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FY2017 2Q Information Meeting

**October 25th, 2017
Advantest Corporation**

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, 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 "Risk Factors" section of Advantest's Annual Financial Report.

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**Financial Results
for 2nd Quarter of FY2017
(Period ended September 30th, 2017)**

Advantest Corporation
Atsushi Fujita
Managing Executive Officer

FY2017 2Q Summary of Results

(¥B)

	FY2016 1Q	FY2016 2Q	FY2016 3Q	FY2016 4Q	FY2017 1Q	FY2017 2Q	QoQ(¥)	QoQ(%)	YoY(¥)	YoY(%)
Orders	43.8	28.5	44.0	48.4	49.4	56.2	+6.8	+13.8%	+27.7	+97.2%
Sales	40.7	35.5	31.4	48.3	40.7	47.7	+7.0	+17.2%	+12.2	+34.3%
Gross Profit	25.3	21.0	18.1	25.3	20.6	24.9	+4.3	+20.9%	+3.8	+18.1%
Gross Profit Margin	62.2%	59.3%	57.6%	52.4%	50.6%	52.1%	+1.5pts		-7.2pts	
Operating Income	5.7	2.6	1.0	4.6	2.2	5.2	+3.0	+133.0%	+2.6	+101.0%
Operating Income Margin	14.1%	7.3%	3.1%	9.5%	5.5%	10.9%	+5.4pts		+3.6pts	
Income Before Tax	6.2	2.9	0.6	5.3	1.6	4.8	+3.2	+206.6%	+1.9	+63.7%
Net Income	5.0	2.3	0.1	6.8	1.0	3.9	+2.9	+297.1%	+1.6	+72.1%
Net Income Margin	12.2%	6.4%	0.4%	14.1%	2.4%	8.2%	+5.8pts		+1.8pts	
Backlog	36.5	29.5	42.2	42.2	50.9	59.4	+8.5	+16.7%	+29.8	+101.1%
Exchange Rate	1 US\$	¥111	¥104	¥105	¥115	¥112	¥111	¥1 Appreciation		¥7 Depreciation
	1 Euro	¥124	¥116	¥115	¥122	¥121	¥128	¥7 Depreciation		¥12 Depreciation

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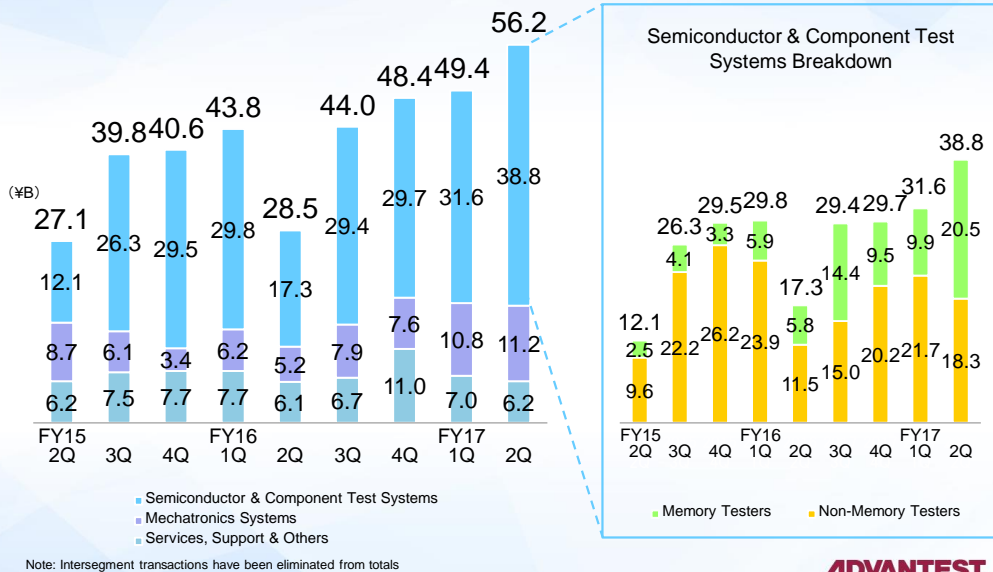
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○ FY2017 2Q Results Summary

- Orders ¥56.2 billion +13.8% +¥6.8 billion QoQ
 - Sales ¥47.7 billion +17.2% +¥7.0 billion QoQ
 - Gross Profit ¥24.9 billion +20.9% +¥4.3 billion QoQ
 - Operating Income ¥5.2 billion +133.0% +¥3.0 billion QoQ
 - Income Before Tax ¥4.8 billion +206.6% +¥3.2 billion QoQ
 - Net Income ¥3.9 billion +297.1% +¥2.9 billion QoQ
-
- All results were up YoY, too
 - Orders surpassed initial expectations and reached the highest level since 4Q FY2006
 - Sales also surpassed initial expectations
 - Backlog ¥59.4 billion
 - Actual exchange rate ¥ 111/US\$, ¥ 128/Euro

FY2017 2Q Orders by Segment



Note: Intersegment transactions have been eliminated from totals

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○ FY2017 2Q Orders by Segment

○ Semiconductor & Component Test Systems

- ¥38.8 billion +23% QoQ
of which, non-memory testers ¥18.3 billion
memory testers ¥20.5 billion
- There are normally seasonal declines each summer, but this year sales increased by 7.2 billion yen QoQ supported by robust investment by memory semiconductor manufacturers, as orders increased by 120% QoQ
- Non-memory testers for automotive devices declined in reaction to the concentration of orders in 1Q
- Strong growth in memory testers for NAND flash memory and solid growth in memory testers for DRAM as well. As a result, quarterly memory tester orders reached the 20 billion yen mark for the first time since 1Q FY2007

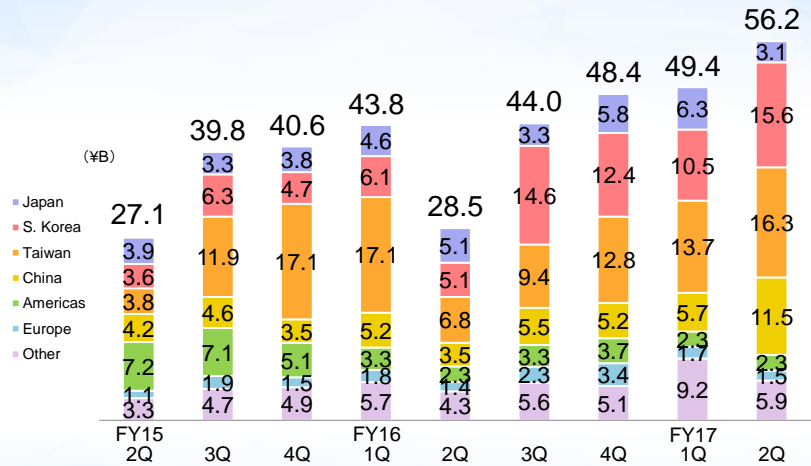
○ Mechatronics Systems

- ¥11.2 billion +4% QoQ
- Solid growth based on robust investment in memory testers in line with demand

○ Services, Support and Others

- ¥6.2 billion -10% QoQ
- Due to falling in the seasonal period between renewals of maintenance contracts

FY2017 2Q Orders by Region



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○ FY2017 2Q Orders by Region

- Regions where orders fluctuated considerably QoQ:

China

Demand for NAND flash memory testers rose and orders were up 100% QoQ

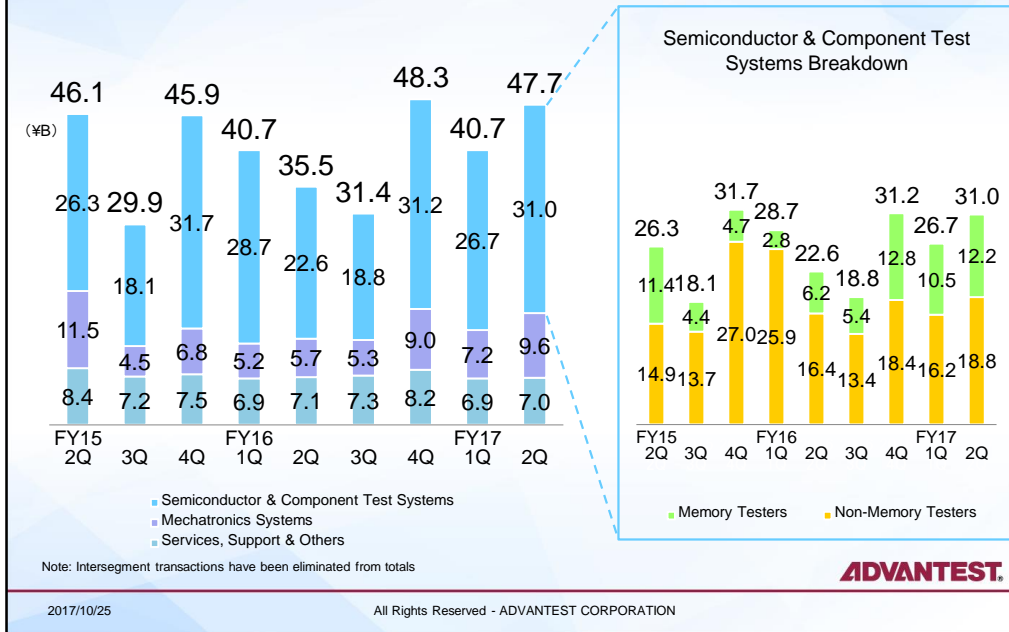
- South Korea

Demand for testers for both NAND flash memory and DRAM rose, and orders were up 50% QoQ

- Taiwan

Demand for NAND flash memory testers rose and orders were up 20% QoQ

FY2017 2Q Sales by Segment



○ FY2017 2Q Sales by Segment

○ Semiconductor & Component Test Systems

- ¥31.0 billion +16% QoQ
of which, non-memory testers ¥18.8 billion
memory testers ¥12.2 billion
- Sales for non-memory testers increased for servers
- Sales of memory testers exceeded the target of 10.0 billion yen in this quarter as well. Along with solid growth in testers for NAND flash memory, replacement demand for the older DRAM testers proceeded as well

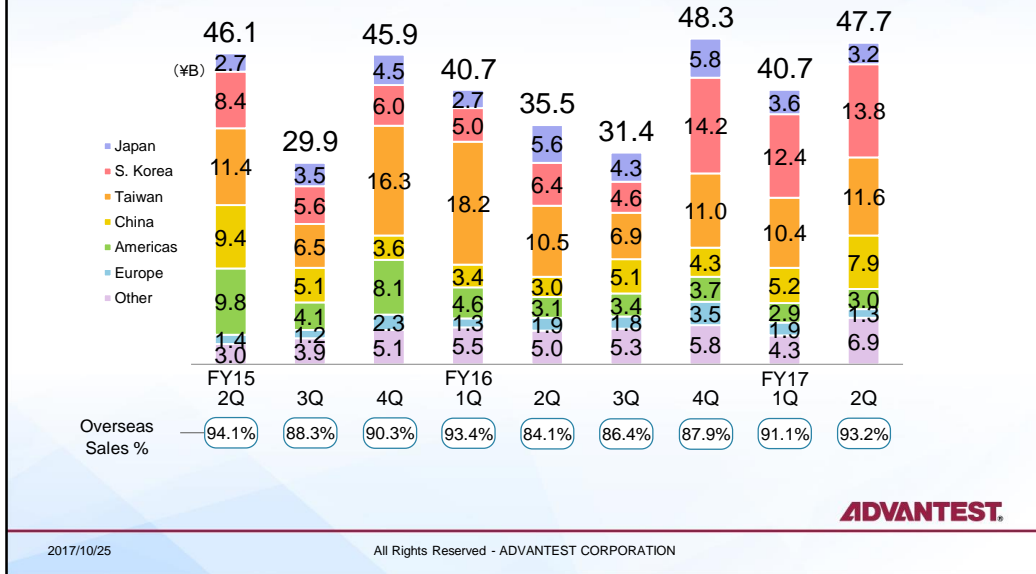
○ Mechatronics Systems

- ¥9.6 billion +34% QoQ
- Device interface sales increased in response to the demand for memory testers
- Sales of test handlers for automotive semiconductors were also strong

○ Service, Support and Others

- ¥7.0 billion +3% QoQ

FY2017 2Q Sales by Region



○ FY2017 2Q Sales by Region

Regions where sales fluctuated significantly QoQ:

China

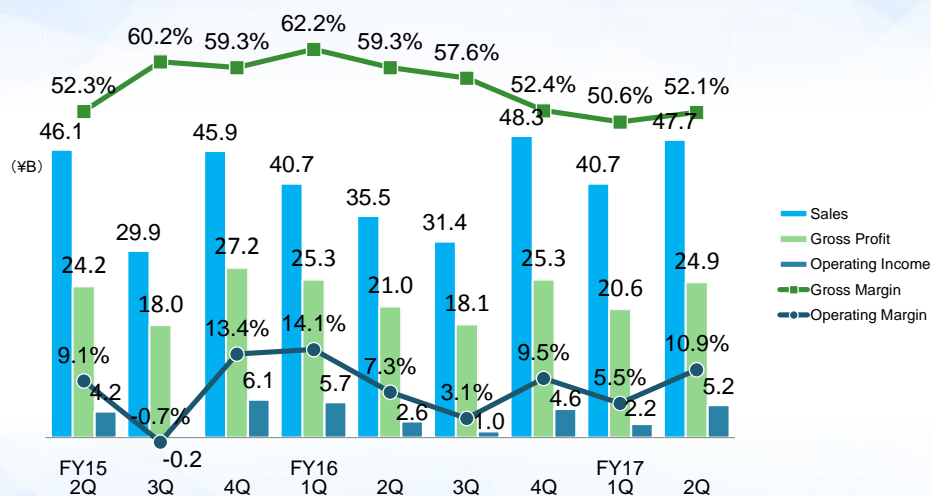
Sales increased for NAND flash memory testers and were up 50% QoQ

Other Regions

Sales of testers and handlers for automotive semiconductors increased, driven by increased orders in 1Q

As a result, Advantest's overseas sales ratio in 2Q was 93.2%

FY2017 2Q Sales / Gross Profit / Operating Income



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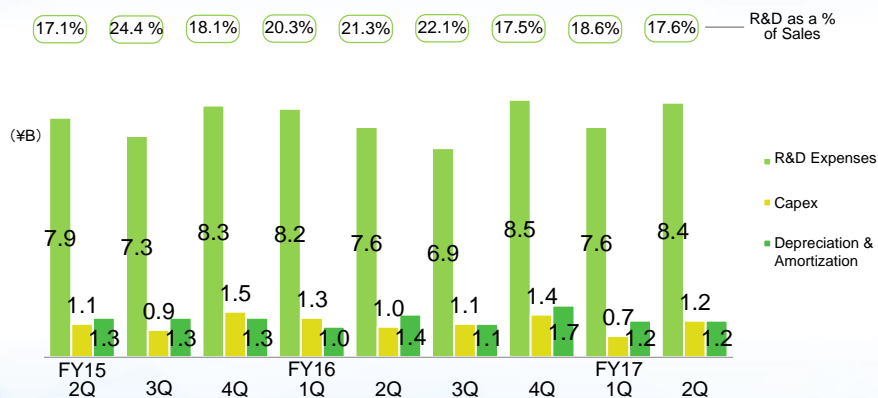
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○ FY2017 2Q Sales / Gross Profit / Operating Income

- Gross Profit +¥4.3 billion QoQ ¥24.9 billion
- Gross Margin +1.5 points QoQ 52.1%
 - Gross margin has been recovered after hitting bottom in 1Q. However, due to the product mix, it has not improved to the level expected in the initial plan.
- SG&A +¥1.3 billion QoQ ¥19.7 billion
 - R&D expenses increased to meet customer requirements, and Euro-denominated expenses increased due to the appreciation of the Euro against the yen
- Operating Income +¥3.0 billion QoQ ¥5.2 billion
- Operating Margin +5.4 points QoQ 10.9%

FY2017 2Q R&D Expenses / Capex / Depreciation and Amortization



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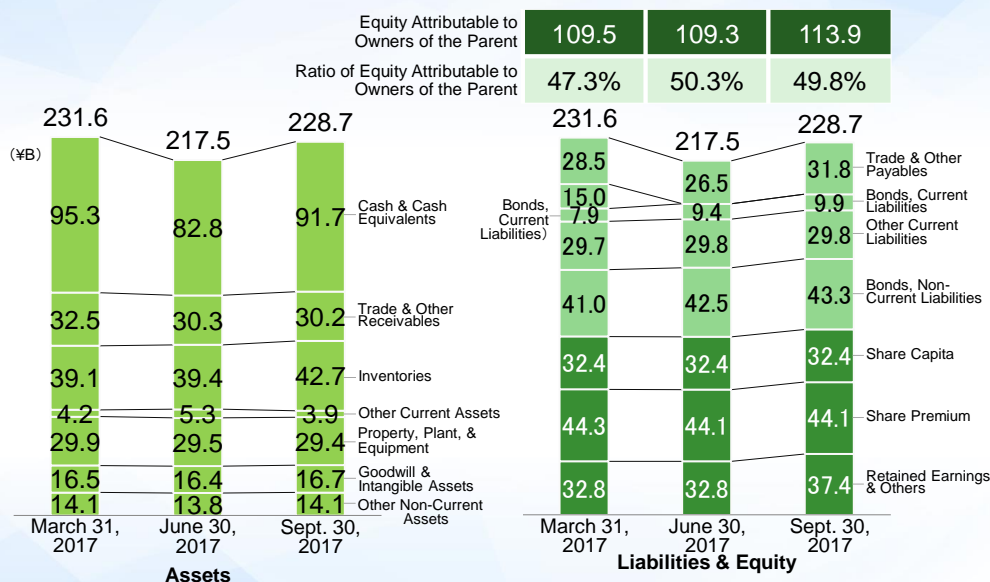
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○ FY2017 2Q R&D Expenses / Capex / Depreciation and Amortization

- R&D Expenses ¥8.4 billion
R&D investment increased to meet customer requirements
- Capex ¥1.2 billion
- Depreciation and Amortization ¥1.2 billion

FY2017 2Q Financial Position



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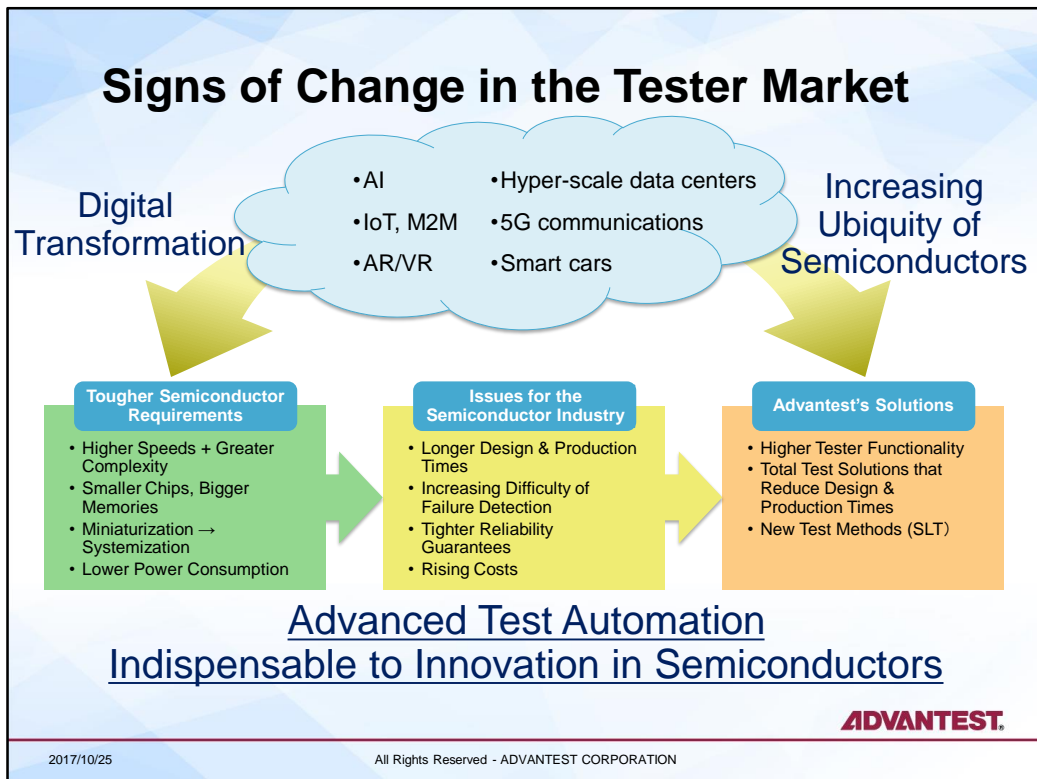
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○ Balance Sheet for Period Ending September 30, 2017

- Cash & Cash Equivalents: ¥91.7 billion
¥8.9 billion up from the end of the previous quarter
- Inventories: ¥42.7 billion
¥3.3 billion up from the end of the previous quarter
Linked to the increase in orders received
- Equity Attributable to Owners of the Parent: ¥113.9 billion
- Ratio of Equity Attributable to Owners of the Parent: 49.8%
0.5 points down from the end of the previous quarter

Business Outlook

Advantest Corporation
Yoshiaki Yoshida
Representative Director, President & CEO

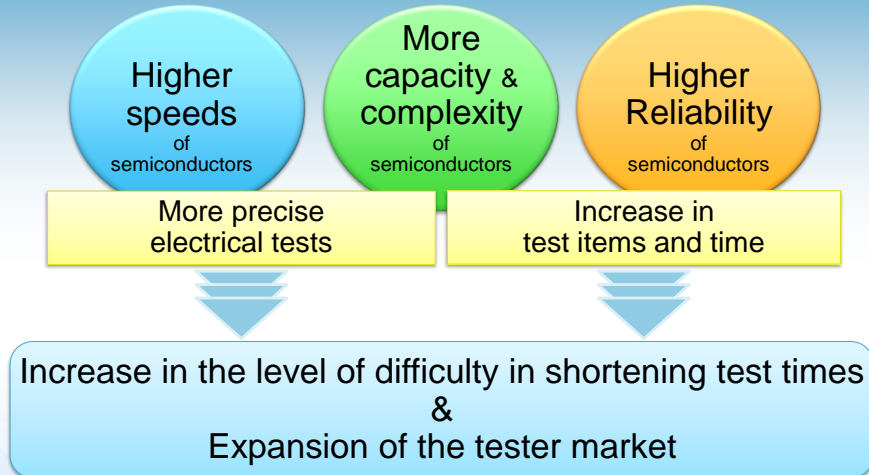

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○ Signs of Change in the Tester Market

- This slide was shown at the time of the April earnings report.
- It shows that in our company's view, there are signs of change in the tester market in the form of an expansion in demand for tests.
- Specifically, we pointed out that the demand for massive data storage, the computing capacity enhancements and high speed communications will increase as the Digital Transformation proceeds. As a result, the tester market will be positively affected because the production of small, energy-efficient semiconductors will grow and the reliability of semiconductors will be emphasized.
- In April, we labeled these as "signs of change", and now this forecast is becoming reality.

Changes in the Market Environment

The Digital Transformation will change the semiconductor tester market



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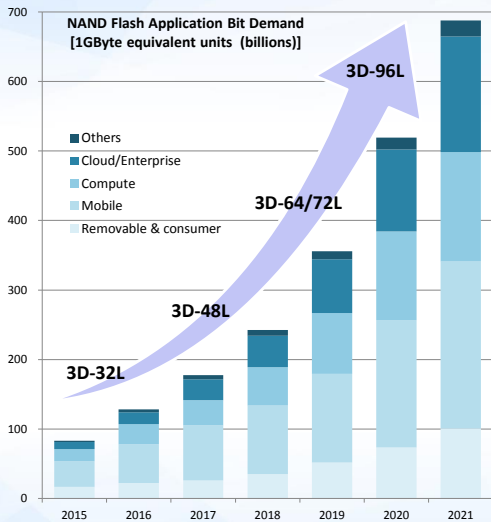
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○ Changes in the Market Environment

- The capacity and complexity of semiconductors is increasing continually, and this is triggering the demand for high-performance testers. Orders should increase in response.
- The demand for semiconductors used in data centers and in automobiles is also rising. This in turn is increasing the need for guaranteeing the reliability of semiconductors.
- As a result, there is great pressure to increase the reliability of semiconductors and testing is deemed critical to reliable performance. Although there is a general trend toward reduced test times, further reductions are becoming more difficult.
- We recorded orders for memory testers in 2Q at a level not seen in 10 years. We believe that this reflects the ramping up of the semiconductor market, and changes in the market environment and market structure for these kind of testers.

Example : 3D NAND Flash Memory



Source of Bit demand data: IHS Markit, NAND Memory Market Tracker Q3 2017
Results based on IHS Markit, NAND Memory Market Tracker Q3 2017. Results are not an endorsement. Any reliance on results at the third party's own risk. Visit technology.ihs.com.

The Case of 3D NAND

- ✓ In response to the growth of data storage demands, increases in memory capacity are proceeding through more layers and multi-bit-per-cell architecture
- ✓ Testing time is proportional to memory capacity, and it increases along with the number of layers and higher bit counts
- ✓ For the high reliability required for cloud/enterprise applications, it is necessary to increase the intensity of testing even further

Increased demand for testers

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○ Changes in the Market Environment

- I will explain the changes in the market environment using 3D NAND as an example.
- Due to the wider adoption of Big Data and IoT, the demand for 3D NAND used to store such data is increasing.
- In order to increase the data capacity, in 3D NAND, memory capacity is being increased through additional vertical layers and higher bit counts.
- Now, the testing time of memory semiconductors is proportional to memory capacity. As the number of layers and bit counts are increasing, testing times tend to become longer. As a result, the demand for testers is increasing.
- As semiconductor scale and reliability needs increase, we believe that future demand for testers of such semiconductor devices will start to increase.

Market Forecast for CY2018

	Market size	YoY change
Non-memory tester market	\$2,200M~2,300M	ca. +10% to +15%
Memory tester market	ca. \$800M	ca. +5% to +10%

- ✓ In the non-memory tester market, the growth drivers will be miniaturization and improved functionality of logic IC chips
- ✓ As in 2017, the demand for memory testers will continue to be at a high level for several years

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○ The market forecast for calendar year 2018

- We feel confident that the importance and demand for testers is increasing. Our market outlook for the coming year in this environment is as follows.
- The market for non-memory testers in 2018 is expected to reach \$2,200 million to \$2,300 million owing to developments such as miniaturization and improved functionality of ICs. YoY growth of 10% to 15% is expected.
- The market for memory testers in 2018 is expected to be around \$800 million. The growth forecast for this is about YoY 5 to 10%. As the production volume and memory capacity increases coupled with the increased testing time, the high level of demand is expected to continue for several years.
- Next year, we expect the total market for non-memory and memory testers to reach as high as \$3,000 million.

Key Points for 2H FY2017

■ Preparing for business expansion

- <Strengthening R&D investment>
Aggressive investment in promising medium-term R&D themes
- <Strengthening of support resources>
Strengthening of sales and customer support for growing markets
- <Increasing production capacity>
Expanding production capacity for higher demand in the next year

■ Outlook for investments in FY17

- ✓ R&D expenses: ¥34.0B (FY2016 actual: ¥31.2B)
- ✓ Capex: ¥6.5B (FY2016 actual: ¥4.8B)
- ✓ Depreciation and amortization: ¥5.0B (FY2016 actual: ¥5.2B)

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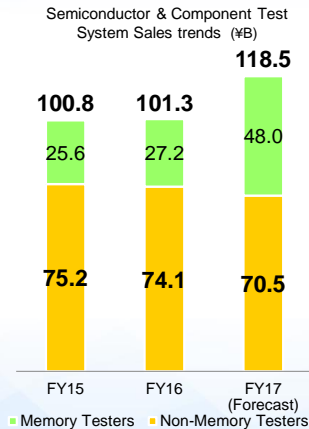
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○ Key points for the second half of FY2017

- We will make investments and carry out measures in the second half to increase future performance, where we can see the future expansion of the market.
- First, we will increase R&D spending above the level planned at the beginning of the fiscal year, aimed at promising technologies for the future.
- Furthermore, we are strengthening our sales and support resources in the markets where increased sales are expected.
- We have taken steps beginning from the last fiscal year to improve production capacity to keep pace with the increase in demand. However, the increase in demand for testers and peripheral equipment exceeded the levels initially expected, necessitating additional measures. Along with responding to the steep increase in demand here and now, we are making preparations with an eye toward next year's market expansion.
- Capex will be increased to strengthen R&D and increase production capacity.

Outlook by Segment

■ Semiconductor & Component Test Systems



Non-Memory Testers

- ✓ Although there is a trend of recovery in Chinese smartphone-related test business, it remains somewhat slow. From 4Q onward, it will recover and begin to grow
- ✓ Customers continue to invest aggressively in testers used for automotive semiconductors and OLED drivers
- ✓ Over the next several years, the promising technologies such as AI, 5G telecommunication, and ADAS that are able to showcase the strengths of our company will arrive

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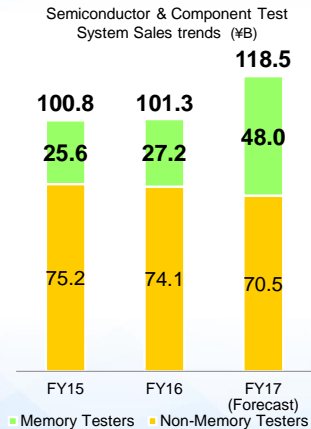
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○ Outlook by Segment: Semiconductor & Component Test System Segment

- First, let's look at the outlook for non-memory testers.
- Business related to Chinese smartphones is recovering but its pace is slower than expected. Thus, recovery of tester demand has been lagging. We expect demands for non-memory testers to fully recover in the 4Q and then grow in the next fiscal year.
- Testers for OLED drivers and automotive semiconductors are expected to continue to see solid demand in both the first and second half.
- The outlook for overall sales in the non-memory tester segment is expected to be ¥70.5 billion, ¥500 million higher than previously expected.
- In the future, in the non-memory tester market, we believe that promising technologies such as AI, 5G telecommunication, and ADAS that are able to showcase the strengths of our company will arrive.
- The semiconductors used in such advanced technologies will increase the level of difficulty and complexity of tests, and higher levels of reliability will be required. We look forward to this becoming the center of the future growth of the tester market.

Outlook by Segment

■ Semiconductor & Component Test Systems



Memory Testers

- ✓ As the number of layers on NAND flash memory increases, testing time will also increase, and aggressive investment in testers will continue
- ✓ In DRAM, we expect that the demand for high-speed memory testers and investments to replace older DRAM testers to improve productivity will continue
- ✓ Demand for memory testers is expected to increase in FY2018 as well

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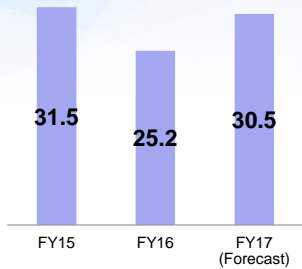
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○ Outlook by Segment: Semiconductor & Component Test System Segment

- Next, let's discuss memory testers
- For NAND, we forecast that capacity expansion by memory manufacturers will continue in wafer test processes for mass production of 64 layer and 72 layer 3D NAND and in burn-in processes to guarantee reliability. Demand in NAND testers for both front-end and back-end processes is increasing compared to the previous three months.
- In DRAM, we expect that the demand for high-speed memory testers and investments to replace older DRAM testers to improve productivity will continue.
- As a result of the above factors, we expect sales in the memory tester segment to increase by ¥4.0 billion to ¥48.0 billion.
- The memory tester market in this year will increase YoY by 60%, and we expect it to increase by an additional 5% to 10% next year.

Outlook by Segment

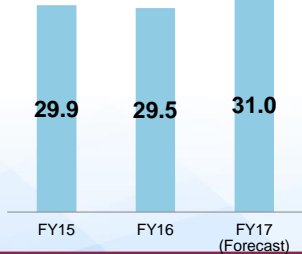
Mechatronics Sales Trends (¥B)



■ Mechatronics

- ✓ Demand for device interfaces and handlers will rise in response to the rise in demand for memory testers
- ✓ Demand for SoC handlers will rise as well
- ✓ Demand for nanotechnology products will fall YoY and remain stagnant

Services, Support, & Others Sales Trends (¥B)



■ Services, Support, & Others

- ✓ Demand for services will be robust thanks to conditions in the semiconductor market

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○ Outlook by Segment: Mechatronics Segment and Services, Support, & Other Segment

- The outlook for this fiscal year in the Mechatronics segment is ¥30.5 billion, an increase of ¥3.5 billion over the previous estimate.
- Due to the increase in orders for memory testers, the demand for compatible device interfaces and handlers is also growing.
- Growth is expected in SoC handlers as well. Our company has strengths in temperature control technology, which is required for automotive semiconductors test and high-end SoC test.
- The Nanotechnology business is expected to remain stagnant this fiscal year. It is expected to recover from next fiscal year as the leading manufacturers will migrate to an advanced node.
- The sales forecast for the Services, Support and Other Segment is ¥31.0 billion this fiscal year, the same as the previous estimate.

FY2017 Financial Results Forecast

(¥B)

	FY2016	FY2017 Forecast (July)	FY2017 Forecast (October)	vs. FY2016 (Δ)	vs. FY2016 (%)
Orders	164.7	175.0	188.0	+23.3	+14.2%
Backlog	42.2	45.2	50.2	+8.0	+19.0%
Sales	155.9	172.0	180.0	+24.1	+15.4%
Semiconductor & Component Test systems	101.3	114.0	118.5	+17.2	+17.0%
Mechatronics	25.2	27.0	30.5	+5.3	+21.1%
Services, Support & Others	29.5	31.0	31.0	+1.5	+5.1%
Operating Income	13.9	18.0	18.0	+4.1	+29.4%
Operating Income Margin	8.9%	10.5%	10.0%	+1.1pts	
Income Before Tax	15.0	18.2	17.0	+2.0	+13.2%
Net Income	14.2	15.0	14.5	+0.3	+2.1%
Net Income Margin	9.1%	8.7%	8.1%	-1.0pts	
Exchange Rate					
1 US\$	¥108	¥110	¥110	¥2 Depreciation	
1 Euro	¥119	¥120	¥130	¥11 Depreciation	

Forex sensitivity towards annual operating income:
for US\$ is ¥400 million, for Euro is -¥100 million, in the case of a ¥1 depreciation

Note: Intersegment transactions have been eliminated from totals

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○ FY2017 Financial Forecast

- Finally, the results expected for this fiscal year are as follows.
 - Orders ¥188.0 billion
 - Sales ¥180.0 billion
 - Operating income ¥18.0 billion
 - Net Income ¥14.5 billion
- While on the one hand, the demand forecast and sales forecast have increased, the operating income forecast remains the same.
- The reasons for this are, first of all, the assumed yen-Euro exchange rate was revised to be 130 yen to the Euro. Due to this revision, income was negatively affected by ¥1.0 billion for the year.
- Also, based on the most recent business outlook, 2H gross margins are expected to worsen more than had been expected in July. This will negatively impact income by approximately ¥2.0 billion..
- Furthermore, in order to continue supporting increased R&D, strengthening of support resources and increases in production capacity, we are expecting the costs of these to increase by approximately ¥1.0 billion.
- These three negative factors taken together will end up offsetting the increase in operating income associated with higher revenues.
- Finally, the difference from the previous forecast in income before income taxes and in net income reflect the foreign exchange losses generated by Euro appreciation against the yen in the first half of the fiscal year.

Summary

- ✓ Greater functionality, increased complexity, and higher semiconductor reliability requirements will drive the tester market expansion
- ✓ The demand for memory testers will continue to be at a high level for several years
- ✓ We expect demands for non-memory testers to fully recover in the 4Q and then grow in the next fiscal year
- ✓ Promising technologies such as AI, 5G telecommunication, and ADAS that are able to showcase the strengths of our company will arrive
- ✓ With these promising opportunities for growth, we will increase R&D investment, strengthen support resources, and expand production capacity

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○ Summary

- In this presentation, I discussed the outlook for the tester market and the outlook for our company in this segment.