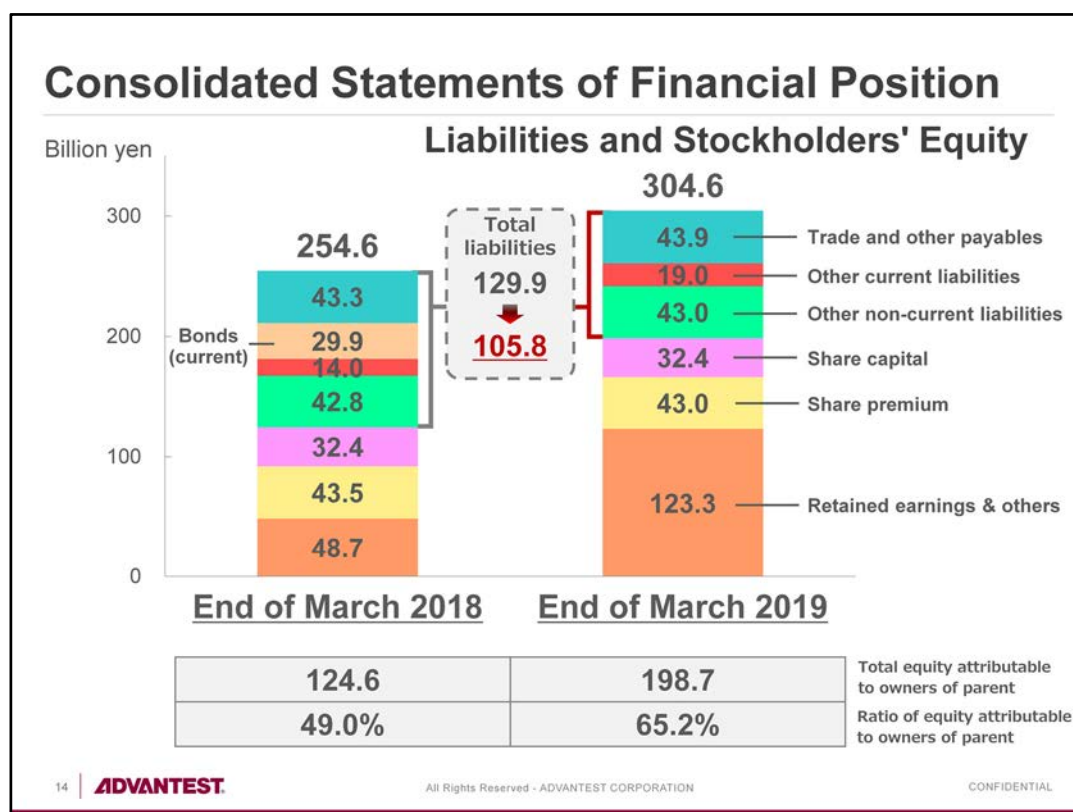
As a result, orders received for this segment were 30.7 billion yen, a 10.0% increase from the previous fiscal year, net sales were 31.5 billion yen, a 3.4% increase from the previous fiscal year, and segment income was 4.2 billion yen, an 1.1% increase from the previous fiscal year.



Next, I will present our consolidated statements of financial position, which are shown on page 40 of the Convocation Notice.

Total assets at the end of fiscal year 2018 were 304.6 billion yen, an increase of 50.0 billion yen from the previous fiscal year.

This is primarily due to an increase of 16.0 billion yen in cash and cash equivalents, increase of 13.9 billion yen in trade and other receivables, and a 10.8 billion yen increase in goodwill and intangible assets.



Total liabilities were 105.8 billion yen, a decrease of 24.1 billion yen compared to the previous fiscal year. This was primarily due to a decrease of 29.9 billion yen in corporate bonds upon conversion to shares, offset by an increase of 4.4 billion yen in income tax payables.

Total equity was 198.7 billion yen. Ratio of equity attributable to owners of the parent was 65.2%, an increase of 16.2 percentage points from the end of the previous fiscal year. This was primarily due to a decrease of 70.0 billion yen in treasury shares upon conversion of corporate bonds.

Distribution of Surplus for 77th Term

Interim dividend **¥ 50 per share**

Year-end dividend **¥ 42 per share**

Annual dividend **¥ 92 per share**

The board of directors held a meeting on May 22, 2019 and approved a dividend of 42 yen per share as the year-end dividend for the 77th term, and dividend-related documents have been sent out together with the convocation notice for this meeting.

Together with the interim dividend, the total annual dividend will be 92 yen per share.

This completes my overview of the information in the report.

FY2019 Financial Results Forecast

(Billion yen)

	FY2018 Results	FY2019 Forecast	vs. FY2018 (%)
Orders	275.2	230.0	△16.4%
Sales	282.5	230.0	△18.6%
Operating Income	64.7	30.0	△53.6%
Net Income	57.0	26.0	△54.4%

First, our forecast for the 2019 fiscal year results calls for

Orders received of 230 billion yen,
Net sales of 230 billion yen,
Operating income of 30 billion yen, and
Net income of 26 billion yen.

Although we anticipate lower sales and income because of contraction in the market in 2019, we still expect to exceed our results for fiscal 2017.

Semiconductor and Component Test System Segment

SoC Test Systems

- More advanced smartphones
- Full launch of EUV



Supporting demand for
SoC test systems

- 5G-related demand from CY2020

EUV : Extreme ultraviolet lithography



Let's take a look at each business sector.
First, the Semiconductor and Component Test System Segment.

For SoC test systems,
demand is expected to continue to be supported by development of more advanced semiconductors.

Sales are expected to center around semiconductor test systems that support more advanced features in smartphones such as applications, processors, and image sensors.

The full launch of EUV, or Extreme Ultraviolet Lithography, is also expected to fuel demand for test systems for high-end processors.

Although our 5G-related test business has already started, we expect demand to fully pick up starting from the 2020 calendar year.

Semiconductor and Component Test System Segment

Memory Test System Segment

- Miniaturization in DRAM, Shift to DDR5, rising demand for faster components for HPC
- Demand due to investment in higher layer NAND in NVM

Demand for memory test systems expected to recover in second half



HPC : High Performance Computing

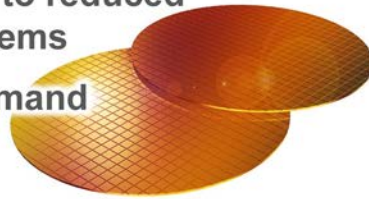
NVM : Non-volatile memory

For the Memory Test System Segment, At the outset, demand for memory test systems is expected to be weak due to the impact of inventory adjustments for memory, but we are currently expecting a recovery in the second half of fiscal 2019. We see several positive trends for test systems, particularly further miniaturization of DRAM, the shift to DDR5, and rising demand for faster components for HPC, or High Performance Computing. For NVM, or Non-volatile Memory, demand is expected from investment in higher layer NAND.

In this environment, we are expecting a quick recovery in the semiconductor and component test system segment.

Mechatronics System Segment

- Lower sales of DI products due to reduced investment in memory test systems
- Higher sales from increased demand due to EUV launch



Services, Support, and Others Segment

- Steady sales for field services
- Boost from transfer of system level testing business from Astronics



19 | **ADVANTEST**

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In the Mechatronics System Segment, sales of DI products are expected to drop due to reduced investment in test systems by memory customers, but higher demand spurred by the EUV launch is expected to bring higher sales for nanotechnology products.

In the Services, Support, and Others Segment, sales of field services are expected to remain steady.

Also, a boost in sales is expected as a result of absorbing the system level test business of Astronics, which was transferred in February of this year into this division.

Medium and Long-term Management Policy

● Grand Design (10 Years: FY2018 to FY2027)

- Long-term management goal for annual sales
Reaching of 300 to 400 billion yen
- Cost structure model at 300 billion yen level (Estimates)
Cost of sales ratio (46%), SG&A rate (32%), Operating income margin (22%)

● Mid-Term Plan (3 Years: FY2018 to FY2020)

	FY2018 - FY2020 Avg	
	Conservative Scenario	Base Scenario
Growth Rate of Semiconductor Test Equipment Market	Annual 0%	Annual 4%
Sales	¥ 230B	¥ 250B
Operating Margin	15%	17%
Return on Equity (ROE)	15%	18%
Earnings Per Share (EPS)	¥ 135	¥ 170

Embodying Advantest's management philosophy of "Enabling the Leading-Edge Technology," in April 2018, Advantest prepared a 10-year high-level roadmap called the Grand Design and a 3-year mid-term management plan starting from fiscal 2018, which lay out the next decade of Advantest's growth policies.

An overview of these plans is shown in this slide, and I would like to explain the actions that we are taking to reach the goals in these plans.

Medium and Long-term Management Policy

● Actions Taken in FY2018

- Focus on 5G and gaining new customers
- Changes in internal company structure for executing medium and long-term strategies
- Transfer of system level testing business division from Astronics
- Adoption of business management and evaluation tools based on ROIC (Return on invested capital)



For fiscal 2018, Advantest implemented a number of measures for medium and long-term growth.

Specifically, we focused on 5G and gaining new customers.

To execute our medium and long-term strategies, we changed our internal company structure by implementing a global consolidation of our test system development divisions, starting a team for searching for new testing businesses, and taking other measures.

To expand to closely-related business sectors, we have absorbed the system level testing business division from Astronics and adopted business management and evaluation tools based on ROIC for enhancing our business management structure.

Medium and Long-term Management Policy

● Actions To Be Taken in FY2019

- Enhance engagement with industry-leading key customers
- Maintain and expand market share
- Reinforce staff and improve human resources development for medium and long-term growth
- Improve business efficiency for operational excellence
- Maximize utilization of ROIC in business operations

● Capital Investment

- Factory upgrades and investment in IT systems for higher production and development efficiency

Fiscal 2019 will be the second year of our mid-term management plan. To ensure the growth of our test system business, this year, we will continue to focus on reinforcing engagement with key customers leading the industry and on maintaining and improving our market share.

We will also reinforce staff and improve staff development from the standpoint of medium and long-term growth, further improve the efficiency of business operations for operational excellence, and adopt more advanced business management using ROIC.

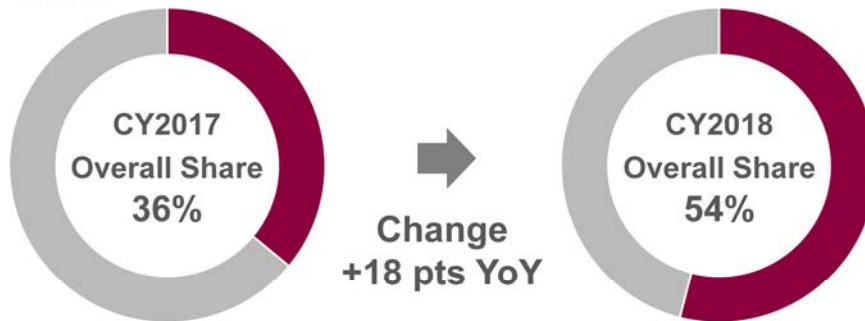
For capital investment, we plan to upgrade our factories and invest in IT systems for higher production and development efficiency.

Medium and Long-term Management Policy

Market Share

■ Advantest
■ Others

(2018, Advantest sources)



SoC Test Systems: CY2018 Market Share = 52% (+22 pts YoY)

Memory Test Systems: CY2018 Market Share = 58% (+1 pt YoY)

Our grand design and mid-term management plan set a target for an annual increase in market share of 1%.

For SoC test systems, our market share jumped significantly from about 30% in the 2017 calendar year to about 50% in the 2018 calendar year. This year, we want to maintain this market share and further expand our gains in market share.

In the 2020 calendar year, in conjunction with the growth of 5G, we expect higher demand for test systems for communications semiconductors.

At the same time, we think that it is likely that demand for test systems for processors and memory will also grow.

This higher demand will provide us with a valuable opportunity to further increase our market share.

Medium and Long-term Management Policy

Mid-Term Management Plan: 1st Fiscal Year Progress Report

	FY2015 - FY2017 Average	Mid-Term Management Plan (FY2018 - FY2020 Average)		FY2018 Results
		Conservative	Base	
Sales	¥ 175.1B	¥ 230.0B	¥ 250.0B	¥ 282.5B
Operating Margin	9%	15%	17%	22.9%
ROE	12%	15%	18%	35.3%
Earnings Per Share (EPS)	¥ 74	¥ 135	¥ 170	¥ 302

FY2019

- Sales and income are expected to drop in FY2019 due to uncertainty in the global economy spreading to the test system market
- No change in market trends supporting our medium and long-term growth
- Recovery expected in FY2020
- Our original targets in the mid-term management plan remain unchanged, and we will continue to strive to achieve these targets

In the first year of the mid-term management plan, fiscal 2018, expansion of the test system market and gains in market share enabled us to exceed the targets for all KPIs, or key performance indicators, in the base scenario, and gave us a significant jump in achieving the goals of our three-year plan.

On the other hand, fiscal 2019 is expected to show lower sales and income due to uncertainty in the global economy, resulting in a slowdown for test system demand. And so, currently, the numbers are expected to fall short of our targets (base scenario) in the mid-term management plan. However, the market trends that were forecast in our mid-term management policy, which called for development of more advanced semiconductors and a growing importance placed on testing to support growth over the medium and long term, remain unchanged. Also, the targets in our mid-term management plan are three-year averages, and we are striving for business growth with a medium and long-term vision without being swayed by changes in the environment or fluctuations in results for a single year. We expect our results to recover in fiscal 2020.

Currently, our original targets in the mid-term management plan remain unchanged, and we will continue to strive to achieve these targets.

And so, we ask all of our shareholders for their continued support and guidance 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, the discussion of Advantest’s business strategy, outlook and expectations as to market and business developments, production and capacity plans. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “project,” “should” and similar expressions. Forward-looking statements 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.

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