

The background of the slide features a complex, light gray graphic design. It includes a stylized world map, a circuit board pattern, binary code (0s and 1s), and a large circular element resembling a camera lens or a multi-layered disk. The Advantest logo is positioned in the top left corner.

ADVANTEST[®]

FY2019 1Q
(Three months ended June 30th, 2019)
Information Meeting

July 24th, 2019
Advantest Corporation

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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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```
...mirror_object = obj
operation == "MIRROR_X":
    mirror_mod.use_x = True
    mirror_mod.use_y = False
    mirror_mod.use_z = False
operation == "MIRROR_Y":
    mirror_mod.use_x = False
    mirror_mod.use_y = True
    mirror_mod.use_z = False
operation == "MIRROR_Z":
    mirror_mod.use_x = False
    mirror_mod.use_y = False
    mirror_mod.use_z = True

@selection at the end -add
obj.select= 1
mirror_ob.select=1
context.scene.objects.active
obj["Selected"] + str(modifier)
mirror_ob.select=1
```

Financial Results for FY2019 1Q

Atsushi Fujita
Director, Managing Executive Officer (CFO)

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FY19 1Q Summary of Results

(¥B)

	FY18				FY19				
	1Q	2Q	3Q	4Q	1Q	QoQ		YoY	
						(Δ)	(%)	(Δ)	(%)
Orders	70.6	76.2	62.7	65.7	65.9	+0.2	+0.3%	▲4.7	▲6.7%
Sales	70.9	72.7	74.9	64.0	66.2	+2.2	+3.4%	▲4.8	▲6.7%
Gross Profit	38.2	38.9	42.5	34.4	39.4	+4.9	+14.4%	+1.2	+3.0%
Gross Margin	53.9%	53.6%	56.8%	53.8%	59.5%	+5.7pts		+5.6pts	
Operating Income	15.8	18.0	20.7	10.2	15.2	+5.0	+48.7%	▲0.7	▲4.2%
Operating Margin	22.3%	24.7%	27.6%	15.9%	22.9%	+7.0pts		+0.6pts	
Income Before Tax	16.5	18.6	20.6	10.5	14.9	+4.5	+42.4%	▲1.6	▲9.6%
Net Income	13.9	16.2	17.9	9.0	12.1	+3.1	+35.1%	▲1.8	▲13.0%
Net Income Margin	19.6%	22.4%	23.9%	14.0%	18.3%	+4.3pts		▲1.3pts	
IFRS15 Backlog adjustment	▲3.0								
Increase in backlog due to acquisition of Astronics SLT business				+2.4					
Backlog	79.5	83.0	70.8	74.9	74.6	▲0.3	▲0.4%	▲4.9	▲6.1%
Exchange Rate	1 US\$	¥108	¥111	¥113	¥111	-		¥3 Depreciation	
	1 Euro	¥131	¥129	¥130	¥126	¥1 Appreciation		¥6 Appreciation	

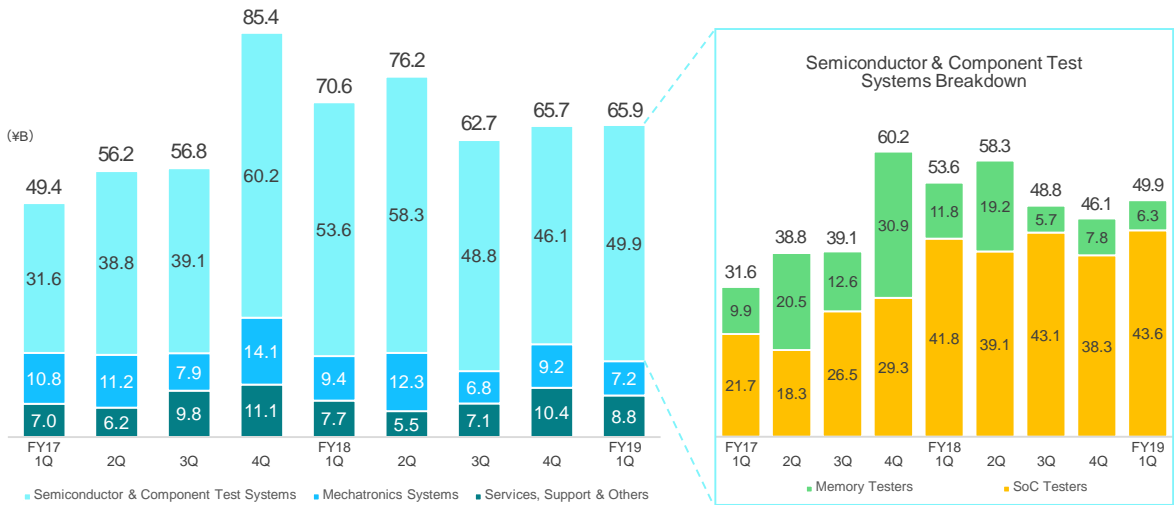
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○ FY2019 1Q Results Summary

- Three months ago, we anticipated that orders, sales and profits would all decline.
- However, thanks to steady demand for SoC testers in 1Q, we were able to achieve higher orders, sales and profits than in 4Q of the previous year.
- Year on year, all figures other than gross profit decreased due to the downturn in the memory market, compared to one year earlier, when the market was more robust.
- Backlog was ¥74.6 billion. Despite uncertainty regarding the semiconductor market and the future of the global economy, it was a positive start towards achievement of our full-year forecast.
- There were no major changes in the foreign exchange environment during 1Q.

Quarterly Orders by Segment



Note: Intersegment transactions have been eliminated from totals

FY2019 1Q Orders by Segment

Semiconductor & Component Test Systems

- ¥49.9 billion +8.3% QoQ
- Orders for testers for application processors and other semiconductors used in smartphones grew, lifting SoC tester orders to ¥43.6 billion, a record quarterly high.
- One of the drivers for this new record was growth in demand for 5G-related devices. We had originally anticipated some 5G investment in the first half. In fact, several semiconductor manufacturers accelerated their development or preparation for mass production of 5G devices.
- Orders for memory testers decreased to ¥6.3 billion.

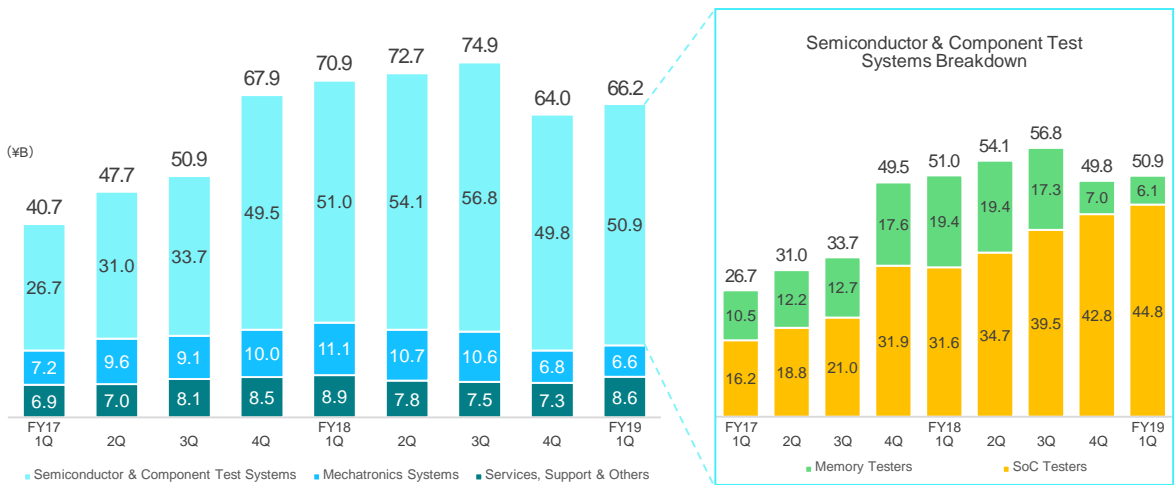
Mechatronics Systems

- ¥7.2 billion -22.1% QoQ
- The decline was due to sluggish growth in memory-related investment, and a rebound decrease in nanotechnology product orders following a robust 4Q.

Services, Support & Others

- ¥8.8 billion -15.1% QoQ
- Orders for annual maintenance contracts increased last quarter, leading to a rebound decline in 1Q.

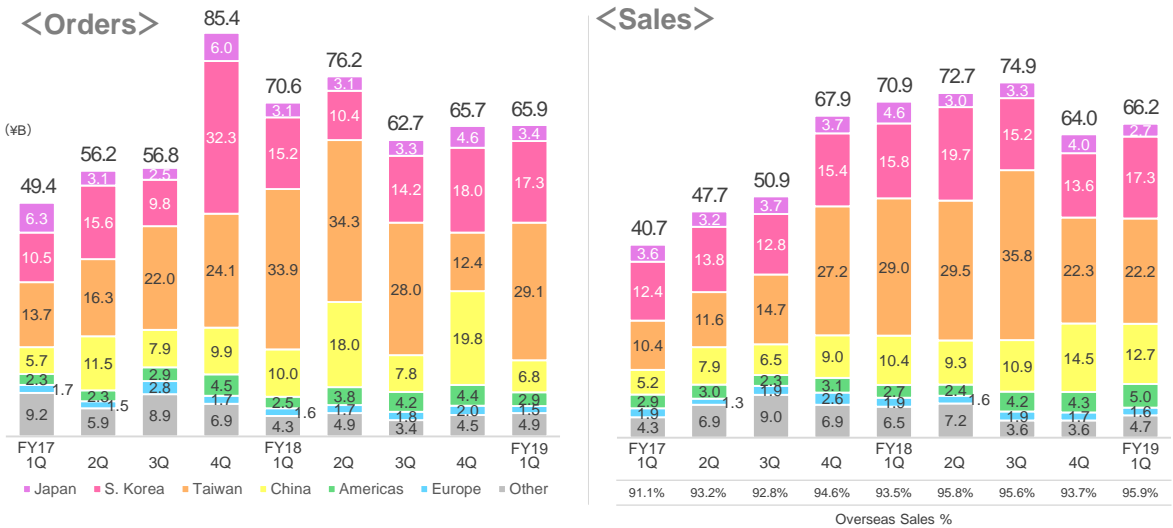
Quarterly Sales by Segment



Note: Intersegment transactions have been eliminated from totals

- FY2019 1Q Sales by Segment
- Semiconductor & Component Test Systems
 - ¥50.9 billion +2.1% QoQ
 - As with orders, sales of smartphone-related IC testers grew, leading SoC tester sales to a quarterly record high of ¥44.8 billion.
 - Sales of memory testers were ¥6.1 billion.
- Mechatronics Systems
 - ¥6.6 billion Flat QoQ
- Services, Support & Others
 - ¥8.6 billion +18.5% QoQ
 - Sales for this segment increased from the previous quarter due to initiation of full consolidation of the system-level test (SLT) business acquired from Astronics Corporation in February.

Quarterly Orders / Sales by Region



○ FY2019 1Q Orders by Region

- Taiwan

Test demand for 4G and 5G smartphone SoCs implemented on the latest process nodes increased, and orders from Taiwan increased overall as a result.

On the other hand, there was a stronger sense of waiting and watching among Taiwanese display-related customers, and orders for display driver IC testers decreased compared to the previous quarter.

- China

In the previous quarter, we saw increased demand in the Chinese domestic semiconductor supply chain, but investment from Chinese companies was not very large in 1Q.

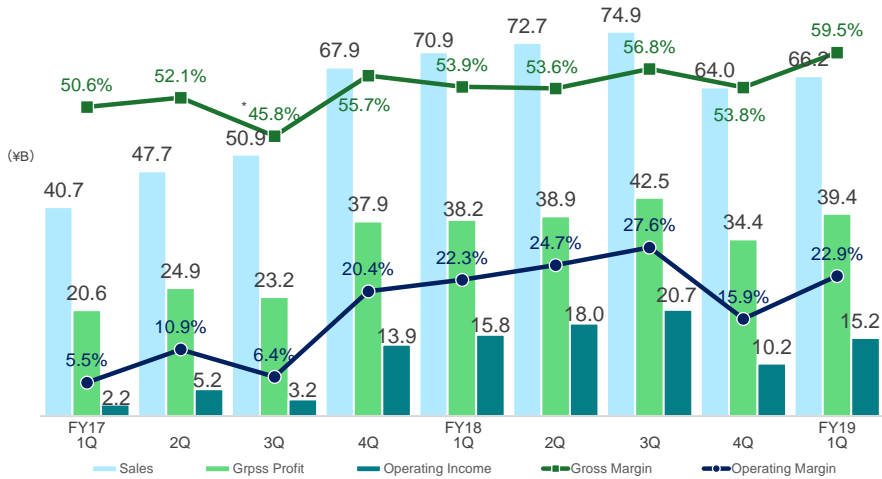
○ FY2019 1Q Sales by Region

- South Korea

Although memory tester demand was sluggish in South Korea, smartphone-related SoC tester business in the nation has been robust for the past few quarters.

1Q saw steady sales of testers for high-end SoCs using advanced process nodes, in addition to testers for smartphone-related devices such as image sensors and power management ICs.

Sales / Gross Profit / Operating Income



*In FY17 3Q, a ¥3.3 billion write-down of inventories was recorded in our nanotechnology business.
The gross margin in FY17 3Q excluding the effect of the write-down was 52.3%.

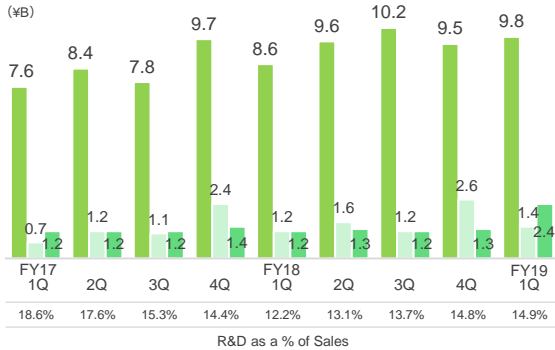
○ FY2019 1Q Sales / Gross Profit / Operating Income

- Gross margin 59.5%
Gross margin grew to almost 60% due to a positive change in our product mix.
The ratio of sales for high-end devices using advanced process nodes increased.
- SG&A ¥24.2 billion
Flat from the previous quarter.
- Operating income ¥15.2 billion
- Operating margin 22.9%, an improvement of 7.0 points

Investments / Cash Flow

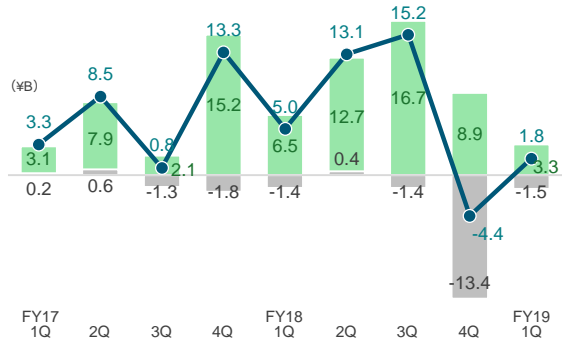
<Investments>

- R&D Expenses
- Capital Expenditure
- Depreciation & Amortization



<Cash flow>

- Cash flows from operating activities
- Cash flows from investing activities
- Free cash flow



*Free Cash Flow = Cash flows from operating activities + Cash flows from investing activities

○ FY2019 1Q R&D Expenses / Capex / D&A

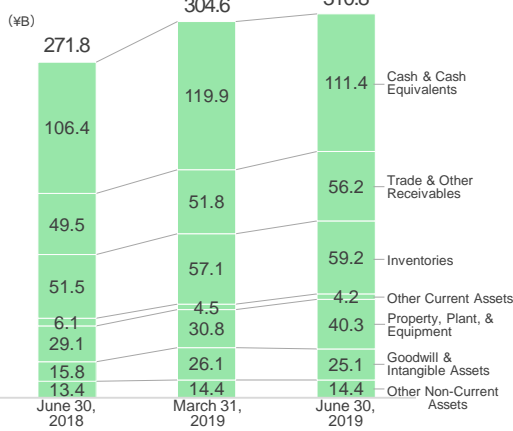
- R&D Expenses ¥9.8 billion Flat QoQ
- Depreciation and Amortization ¥2.4 billion, an increase of ¥1.1 billion
Advantest began to apply the new IFRS lease accounting standards in 1Q. In addition, from 1Q, we began posting amortization of intangible assets included in the acquisition price of the SLT business we acquired from Astronics. These factors led to an increase in depreciation and amortization.

○ Cash Flow

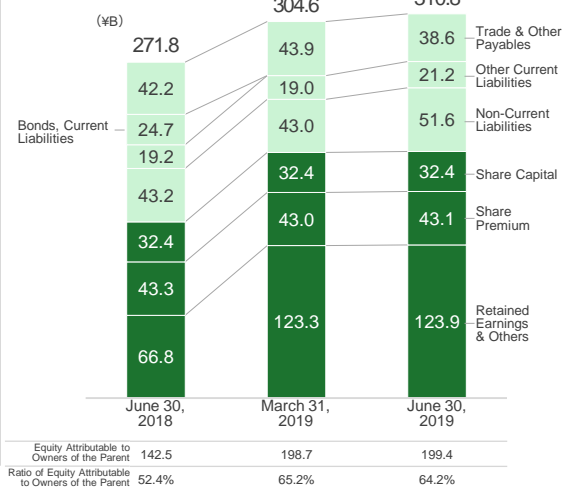
- In 1Q there was seasonal demand for funds following the end of the corporate financial year, holding free cash flow to only ¥1.8 billion.

Financial Position

<Assets>



<Liabilities & Equity>



○ Balance Sheet for Period Ending June 30th, 2019

- Total Assets **¥310.8 billion**
- Cash & Cash Equivalents **¥111.4 billion**
 ¥8.6 billion down from the end of the previous fiscal year
- Property, Plant, & Equipment **¥40.3 billion**
 ¥9.5 billion up from the end of the previous fiscal year

In accordance with the new IFRS standard on leases, ¥9.9 billion in right-of-use assets is classified under property, plant and equipment from 1Q.

- Goodwill & Intangible Assets **¥25.1 billion**
 The allocation of the acquisition price of the SLT business acquired from Astronics in February is not yet complete. It is expected to be completed at the end of September.
- Equity Attributable to Owners of the Parent **¥199.4 billion**
- Ratio of Equity Attributable to Owners of the Parent **64.2%**
 Down 1.0 point from the end of the previous fiscal year



FY2019 Outlook

Yoshiaki Yoshida
Representative Director, President & CEO

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FY19 Forecast (Unchanged from Forecast Announced April 25)

	(¥B)			
	FY18 Results	Forecast	FY19	
			vs. FY18	
			(Δ)	(%)
Orders	275.2	230.0	▲45.2	▲16.4%
Sales	282.5	230.0	▲52.5	▲18.6%
Operating Income	64.7	30.0	▲34.7	▲53.6%
Operating Margin	22.9%	13.0%	▲9.9pts	
Income Before Tax	66.2	31.0	▲35.2	▲53.2%
Net Income	57.0	26.0	▲31.0	▲54.4%
Net Income Margin	20.2%	11.3%	▲8.9pts	
Backlog	74.9	74.9	-	-
Exchange Rate*1	1 US\$	¥110	¥110	-
	1 Euro	¥129	¥130	¥1 Depreciation
ROE	35.3%	12.6%	▲22.7pts	
Dividend per share*2	¥92	TBD	-	

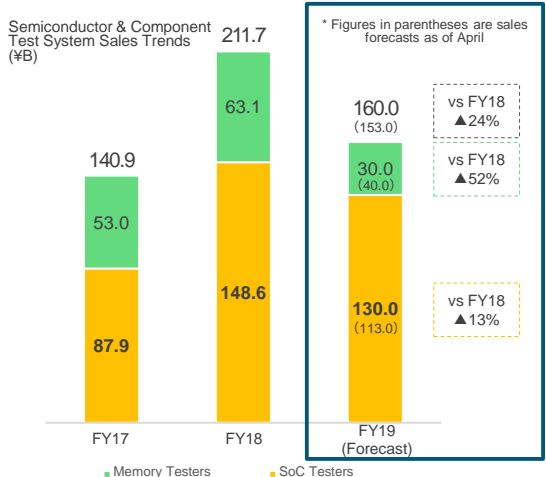
*1: Our latest outlook for the impact of exchange rate fluctuations on FY19 operating income is plus 500 million yen for each 1 yen of yen depreciation vs USD, and minus 100 million yen for each 1 yen of yen depreciation vs the euro.

*2: Our dividends forecast for FY2019 hasn't been decided. We will disclose promptly after considering the results based on the business performance. Dividend payouts are based on semi-annual business performance with a target semi-annual payout ratio of 30%.

○ FY19 Forecast

- In April, we explained that we expect the company's performance to decline in FY2019 compared to FY2018 due to the sense of uncertainty in the global economy as a result of the trade dispute between the United States and China, and a slowdown in demand for end products and demand for semiconductors.
- The deterioration of the semiconductor market is in fact proving to be severe, especially in memory testers.
- However, although semiconductor test volumes may not increase, demand for testers will increase due to the higher performance of semiconductors. This factor emerged again in 1Q.
- Thanks to the technological enhancement of smartphone SoCs, which boosted SoC tester demand, our results in 1Q exceeded initial expectations.
- However, It is difficult to predict demand with regard to whether this positive performance will continue, since the future environment is still uncertain. Therefore, we feel that there would be some risk in reflecting the positive performance of 1Q in our full-year forecast.
- Therefore, the full-year forecast announced in April will remain unchanged at this time. We will carefully review our forecast once there is greater certainty around the outlook for orders in 2Q and 3Q.
- As described at the beginning of the fiscal year, we plan to increase investment in personnel in SE and other fields, development investment, and capital investment, with the aim of retaining and expanding our share gains in the previous fiscal year.

FY19 Outlook by Segment



Semiconductor & Component Test Systems

<SoC Testers>

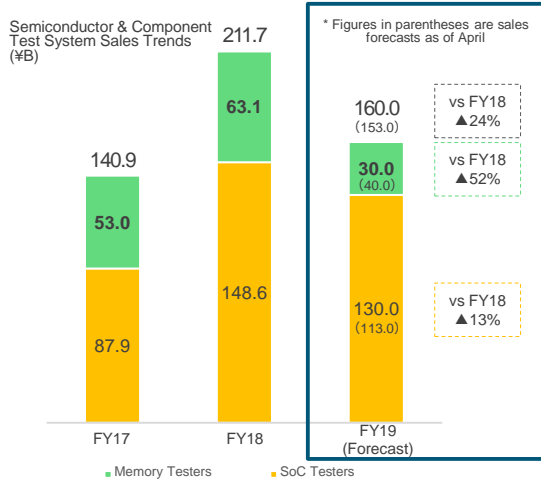
- Advancing semiconductor performance has underpinned demand for SoC testers, leading to an increase in our sales forecast for the fiscal year
- Customers continue to expand test capacity for semiconductors supporting higher-performance smartphones, such as application processors and image sensors
- 5G-related demand appeared in 1Q. Our original view that this demand will ramp up from CY2020 remains unchanged

Market forecast	Estimate as of April	View as of July
Size of SoC tester market in CY19	Approx. \$2,000M	Market size and Advantest's share may be larger than anticipated

○ SoC Tester Business Outlook

- The general trend of advances in performance of the semiconductors underpinning the level of demand for SoC testers will continue unchanged in FY19.
- Sales in FY19 will continue to depend mainly on testers for semiconductors facilitating the increased performance of smartphones, such as application processors.
- However, demand for end products is by no means strong, and our outlook is that business for display driver ICs may be less than expected at the start of the fiscal year.
- However, growth in demand for testers for advanced process nodes is exceeding our initial plans. We have increased our revenue forecast for our SoC tester business this fiscal year by ¥17.0 billion to ¥130.0 billion.
- Furthermore, while 5G-related test business made a gradual start last year, more orders than anticipated were received from several major semiconductor manufacturers during 1Q.
- This is only a foretaste of the expansion of 5G-related demand expected to ramp up in CY20, and we expect a larger positive impact from the growth of commercial 5G services and the ramp-up of 5G semiconductor volume production projected to occur in the future.

FY19 Outlook by Segment



Semiconductor & Component Test Systems

<Memory Testers>

- Due to adjustments in memory inventory, demand for memory testers is expected to remain weak for longer than expected, reducing our sales forecast for the fiscal year
- Tester demand is expected to recover in FY19 4Q
- There are clear technological drivers in DRAM not easily affected by memory market conditions, such as the shift to DDR5 and an increase in demand for high-speed products for HPC. This will support tester demand

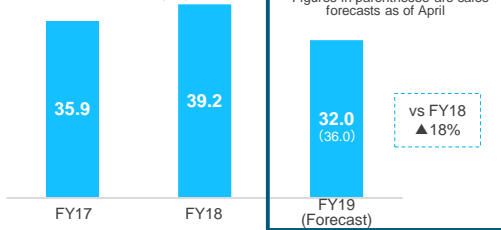
Market forecast	Estimate as of April	View as of July
Size of Memory tester market in CY19	Approx. \$550-650M	May fall below the low end of this range

○ Memory Tester Business Outlook

- Due to adjustments of memory inventory, demand for memory testers has declined.
- As demand is expected to stay weak for longer than initially anticipated, we have lowered our sales forecast for memory testers this fiscal year.
- The original forecast was for ¥40.0 billion, but we have made a downward revision by ¥10.0 billion to ¥30.0 billion.
- We had originally expected a recovery in the second half, and this remains unchanged, but at present we expect the recovery in demand for testers to come in FY19 4Q, or the March quarter of calendar year 2020.
- However, regarding DRAM, there are clear technological drivers not easily affected by memory market conditions, such as the shift to DDR5 and an increase in demand for high-speed products for HPC. These are already occurring at present, and we believe that high-speed DRAM tester demand will continue to support tester orders for the foreseeable future.

FY19 Outlook by Segment

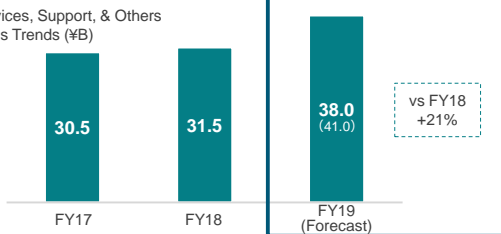
Mechatronics Sales Trends (¥B)



Mechatronics Systems

- Due to the delayed recovery in memory tester investment, we have lowered our forecast for this segment, principally due to lower expectations for interface product sales
- Capture of EUV-related demand is expected to boost sales of nanotechnology products

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



Services, Support, & Others

- Customers are maintaining a steady level of tester utilization, driving expectations of stable trends in field service income, the core business of this segment
- SSD tester sales are weak, but we are reinforcing our SLT business by targeting SoCs

○ Mechatronics / Service Business Outlook

- With the prolonged slowdown of tester investment by memory customers, we have lowered our forecast for the Mechatronics Systems segment by ¥4.0 billion to ¥32.0 billion.
- With regard to Services, Support & Others, we expect solid sales in field services. Unfortunately, however, due to the slow recovery of data center investment, we have revised our sales forecast for the SSD system-level test products in our portfolio, and our forecast for this segment is ¥38.0 billion, down by ¥3.0 billion.
- However, we expect revenue in this segment to increase year on year due to the inclusion of the SLT business acquired from Astronics in February.
- Astronics' system-level test products are expected to reinforce our SLT business by targeting SoCs. We have already received inquiries from many companies, including global leaders, for telecommunications and automotive applications, and we are looking forward to the development of this business.

Summary

- There is a growing sense of uncertainty in the semiconductor market and the semiconductor production equipment market, due to the trade dispute between the United States and China, geopolitical risks, and fluctuations in the semiconductor supply chain
- Supported by increases in SoC tester investment, 1Q results exceeded initial expectations
- Although we expect a recovery in 2H, any revision to our forecast will be contingent on confirmation of order trends in 2Q and 3Q
- The tester market has leveled off, but we will strive to achieve our mid-term management targets by capturing demand related to advanced technology and increasing our market share

○ Summary

- Trade disputes stemming from protectionist policies are escalating, and there is an increasing sense of uncertainty in the semiconductor market and the semiconductor production equipment market.
- Supported by increases in SoC tester investment, 1Q results exceeded initial expectations, despite the memory market slowdown.
- Increased activity in the semiconductor industry leading towards volume production of 5G semiconductors also made this a positive quarter in terms of medium- to long-term trends in the tester market.
- Although we have expectations for a recovery in the second half of the fiscal year, we are keeping our earnings forecast unchanged at this time, pending confirmation of order trends for 2Q and 3Q.
- The tester market has leveled off, but Advantest's customers are moving ahead with development of a wide range of advanced devices, and technology is evolving.
- We will strive to achieve the goals set forth in the mid- to long-term management policy defined under our Grand Design by increasing our market share.