

FY2004 Consolidated Financial Results
(Prepared in accordance with U.S. GAAP)
(Year ended March 31, 2005)

April 26, 2005

Company name : **Advantest Corporation**
(URL <http://www.advantest.co.jp/investors/>)

Stock exchanges on which shares are listed : Tokyo Stock Exchange

Stock code number : 6857

Location of principal office : Tokyo Prefecture

Company representative : Toshio Maruyama, Representative Board Director, President of Corporate Executive Officers and COO

Contact person : Hiroshi Nakamura, Manager, Accounting Department
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Date of Board meeting to approve the financial results : April 26, 2005

Application of U.S. GAAP : Yes

1. Consolidated Results of FY2004 (April 1, 2004 through March 31, 2005)

(1) Consolidated Financial Results

| | Net sales | | Operating income | | Income before income taxes | |
|---------------|----------------|-------------|------------------|-------------|----------------------------|--------------|
| | Million yen | % | Million yen | % | Million yen | % |
| FY2004 | 239,439 | 37.4 | 60,719 | 96.1 | 61,808 | 114.0 |
| FY2003 | 174,218 | 78.2 | 30,960 | - | 28,878 | - |

| | Net income | | Net income per share (basic) | Net income per share (diluted) | Return on equity | Ratio of income before income taxes to stockholders' equity | Ratio of income before income taxes to net sales |
|---------------|---------------|--------------|------------------------------|--------------------------------|------------------|---|--|
| | Million yen | % | Yen | Yen | % | % | % |
| FY2004 | 38,078 | 119.7 | 389.54 | 388.51 | 17.8 | 19.7 | 25.8 |
| FY2003 | 17,329 | - | 176.37 | 176.02 | 8.0 | 9.4 | 16.6 |

Note 1: There was no equity in losses of affiliates in FY2004 and was ¥-117 million in FY2003.

Note 2: No change in accounting policy was adopted during these periods.

Note 3: Average number of shares outstanding was 97,750,345 shares during FY2004 and 98,250,830 during FY2003.

Note 4: The percentages shown for net sales, operating income, income before income taxes and net income are changes from the previous year.

(2) Consolidated Financial Position

| | Total assets | Stockholders' equity | Equity-to-assets ratio | Stockholders' equity per share |
|---------------|----------------|----------------------|------------------------|--------------------------------|
| | Million yen | Million yen | % | Yen |
| FY2004 | 296,769 | 206,749 | 69.7 | 2,236.97 |
| FY2003 | 330,808 | 221,768 | 67.0 | 2,256.59 |

Note: Outstanding number of shares at year end was 92,423,615 shares in FY2004 and 98,275,640 shares in FY2003.

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of year |
|---------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| FY2004 | 90,327 | (8,250) | (63,036) | 120,986 |
| FY2003 | 28,215 | (5,070) | (6,376) | 101,146 |

(4) Scope of Consolidation and Equity Method

Number of consolidated subsidiaries: 39 Companies

Number of unconsolidated subsidiaries: None

Number of affiliates accounted for under the equity method: None

(5) Changes in Scope of Consolidation and Equity Method

| | |
|--|-------------|
| Consolidated subsidiaries | |
| (Newly included) | 3 companies |
| (Excluded) | 4 companies |
| Affiliates accounted for under the equity method | |
| (Newly included) | none |
| (Excluded) | none |

2. Projected Results for FY2005 (April 1, 2005 through March 31, 2006)

| | Net sales | Income before income taxes | Net income |
|-----------------------|----------------|-------------------------------|---------------|
| | Million yen | Million yen | Million yen |
| FY2005 interim | 112,000 | 25,000 | 15,000 |
| FY2005 | 240,000 | 60,000 | 37,000 |

(Reference) Projected net income per share for the fiscal year: ¥400.33

Figures presented in this Earning Digest have been rounded to the nearest million yen.

For a discussion of the assumptions and other factors upon which these projections are based, please refer to “Prospects for the Upcoming Fiscal Year” appearing elsewhere in this document.

Cautionary Statement with Respect to Forward-Looking Statements

This document contains “forward-looking statements” that are based on Advantest’s current expectations, estimates and projections. These 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. 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 timely develop products that meet the changing needs of semiconductor manufacturers and communications network equipment and components 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 registration statement on Form 20-F, which is on file with the United States Securities and Exchange Commission.

1. Management Policy

Advantest's Basic Management Policy

Advantest believes that its philosophy of management is to support leading-edge technology at its forefront. Its basic management policy consists of the following elements: increasing corporate value, improving shareholder and customer satisfaction and achieving excellence.

Business Strategy

While maintaining “Measurements” as our core competence, Advantest intends to improve its corporate value by establishing an operation and finance structure that responds timely to changes in the global market, and also aims to increase market share by introducing fine products that will inspire the market demands of the next generation. To achieve these objectives, Advantest is driven to further strengthen its product development operations and improve production efficiency by selectively focusing on certain businesses, while strengthening its overseas operations and support system in the U.S., Europe and Asia.

Further, Advantest seeks to increase the level of customer satisfaction by maximizing the functions of our test systems by providing them with “GET Solution”¹ as a total solution for businesses to improve business efficiency.

In October 2001, Advantest launched a company-wide initiative called "Initiative 21". This initiative seeks to promote new ideas and improvement strategies at all levels of the company, from divisions ranging from sales, development and manufacturing to maintenance and administration, with an aim toward strengthening the company's competitiveness. Advantest expected to achieve further growth and fulfill its social mission by having each employee take the initiative to tackle new issues. This initiative continued until 2004, the year of Advantest 50th anniversary, which was set up as the last year of the initiative. As a result, Advantest achieved its target figures in aspects such as sales and profit rate of the company-wide “Initiative 21”.

In the future, Advantest will launch a new company-wide initiative based on its medium-term plans.

^{*1} GET solution (Globally Enabled Total solution) is Advantest's service business designed to provide a set of comprehensive solutions to deal with issues ranging from the design to the delivery of semiconductors.

Target Financial Index

Advantest applies the "AVA" (Advantest Value Added), a financial index incorporating the concept of EVA (Economic Value Added)², as a significant performance indicator, along with profit margin, ROE and cash flows, to measure its business performance. Specifically, Advantest will continue to set the minimum return-on-investment ratio ("hurdle rate") for evaluating AVA at 8% and a mid-term target at 12% with an aim to increase corporate value and shareholder value.

*2 "EVA" is a registered trademark of Stern Stewart & Co.

Basic Policy on Distribution of Profits

Advantest believes that shareholder value is premised on the realization of long-term and continued growth in corporate value.

With respect to the distribution of profits, Advantest has adopted a policy of maintaining consistent dividend payouts after taking into consideration the business performance and financial condition of 2004.

Retained profits are invested in new businesses, research and development, streamlining efforts and overseas expansion to enable the strengthening of its business position and creation of corporate value.

Advantest's Views and Policies on Lowering its Investment Unit

As part of its capital policy, Advantest has long recognized the importance of increasing the market liquidity of its shares, promoting long-term and stable holding of its shares among investors and expanding its investor base. Back in August 1995, the company reduced the minimum investment unit for its shares from 1000 to 100 shares.

As Advantest considers the current liquidity level of its shares to be sufficient and expects any further reduction of investment unit to require significant costs, it is cautious about implementing any further reductions and will do so only after careful consideration of prevailing market conditions, business performance, share prices and other factors.

Advantest's Basic View on Corporate Governance; State of Implementation of Corporate Governance

[Advantest's Basic View on Corporate Governance]

Advantest intends to strengthen its global competitiveness by enhancing information disclosure to all stakeholders, including its investors (shareholders) and customers.

[State of Implementation of Corporate Governance]

(1) Functions of the Company's Organization

In order to ensure timely response to rapid changes in the business environment and to strengthen corporate governance, Advantest implemented the executive officer's structure and separates its decision-making functions and operational function.

As the decision making body of the operation, the board of directors set the group's business policies and propose, monitor and manage the operation of business, and is delegate significant authority for executing operations speedily and efficiently.

Advantest adopts a Board of Corporate Auditors system, and the Board of Corporate Auditors is comprised of 4 auditors (of which 2 are external auditors). Each auditor, based on the policies and plans adopted by the Board of Corporate Auditors, audit the board's fulfillment

of its duties by attend significant meetings such as the Board of Directors meeting and investigating the company's business and finance.

(2) Status of the Internal Controls System, Risk Management System and Corporate Audit

Advantest's basic principle is to conduct business with high ethical standards, sincerity and social justice. As such, Advantest has developed the "Advantest Behavior Norms" and has focused on enforcing corporate ethics. In June 2004, the "Code of Ethics for Officers" was implemented and clarified that the officers will act with sincerity and ethically. In April 2005, in response to applicable regulations and to achieve a higher level of ethical conscience, a revision of the "Advantest Behavior of Norms" was revised and the "Corporate Ethics Helpline" was implemented to handle comments, reports and to advise regarding Accounting, Internal Controls, and Audit at the same time as implementing the "Behavior Norms Committee" to strengthen compliance.

In addition, in order to strengthen the corporate structure for Corporate Social Responsibility, we have implemented the "CSR (Corporate Social Responsibility) Committee" and placed under it the "Disclosure Committee", "Internal Controls Committee", "Environmental Policy Supervisory Committee", "Information Security Committee", "Human Rights Committee", "Human Resource Complaints Processing Committee", and "Behavior Norms Committee" that are expanding its activities. In Particular, the "Internal Controls Committee" that was implemented in order to strengthen the Internal Controls process and risk management structure is taking measures to establish the three objectives of internal controls that are "Business Effectiveness and Efficiency", "Reliability of Financial Reports", and "Compliance with the Law". Also, in the Audit Office of the Internal Audit Department, as part of operational audit, monitors the internal controls procedures and its application on a daily basis and identifies, comments and advises improvement.

Furthermore, the Audit Office, Board of Corporate Auditors and outside Audit firms coordinate amongst each other, exchange information regarding audit schedule, audit status and internal controls, and conduct meetings periodically and whenever necessary.

Matters Relating to Parent Companies

Advantest does not have a parent company as of the fiscal year end.

Historically Fujitsu Corporation had been classified as a "Parent Company" but due to Advantest's shareholder voting rights ownership ratio being reduced from 20.44% to 15.27% in February 2005, Advantest is no longer an affiliated company of Fujitsu Corporation.

In addition, Fujitsu Corporation's voting rights ratio is 10.91% as of the fiscal year end.

2. Business Results and Financial Condition

(1) Business Results

Fiscal Year Results

During the fiscal year, business conditions affecting the Company during the first half of the fiscal year was favorable due to an increased appetite for capital expenditures in the

semiconductor manufacturing industry, as stimulated by the strong demand for consumer digital electronics products such as flat screen televisions, DVD devices and digital cameras and a steady demand for computers including personal computers. However, in the second half of the fiscal year, capital expenditure by the semiconductor manufacturing industry indicated a trend to expenditure restrictions as a result of inventory control of consumer digital electronics products and a decline in DRAM prices. Towards the end of the fiscal year there were signs of recovery.

Under this environment, Advantest made concentrated efforts to increase incoming orders and expand sales through the timely introduction of new products that meets customers' needs. Advantest and its group companies combined forces in a drive towards improving profitability by after stock production method and improving production efficiency, through a reorganization of its manufacturing operations, as well as continuing its efforts to reduce costs.

As a result of the above, Advantest returned to profit as incoming orders increased by 8.9% to (Y) 227.4 billion and net sales increased by 37.4% to (Y) 239.4 billion, each as compared with the previous fiscal year, while achieving income before income taxes of (Y) 61.8 billion increased by 114.0% and net income of (Y) 38 billion increased by 119.7%. Overseas sales as a percentage of total sales were 74.9%, as compared to 66.7% in the previous fiscal year.

[Condition of Business by Segment]

Operation Condition by Business Segment

In connection with the business and organizational reorganization, we have changed Advantest's two historical reportable segments of "automated test equipment" and "measuring instruments" into three new reportable segments of "semiconductor and component test system", "mechatronics system" and "services, support and others". With respect to the following figures as compared with the previous fiscal year, the previous fiscal year amounts have been converted into the new business segments.

(Semi-conductor and Component Test System Segment)

In the memory tester market, sales maintained positive throughout the fiscal year despite the adjustments made in the second half of the fiscal year due to new products such as the ultra-high-speed memory tester and general purpose high-speed memory tester. On the other hand, sales of flash memory testers was strong in the first half of the fiscal year in continuation from the previous fiscal year, but orders and sales lagged in the second half of the year, due to reduced capital expenditures of semiconductor manufacturers as a result of inventory adjustment by IT related products.

In the SoC (System-on-a Chip)/ AS (Application Specific) tester market, sales of the T2000, a new concept tester compatible with OPENSTAR^{®4}, was steady. On the other hand, sales of SoC tester for cell phones and other digital consumer equipment related devices and testers for LCD driver IC, although maintaining steady sales domestically and in Taiwan in continuation from the previous fiscal year, orders and sales lagged as the flash memory testers did.

As a result of the above, incoming orders was (Y) 171 billion (11.1% increase in comparison to the last fiscal year), sales was (Y) 180.6 billion (46.3% increase) and operating profit was (Y) 50.6 billion (76.5% increase).

(Mechatronics System Segment)

Impacted by the positive sales of memory testers, memory test handlers with simultaneous-testing features or coolant features maintained a steady sales throughout the fiscal year despite inventory adjustment in the second half of the fiscal year. In addition, device interface products maintained steady sales throughout the year as a result of factors such as diversification of devices.

As a result of the above, incoming orders was (Y) 43.8 billion (11.1% increase in comparison with previous year), sales was (Y) 46.3 billion (35.6% increase) and operating profit was (Y) 13.6 billion (21.6% increase).

(Services, Support and Others Segment)

In this segment, incoming orders was (Y) 19.1 billion (-5.1 % in comparison with previous year), sales was (Y) 19.6 billion (3.8 % decrease) and operating profit was (Y) 3.4 billion.

*⁴ OPENSTAR[®] : The name of an open architecture standard published by the STC (Semiconductor Testing Consortium, Inc.). OPENSTAR[®] is a registered trademark or a trademark of STC in the United States, Japan and other countries.

[Distribution of Profits]

As described above, sales in the second half of the fiscal year was impacted by restricted capital investment by semiconductor electronics manufacturers but overall achieved an increase of revenue and profit. As such, although future business conditions remain unclear, with respect to the year end distribution of profit, based on the profit distribution policy described above, and as initially forecasted, Advantest expects to propose to the 63rd General Shareholders' Meeting a year-end dividend of (Y) 25 per share, which, together with the interim dividend of (Y) 25 per share already paid, amounts to a fiscal-year total of (Y) 50 per share (as compared to (Y) 40 per share in the previous fiscal year.)

Prospects for the Upcoming Fiscal Year

With respect to business conditions in the upcoming fiscal year, in the medium term, Advantest expects to see a continuing increase in demand for digital consumer devices as well as a solid increase in semiconductor demand in light of the stable demand of the personal computer market and expansion of the third-generation mobile phone market. In addition, Advantest expects an increase in capital expenditures by semiconductor manufacturers resulting from investments relating to 300mm wafers and the transition to a generation of memory devices. On the other hand, in the short term, due to reduced capital expenditures as a result of factors such as the decreased production, inventory and prices of products that affect the digital market such as semiconductors, electronic components and IT related products, increase in raw materials and

risk of a strong yen and pressure for a price decrease in our products in relation to such factors may not allow for an optimistic outlook.

In order to respond to these conditions, Advantest plans to implement a number of measures aimed at furthering its profitability, including plans to increase incoming orders and sales through the timely introduction of new products that flexibly meet customers' needs, as well as its continued efforts to shorten time-to-delivery through improvements in manufacturing efficiency and to reduce costs.

As a result of the above, net sales for the upcoming fiscal year are currently estimated to increase by 0.2% to (Y) 240 billion, while income before income taxes is estimated to decrease by 2.9% to (Y) 60 billion and net income decrease by 2.8% to (Y) 37 billion, each as compared with the current fiscal year.

[Profit Distribution Forecast]

Based on the prospects for the upcoming fiscal year and the profit distribution policy described above, Advantest expects to pay dividends of (Y) 50 per share for the upcoming fiscal year (including an interim dividend of (Y) 25 per share).

(2) Financial Condition

Total assets at the end fiscal year end is (Y) 296.7 billion, a decrease of (Y) 34 billion compared to the previous fiscal year, due primarily to a decrease of (Y) 19.8 billion compared to the previous fiscal year in inventories. Total liabilities are (Y) 90 billion, a decrease of (Y) 18.4 billion compared to the previous fiscal year. The major factor for this decrease is the decrease of accounts payable by (Y) 15 billion. Shareholders' equity is (Y) 206.7 billion after increase of (Y) 38 billion in current net profit and decrease of (Y) 54.5 billion by repurchase of shares. Equity-to-assets ratio is 69.7 %, an increase by 2.6 point.

(Cash Flow Condition)

Cash and cash equivalents held at March 31, 2005 were (Y) 120.9 billion, an increase of (Y) 19.8 billion from March 31, 2004.

Significant cash flows during this fiscal year and their causes are described below.

Net cash provided by operating activities was (Y) 90.3 billion. This amount was primarily attributable to a net income of (Y) 38 billion and a decrease in account receivables by (Y) 20.9 billion and inventories by (Y) 20.2 billion.

Net cash used in investment activities were an outflow of (Y) 8.2 billion. This amount was primarily attributable to capital expenditures of (Y) 8.7 billion, including capital expenditures related to equipment for leasing.

Net cash used in financing activities was (Y) 63 billion. This amount was primarily attributable to repurchase of shares in the amount of (Y) 54.5 billion, dividend payments in the amount of (Y) 4.9 billion, and the repayment of bonds with preemptive rights in the amount of (Y) 4.5 billion.

The following table illustrates the historical movements of certain cash flow indexes:

| | Year ended March 31, | | | | |
|---|----------------------|---------|---------|---------|----------|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| Stockholders' equity ratio (%) | 65.8 | 78.3 | 74.9 | 67.0 | 69.7 |
| Stockholders' equity ratio based on market prices (%) | 304.0 | 311.4 | 147.4 | 253.4 | 256.0 |
| Debt to annual cash flow ratio | 1.1 | 3.0 | 5.4 | 0.9 | 0.2 |
| Interest coverage ratio | 4,116.4 | 1,703.0 | 1,013.7 | 5,965.1 | 20,210.9 |

 Stockholders' equity ratio: stockholders' equity / total assets

Stockholders' equity ratio based on market prices: market capitalization / total assets

Debt to annual cash flow ratio: interest-bearing liabilities / operating cash flows

Interest coverage ratio: operating cash flows / interest payments

- (Notes)
1. These indexes are calculated using U.S. GAAP figures.
 2. Operating cash flows are the cash flows provided by operating activities on the consolidated statements of cash flows.
 3. Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interests.

Consolidated Financial Statements, etc.

Consolidated Balance Sheets

| | Notes | FY2003 (As of March 31, 2004) | | FY2004 (As of March 31, 2005) | |
|---|--------|----------------------------------|-------------------|----------------------------------|-------------------|
| | | Amount (in million yen) | Percentage (%) | Amount (in million yen) | Percentage (%) |
| (Assets) | | | | | |
| Cash and cash equivalents | | 101,146 | | 120,986 | |
| Trade accounts receivable, less allowance for doubtful accounts | *1 | 76,133 | | 56,702 | |
| Inventories | | 49,423 | | 29,585 | |
| Deferred tax assets | | 25,875 | | 13,673 | |
| Other current assets | | 3,185 | | 2,985 | |
| Total current assets | | 255,762 | 77.3 | 223,931 | 75.5 |
| Investment securities | Note 4 | 7,952 | 2.4 | 7,772 | 2.6 |
| Property, plant and equipment, net | *2 *3 | 50,516 | 15.3 | 51,364 | 17.3 |
| Deferred tax assets | | 10,964 | 3.3 | 8,438 | 2.9 |
| Intangible assets, at cost, less accumulated amortization | | 3,756 | 1.1 | 3,090 | 1.0 |
| Other assets | | 1,858 | 0.6 | 2,174 | 0.7 |
| Total assets | | 330,808 | 100.0 | 296,769 | 100.0 |
| (Liabilities) | | | | | |
| Current installments of long-term debt | *3 | 4,543 | | 20,043 | |
| Trade accounts payable | | 38,214 | | 23,196 | |
| Income taxes payable | | 3,845 | | 7,278 | |
| Accrued expenses | | 9,368 | | 13,865 | |
| Accrued warranty expenses | | 3,121 | | 4,090 | |
| Deferred revenue | | 4,543 | | 2,220 | |
| Other current liabilities | | 2,977 | | 3,302 | |
| Total current liabilities | | 66,611 | 20.1 | 73,994 | 24.9 |
| Long-term debt, excluding current installments | *3 | 20,083 | 6.1 | 40 | 0.0 |
| Accrued pension and severance cost | | 18,348 | 5.6 | 12,605 | 4.3 |
| Other long-term liabilities | | 3,411 | 1.0 | 3,381 | 1.1 |
| Total liabilities | | 108,453 | 32.8 | 90,020 | 30.3 |

| | Notes | FY2003 (As of March 31, 2004) | | FY2004 (As of March 31, 2005) | |
|---|-------|----------------------------------|-------------------|----------------------------------|-------------------|
| | | Amount (in million yen) | Percentage (%) | Amount (in million yen) | Percentage (%) |
| (Minority interests) | | | | | |
| Minority interests | | 587 | 0.2 | - | - |
| (Stockholders' equity) | | | | | |
| Common stock | | 32,363 | 9.8 | 32,363 | 10.9 |
| Capital surplus | | 32,973 | 10.0 | 35,263 | 11.9 |
| Retained earnings | | 177,404 | 53.5 | 210,121 | 70.8 |
| Accumulated other comprehensive income (loss) | *4 | (8,061) | (2.4) | (4,878) | (1.6) |
| Treasury stock | | (12,911) | (3.9) | (66,120) | (22.3) |
| Total stockholders' equity | | 221,768 | 67.0 | 206,749 | 69.7 |
| Total liabilities and stockholders' equity | | 330,808 | 100.0 | 296,769 | 100.0 |

(Notes)

| | Amount (in million yen) | Amount (in million yen) |
|---|----------------------------|----------------------------|
| *1. Allowance for doubtful accounts | 2,464 | 2,174 |
| *2. Accumulated depreciation on property, plant and equipment | 64,533 | 67,933 |
| *3. Collateralized assets and secured obligations | | |
| Property, plant and equipment | 403 | 393 |
| Obligations secured by the above | 38 | 24 |
| *4. Accumulated other comprehensive income (loss) | | |
| Foreign currency translation adjustment | (8,087) | (6,452) |
| Net unrealized gain (loss) on available-for-sale securities | 1,422 | 1,574 |
| Minimum pension liability adjustment | (1,396) | - |
| 5. Net assets per share (in yen) | 2,256.59 | 2,236.97 |

Consolidated Statements of Income

| | FY2003 (April 1, 2003 through March 31, 2004) | | FY2004 (April 1, 2004 through March 31, 2005) | | | |
|--|---|-------------------|---|-------------------|-------|-----|
| | Amount (in million yen) | Percentage (%) | Amount (in million yen) | Percentage (%) | | |
| Net sales | | 174,218 | 100.0 | 239,439 | 100.0 | |
| Cost of sales | | 85,513 | 49.1 | 115,994 | 48.4 | |
| Gross profit | | 88,705 | 50.9 | 123,445 | 51.6 | |
| Research and development expenses | | 21,637 | 12.4 | 26,280 | 11.0 | |
| Selling, general and administrative expenses | | 36,108 | 20.7 | 36,446 | 15.2 | |
| Operating income (loss) | | 30,960 | 17.8 | 60,719 | 25.4 | |
| Other income (expense): | | | | | | |
| Interest and dividends income | 339 | | | 597 | | |
| Interest expense | (469) | | | (441) | | |
| Minority interests (losses) | (214) | | | (84) | | |
| Equity in earnings (losses) of affiliates | (117) | | | - | | |
| Other | (1,621) | (2,082) | (1.2) | 1,017 | 1,089 | 0.4 |
| Income (loss) before income taxes | | 28,878 | 16.6 | 61,808 | 25.8 | |
| Income taxes | | 11,549 | 6.6 | 23,730 | 9.9 | |
| Net income (loss) | | 17,329 | 10.0 | 38,078 | 15.9 | |

| | FY2003 (April 1, 2003 through March 31, 2004) | FY2004 (April 1, 2004 through March 31, 2005) |
|---|---|---|
| | Amount (in yen) | Amount (in yen) |
| Net income per share (Net loss per share) | | |
| Basic | 176.37 | 389.54 |
| Diluted | 176.02 | 388.51 |

Consolidated Statements of Stockholders' Equity

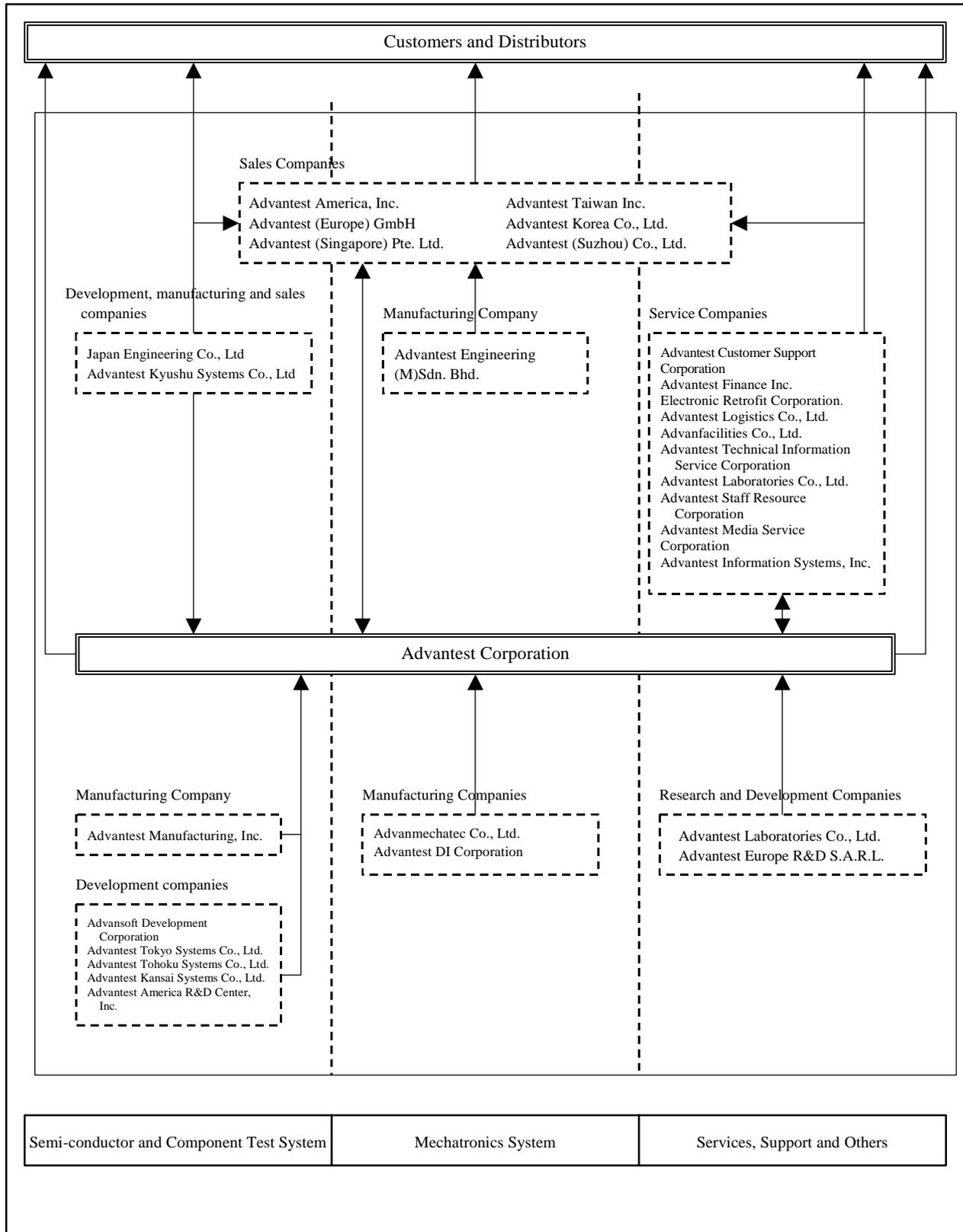
| | | FY2003 (April 1, 2003 through March 31, 2004) | FY2004 (April 1, 2004 through March 31, 2005) |
|---|-------|---|---|
| | Notes | Amount (in million yen) | Amount (in million yen) |
| Common stock : | | | |
| Balance at beginning of year | | 32,363 | 32,363 |
| Balance at end of year | | 32,363 | 32,363 |
| Capital surplus : | | | |
| Balance at beginning of year | | 32,973 | 32,973 |
| Stock option compensation expense | | - | 2,290 |
| Balance at end of year | | 32,973 | 35,263 |
| Retained earnings : | | | |
| Balance at beginning of year | | 162,547 | 177,404 |
| Net income (loss) | | 17,329 | 38,078 |
| Cash dividends | | (2,456) | (4,915) |
| Loss on disposal of treasury stock | | (16) | (446) |
| Balance at end of year | | 177,404 | 210,121 |
| Accumulated other comprehensive income (loss) : | | | |
| Balance at beginning of year | | (4,055) | (8,061) |
| Other comprehensive income (loss), net of tax | | (4,006) | 3,183 |
| Balance at end of year | | (8,061) | (4,878) |
| Treasury stock : | | | |
| Balance at beginning of year | | (13,165) | (12,911) |
| Treasury stock purchased | | (32) | (54,513) |
| Exercise of stock options | | 180 | 1,302 |
| Decrease in treasury stock upon share exchange | | 105 | - |
| Treasury stock sold | | 1 | 2 |
| Balance at end of year | | (12,911) | (66,120) |
| Total stockholders' equity | | 221,768 | 206,749 |
| Disclosure of comprehensive income (loss) : | | | |
| Net income (loss) | | 17,329 | 38,078 |
| Other comprehensive income (loss), net of tax | | (4,006) | 3,183 |
| Total comprehensive income (loss) | | 13,323 | 41,261 |

Consolidated Statements of Cash Flows

| | FY2003 (April 1, 2003 through March 31, 2004) | FY2004 (April 1, 2004 through March 31, 2005) |
|--|---|---|
| | Amount (in million yen) | Amount (in million yen) |
| I Cash flows from operating activities: | | |
| Net income (loss) | 17,329 | 38,078 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,328 | 8,285 |
| Deferred income taxes | 6,703 | 13,540 |
| Impairment loss on long-lived assets | 3,030 | - |
| Decrease (increase) in trade accounts receivable | (35,285) | 20,953 |
| Decrease (increase) in inventories | (14,570) | 20,218 |
| Increase (decrease) in trade accounts payable | 29,190 | (16,375) |
| Increase (decrease) in income taxes payable | 1,997 | 3,311 |
| Increase (decrease) in accrued expenses | 2,536 | 4,445 |
| Increase (decrease) in accrued warranty expenses | 709 | 969 |
| Increase (decrease) in deferred revenue | 3,441 | (2,456) |
| Increase (decrease) in accrued pension and severance cost | 2,639 | (3,409) |
| Other | 1,168 | 2,768 |
| Net cash provided by operating activities | 28,215 | 90,327 |
| II Cash flows from investing activities: | | |
| Proceeds from sale of marketable securities (available-for-sale securities) | 323 | 1,428 |
| Proceeds from sale of non-marketable securities | 387 | 50 |
| Purchases of non-marketable securities | (1,288) | - |
| Proceeds from sale of property, plant and equipment | 435 | 132 |
| Purchases of intangible assets | (358) | (470) |
| Purchases of property, plant and equipment | (5,068) | (8,738) |
| Other | 499 | (652) |
| Net cash used in investing activities | (5,070) | (8,250) |
| III Cash flows from financing activities: | | |
| Principal payments on long-term debt | (3,811) | (4,543) |
| Proceeds from sales of treasury stock | 90 | 939 |
| Payments to acquire treasury stock | (31) | (54,511) |
| Dividends paid | (2,462) | (4,907) |
| Other | (162) | (14) |
| Net cash used in financing activities | (6,376) | (63,036) |
| IV Net effect of exchange rate changes on cash and cash equivalents | (2,961) | 799 |
| V Net change in cash and cash equivalents | 13,808 | 19,840 |
| VI Cash and cash equivalents at beginning of year | 87,338 | 101,146 |
| VII Cash and cash equivalents at end of year | 101,146 | 120,986 |

Organization of the Advantest Group

The following diagram shows the business relationships among the major affiliated companies of the Advantest Group.



There are 10 other consolidated subsidiaries in addition to those mentioned in the above diagram.

Consolidated subsidiaries (22 domestic; 17 overseas; 39 total)

← : Main flow of products and services

Notes to the Consolidated Financial Statements

(Note 1) Accounting Principles, Procedures and the Presentation of the Consolidated Financial Statements

(a) Terminology, Form and Method of Preparation of the Consolidated Financial Statements

Advantest prepares these consolidated financial statements in accordance with the accounting principles, procedures, terminology, form and mode of preparation required in the U.S. in connection with its issuance of American Depository Shares as established under Accounting Research Bulletins (“ARB”), Accounting Principles Board (“APB”) statements, Statements of Financial Accounting Standards (“SFAS”) and other relevant sources (collectively “U.S. GAAP”). However, Advantest Corporation and its consolidated subsidiaries prepare their unconsolidated financial statements in accordance with accounting principles generally accepted in the country of their domicile. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to present them in conformity with accounting principles generally accepted in the U.S.

(b) The Preparation of Consolidated Financial Statements and Registration with the U.S. Securities and Exchange Commission

Advantest Corporation began listing on the New York Stock Exchange on September 17, 2001 (local time) by means of an issuance of American Depository Shares, and is registered with the U.S. Securities and Exchange Commission on Form 20-F (equivalent to the Annual Securities Report in Japan) since FY2001. In connection with the registration on Form 20-F, Advantest prepares its consolidated financial statements in accordance with U.S. GAAP.

(c) Scope of Consolidation and Application of the Equity Method

Advantest’s consolidated financial statements include financial statements of Advantest Corporation and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The following table sets forth the number of consolidated subsidiaries and equity method affiliates of Advantest:

| | | FY2003 (As of March 31, 2004) | FY2004 (As of March 31, 2005) | Increase (decrease) |
|--|---------------------------|-------------------------------------|-------------------------------------|---------------------|
| | Domestic | 23 | 22 | (1) |
| | Overseas | 17 | 17 | 0 |
| | Consolidated subsidiaries | 40 | 39 | (1) |
| | Equity method affiliates | 0 | 0 | 0 |
| | Total | 40 | 39 | (1) |

Changes in the scope of consolidation:

| | |
|---------------------|---|
| Newly included (3): | Advantest Costa Rica, Sociedad Anonima *1 Advantest Green Corporation *2 Advantest (Thailand) Ltd.*3 |
| Excluded (4): | Advanmicrotec Co., Ltd. *4 Advantest America Measuring Solutions, Inc.*5 Advantest RF Technology Corporation *6 Advantest Taiwan Engineering Inc. *7 |

- *1 Advantest Costa Rica, Sociedad Anonima was established on September 30, 2004 as a subsidiary to support the products of Advantest.
- *2 Advantest Green Corporation was established on October 1, 2004 as a special subsidiary to promote the employment for the mentally or physically challenged.
- *3 Advantest (Thailand) Ltd. was established on December 24, 2004 as a subsidiary to implement the installation, services and maintenance of semiconductor test equipment and provide engineering support thereto.
- *4 Advanmicrotec Co., Ltd. was merged into Advantest Manufacturing on April 1, 2004 with a view to integrating Advantest's manufacturing operations.
- *5 Advantest America Measuring Solutions, Inc. was merged into Advantest America, Inc. on September 30, 2004 with a view to attaining enhanced efficiency of operations.
- *6 Advantest RF Technology Corporation was merged into Advantest Corporation on December 31, 2004 with a view to attaining enhanced efficiency of technological development.
- *7 Advantest Taiwan Engineering Inc. was merged into Advantest Taiwan Inc. on October 1, 2004 with a view to attaining enhanced efficiency of operations.

(Note 2) Summary of Significant Accounting Policies and Practices

There was no change in accounting practices.

For details regarding the accounting practices, please see the note "Business Contents and Significant Accounting Policies" to the Consolidated Financial statements on the *Yuka Shoken Hokokusho* from the last fiscal year.

(Note 3) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2005.

(Note 4) Investment Securities

Investment security consists of equity securities. As of March 31, 2004 and March 31, 2005, with respect to marketable securities, aggregate fair value is (Y)4,311 million and (Y)6,328 million, cost of (Y)2,238 million and (Y)3,803 million, gross unrealized gains, which are based on the specific-identification method, is (Y)2,093 million and (Y)2,516 million, gross unrealized losses as of March 31, 2004 is 1 million yen.

For FY 2003 and FY 2004, Gross realized gains were (Y)178 million and (Y)934 million. Gross realized losses were (Y)2 million in FY 2003. Gross realized gains and losses are principally included in "other" of cash flows from operating activities in the consolidated statements of cash flows.

Advantest maintains long-term investment securities, included in marketable securities and other investments, issued by nonpublic companies, which are recorded at cost and

periodically assess for impairment.

(Note 5) Basic and diluted net income (loss) per share

Basic and diluted net income (loss) per share was computed as follows:

| | <u>FY2003</u> | <u>FY2004</u> |
|--|--------------------------|--------------------------|
| Numerator: | | |
| Net income | <u>17,329</u> million | <u>38,078</u> million |
| Denominator | | |
| Basic weighted average shares | 98,250,830 shares | 97,750,345 shares |
| Dilutive effect of exercise of stock option and warrants | <u>195,306</u> shares | <u>260,394</u> shares |
| Diluted weighted average shares | <u>98,446,136</u> shares | <u>98,010,739</u> shares |

At March 31, 2004 and 2005, stock options and warrants representing, upon exercise, 329,500 shares and 7,000 shares, respectively, were outstanding but were not included in the computation for net income per share (diluted) because the foregoing did not have any dilutive effect.

(Additional Information)

On October 1, 2004, Advantest and certain of its consolidated domestic subsidiaries received approval from the Minister of Health and Labor to return the substitutional portion of its Employees' Pension Fund plans for the prior employees' services under the transfer of its Employees' Pension Fund plans to the defined benefit corporate pension plan, and made the payment of the amount pertinent to the return (minimum liability reserve) to the national treasury on February 24, 2005.

Temporary profit on the return of the substitutional portion is recognized in Selling, general and administrative expenses. As a result, the effect of such return on the Operating income and Net income for the current consolidated fiscal year is (Y)3,317 million and (Y)1,981 million respectively.

On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (revised 2004), *Share-Based Payment*, which is a revision of FASB Statement No. 123, *Accounting for Accounting for Stock Based Compensation*. Statement 123R required employee stock options and rights to purchase shares under stock option plans to be accounted for under the fair value method, and eliminates the ability to account for these instruments under the intrinsic value method prescribed by APB Option No. 25, *Accounting for Stock Issued to Employees*, and allowed under the original provisions of Statement 123. Statement 123R requires the use of an option pricing model for estimating fair value, which is amortized to expense over the service period. The requirements of Statement 123R are effective for the fiscal year beginning after June 15, 2005. However, the Company early adopted Statement 123R in the fourth quarter of this fiscal year by using a "modified retrospective" method under which the Company restated prior interim periods of the year of adoption. As a result of the adoption of Statement 123R, Operating income and Net income have been reduced by (Y)2,290 million.

(Segment Information)

1. Business Segment Information

| | | FY2003 (April 1, 2003 through March 31, 2004) | | FY2004 (April 1, 2004 through March 31, 2005) | |
|---|---|---|-------------------|---|-------------------|
| | | Amount (million) | Percentage (%) | Amount (million) | Percentage (%) |
| Semi-conductor and Component Test System | Net sales to unaffiliated customers | 119,765 | 97.0 | 173,938 | 96.3 |
| | Intersegment sales | 3,724 | 3.0 | 6,747 | 3.7 |
| | Net sales | 123,489 | 100.0 | 180,685 | 100.0 |
| | Operating expenses | 94,799 | 76.8 | 130,061 | 72.0 |
| | Operating income (loss) | 28,690 | 23.2 | 50,624 | 28.0 |
| | Expenditures for additions to long-lived assets | 1,457 | | 2,431 | |
| | Depreciation and amortization | 3,676 | | 3,225 | |
| | Total assets | 118,838 | | 86,104 | |
| Mechatronics System | Net sales to unaffiliated customers | 33,988 | 99.3 | 45,821 | 98.8 |
| | Intersegment sales | 237 | 0.7 | 574 | 1.2 |
| | Net sales | 34,225 | 100.0 | 46,395 | 100.0 |
| | Operating expenses | 22,992 | 67.2 | 32,733 | 70.6 |
| | Operating income (loss) | 11,233 | 32.8 | 13,662 | 29.4 |
| | Expenditures for additions to long-lived assets | 913 | | 654 | |
| | Depreciation and amortization | 1,144 | | 1,220 | |
| | Total assets | 29,191 | | 22,587 | |
| Services, Support and Others | Net sales to unaffiliated customers | 20,465 | 100.0 | 19,680 | 100.0 |
| | Intersegment sales | - | - | - | - |
| | Net sales | 20,465 | 100.0 | 19,680 | 100.0 |
| | Operating expenses | 23,052 | 112.6 | 16,278 | 82.7 |
| | Operating income (loss) | (2,587) | (12.6) | 3,402 | 17.3 |
| | Expenditures for additions to long-lived assets | 3,161 | | 5,709 | |
| | Depreciation and amortization | 3,627 | | 3,361 | |
| | Total assets | 17,472 | | 16,197 | |
| Elimination and Corporate | Net sales to unaffiliated customers | - | - | - | - |
| | Intersegment sales | (3,961) | 100.0 | (7,321) | 100.0 |
| | Net sales | (3,961) | 100.0 | (7,321) | 100.0 |
| | Operating expenses | 2,415 | - | 675 | - |
| | Operating income (loss) | (6,376) | - | (7,996) | - |
| | Expenditures for additions to long-lived assets | 90 | | 554 | |
| | Depreciation and amortization | 881 | | 479 | |
| | Total assets | 165,307 | | 171,881 | |
| Consolidated | Net sales to unaffiliated customers | 174,218 | 100.0 | 239,439 | 100.0 |
| | Intersegment sales | - | - | - | - |
| | Net sales | 174,218 | 100.0 | 239,439 | 100.0 |
| | Operating expenses | 143,258 | 82.2 | 179,747 | 75.1 |
| | Operating income (loss) | 30,960 | 17.8 | 59,692 | 24.9 |
| | Expenditures for additions to long-lived assets | 5,621 | | 9,348 | |
| | Depreciation and amortization | 9,328 | | 8,285 | |
| | Total assets | 330,808 | | 296,769 | |

- (Notes)
1. Advantest Corporation restructured two reporting segments of 'Automated Test Equipment' and 'Measuring Instruments' into three segments of 'Semi-conductor and Component Test System' 'Mechatronics System' and 'Service, Support and others.' Therefore, necessary adjustments and reclassification to the segment information for the preceding consolidated interim period and preceding consolidated fiscal year have been made to conform with the presentation of the current consolidated interim period.
 2. Adjustments included in Corporate mainly consist of research and development expenses for basic research activities, which are not allocated to corporate general administrative expenses and segment by business sector.
 3. The operating profit in the business segment information for this fiscal year and in the consolidated income statement do not match with the operating income in the consolidated income statement as the business segment information does not include the temporary profit of (Y)3,317 million and the stock option cost of (Y)2,290 million. Profit and loss from these are not included in management's analysis of results.
 4. Total assets included in Corporate consist of cash and cash equivalents, assets for general corporate use and assets for general corporate use and assets used for fundamental research activities, which are not allocated to reportable segments.

2. Geographic Segment Information

| | FY2003 (April 1, 2003 through March 31, 2004) | | FY2004 (April 1, 2004 through March 31, 2005) | |
|-------------------------------------|---|-------------------|---|-------------------|
| | Amount (million) | Percentage (%) | Amount (million) | Percentage (%) |
| Net sales to unaffiliated customers | | | | |
| Americas | 16,264 | 9.3 | 23,024 | 9.6 |
| Europe | 10,401 | 6.0 | 12,270 | 5.1 |
| Asia | 89,563 | 51.4 | 144,120 | 60.2 |
| Total Overseas | 116,228 | 66.7 | 179,414 | 74.9 |
| Japan | 57,990 | 33.3 | 60,025 | 25.1 |
| Consolidated | 174,218 | 100.0 | 239,439 | 100.0 |

(Cautionary Statement Regarding the Presentation of Notes)

In order to enable timely disclosure of business results, certain notes have been omitted.

These notes will be presented as a "Supplement to the Earnings Release" as soon as they become available.

Supplemental Information to the FY2004 Earnings Digest

* All consolidated figures were prepared in accordance with U.S. GAAP.

1. Summary of FY2004 Results (April 1, 2004 through March 31, 2005)

(Consolidated)

(In billion yen; truncated after the hundred million)

| | FY2003 | FY2004 | Increase/Decrease | Percentage change (%) |
|--|----------|----------|-------------------|-----------------------|
| Net sales | 174.2 | 239.4 | 65.2 | 37.4 |
| Operating income (loss) | 30.9 | 60.7 | 29.7 | 96.1 |
| Income (loss) before income taxes | 28.8 | 61.8 | 32.9 | 114.0 |
| Net income (loss) | 17.3 | 38.0 | 20.7 | 119.7 |
| Total assets | 330.8 | 296.7 | (34.0) | (10.3) |
| Stockholders' equity | 221.7 | 206.7 | (15.0) | (6.8) |
| Net income (loss) per share (basic) (in yen) | 176.37 | 389.54 | 213.17 | 120.9 |
| Net income (loss) per share (diluted) (in yen) | 176.02 | 388.51 | 212.49 | 120.7 |
| Stockholders' equity per share (in yen) | 2,256.59 | 2,236.97 | (19.62) | (0.9) |
| Net interest payment | (0.1) | 0.1 | 0.2 | - |
| ROE(%) | 8.0 | 17.8 | 9.8 | 122.5 |

(Unconsolidated) (Japanese GAAP)

(In billion yen; truncated after the hundred million)

| | FY2003 | FY2004 | Increase/Decrease | Percentage change (%) |
|--|----------|----------|-------------------|-----------------------|
| Net sales | 150.5 | 203.3 | 52.7 | 35.0 |
| Operating income (loss) | 23.7 | 41.9 | 18.1 | 76.3 |
| Ordinary income (loss) | 24.0 | 43.3 | 19.3 | 80.4 |
| Net income (loss) | 11.9 | 28.4 | 16.4 | 137.7 |
| Total assets | 277.0 | 238.1 | (38.9) | (14.1) |
| Stockholders' equity | 188.8 | 159.0 | (29.8) | (15.8) |
| Net income (loss) per share (basic) (in yen) | 119.97 | 288.68 | 168.71 | 140.6 |
| Net income (loss) per share (diluted) (in yen) | 119.73 | 287.91 | 168.18 | 140.5 |
| Stockholders' equity per share (in yen) | 1,920.33 | 1,718.95 | (201.38) | (10.5) |
| Dividends per share (in yen) | 40.00 | 50.00 | 10.00 | 25.0 |

2. Consolidated Net Sales by Business and Geographic Segment

(In billion yen; truncated after the hundred million)

| By Business Segment | | FY2003 | FY2004 | Increase/Decrease | Percentage change (%) |
|-----------------------|--|--------|--------|-------------------|-----------------------|
| | Semi-conductor and Component Test System | 123.4 | 180.6 | 57.1 | 46.3 |
| | Mechatronics System | 34.2 | 46.3 | 12.1 | 35.6 |
| | Services, Support and Others | 20.4 | 19.6 | (0.7) | (3.8) |
| | Intercompany transactions elimination | (3.9) | (7.3) | (3.3) | - |
| Total Net Sales | | 174.2 | 239.4 | 65.2 | 37.4 |
| By Geographic Segment | | FY2003 | FY2004 | Increase/Decrease | Percentage change (%) |
| Japan | | 57.9 | 60.0 | 2.0 | 3.5 |
| | Americas | 16.2 | 23.0 | 6.7 | 41.6 |
| | Europe | 10.4 | 12.2 | 1.8 | 18.0 |
| | Asia | 89.5 | 144.1 | 54.5 | 60.9 |
| Total Overseas | | 116.2 | 179.4 | 63.1 | 54.4 |

3. Consolidated Volume of Order and Orders Backlog by Business Segment (In billion yen; truncated after the hundred million)

| Volume of order | FY2003 | FY2004 | Increase/Decrease | Percentage change (%) |
|--|--------------|--------------|-------------------|-----------------------|
| Semi-conductor and Component Test System | 154.0 | 171.0 | 17.0 | 11.1 |
| Mechatronics System | 39.4 | 43.8 | 4.3 | 11.1 |
| Services, Support and Others | 20.1 | 19.1 | (1.0) | (5.1) |
| Intercompany transactions elimination | (4.6) | (6.5) | (1.8) | - |
| Total volume of orders | 208.9 | 227.4 | 18.5 | 8.9 |

| Orders backlog | FY2003 | FY2004 | Increase/Decrease | Percentage change (%) |
|--|-------------|-------------|-------------------|-----------------------|
| Semi-conductor and Component Test System | 41.6 | 32.0 | (9.6) | (23.1) |
| Mechatronics System | 9.2 | 6.6 | (2.5) | (27.8) |
| Services, Support and Others | 1.4 | 0.8 | (0.5) | (39.9) |
| Intercompany transactions elimination | (0.7) | 0.0 | 0.7 | - |
| Total orders backlog | 51.4 | 39.5 | (11.9) | (23.2) |

(Note) The amount of incoming orders for any given year consists of the sum of the revenues for such year and the amount of backlog at the end of such year less the backlog at the end of the previous year. Incoming orders are recorded as such once a written customer order is received.

4. Consolidated Cash Flows (In billion yen; truncated after the hundred million)

| | FY2003 | FY2004 | Increase/Decrease | Percentage change (%) |
|---|--------------|--------------|-------------------|-----------------------|
| Operating activities | 28.2 | 90.3 | 62.1 | 220.1 |
| Investing activities | (5.0) | (8.2) | (3.1) | - |
| (Free cash flows) | 23.1 | 82.0 | 58.9 | 254.6 |
| Financing activities | (6.3) | (63.0) | (56.6) | - |
| Total cash flows | 16.7 | 19.0 | 2.2 | 13.5 |
| Cash and cash equivalents at end of year | 101.1 | 120.9 | 19.8 | 19.6 |

5. Consolidated Outstanding Interest-bearing Liabilities (In billion yen; truncated after the hundred million)

| | FY2003 | FY2004 | Increase/Decrease | Percentage change (%) |
|---|-------------|-------------|-------------------|-----------------------|
| Bonds and warrant bonds | 24.5 | 20.0 | (4.5) | (18.4) |
| Loans and lease obligations | 0.1 | 0.0 | 0.0 | (36.8) |
| Total interest-bearing liabilities | 24.6 | 20.0 | (4.5) | (18.5) |

6. Consolidated Capital Expenditure, Depreciation and Amortization and Research and Development Expenses

(In billion yen; truncated after the hundred million)

| | FY2003 | FY2004 | Increase/Decrease | Percentage change (%) |
|-----------------------------------|--------|--------|-------------------|-----------------------|
| Capital expenditures | 5.6 | 9.3 | 3.7 | 66.3 |
| Depreciation and amortization | 9.3 | 8.2 | (1.0) | (11.2) |
| Research and development expenses | 21.6 | 26.2 | 4.6 | 21.5 |

7. Number of Employees (Advantest Corporation and Consolidated Subsidiaries)

(Persons)

| | FY2003 | FY2004 | Increase/Decrease | Percentage change (%) |
|--|--------------|--------------|-------------------|-----------------------|
| Unconsolidated | 1,450 | 1,433 | (17) | (1.2) |
| Domestic affiliates | 1,370 | 1,350 | (20) | (1.5) |
| Overseas affiliates | 724 | 782 | 58 | 8.0 |
| Affiliates total | 2,094 | 2,132 | 38 | 1.8 |
| Consolidated full-time employee total | 3,544 | 3,565 | 21 | 0.6 |

8 . Supplemental Segment Information

Segment information by geographic area

(In million yen; rounded to the nearest million yen)

| | | FY2003 | | FY2004 | |
|------------------------------|-------------------------------------|---|-------------------|---|-------------------|
| | | (April 1, 2003 through March 31, 2004) | Percentage (%) | (April 1, 2004 through March 31, 2005) | Percentage (%) |
| Japan | Net sales to unaffiliated customers | 91,860 | - | 110,095 | - |
| | Intersegment sales | 68,143 | - | 101,609 | - |
| | Net sales | 160,003 | 100.0 | 211,704 | 100.0 |
| | Operating expenses | 128,421 | 80.3 | 160,283 | 75.7 |
| | Operating income (loss) | 31,582 | 19.7 | 51,421 | 24.3 |
| | Total assets | 181,987 | | 157,726 | |
| Americas | Net sales to unaffiliated customers | 29,641 | - | 55,877 | - |
| | Intersegment sales | 2,134 | - | 2,601 | - |
| | Net sales | 31,775 | 100.0 | 58,478 | 100.0 |
| | Operating expenses | 29,593 | 93.1 | 54,388 | 93.0 |
| | Operating income (loss) | 2,182 | 6.9 | 4,090 | 7.0 |
| | Total assets | 26,105 | | 27,074 | |
| Europe | Net sales to unaffiliated customers | 15,322 | - | 16,307 | - |
| | Intersegment sales | 728 | - | 934 | - |
| | Net sales | 16,050 | 100.0 | 17,241 | 100.0 |
| | Operating expenses | 13,945 | 86.9 | 15,333 | 88.9 |
| | Operating income (loss) | 2,105 | 13.1 | 1,908 | 11.1 |
| | Total assets | 14,240 | | 13,082 | |
| Asia | Net sales to unaffiliated customers | 37,395 | - | 57,160 | - |
| | Intersegment sales | 4,051 | - | 7,523 | - |
| | Net sales | 41,446 | 100.0 | 64,683 | 100.0 |
| | Operating expenses | 36,443 | 87.9 | 56,621 | 87.5 |
| | Operating income (loss) | 5,003 | 12.1 | 8,062 | 12.5 |
| | Total assets | 49,121 | | 48,214 | |
| Elimination and Corporate | Net sales to unaffiliated customers | - | - | - | - |
| | Intersegment sales | (75,056) | - | (112,667) | - |
| | Net sales | (75,056) | - | (112,667) | - |
| | Operating expenses | (65,144) | - | (107,905) | - |
| | Operating income (loss) | (9,912) | - | (4,762) | - |
| | Total assets | 59,355 | | 50,673 | |
| Consolidated | Net sales to unaffiliated customers | 174,218 | - | 239,439 | - |
| | Intersegment sales | - | - | - | - |
| | Net sales | 174,218 | 100.0 | 239,439 | 100.0 |
| | Operating expenses | 143,258 | 82.2 | 178,720 | 74.6 |
| | Operating income (loss) | 30,960 | 17.8 | 60,719 | 25.4 |
| | Total assets | 330,808 | | 296,769 | |

(Notes)

- Adjustments included in Corporate mainly consist of research and development expenses for basic research activities, which are not allocated to corporate general administrative expenses and segment by geographic area. In addition, during this consolidated financial year, temporary profit of (Y)3,317 million from the return of substitutional portion of its Employee's Pension Fund plans and stock option cost of (Y)2,290 million is included.
- Total assets included in Corporate consist of cash and cash equivalents, assets for general corporate use and assets for general corporate use and assets used for fundamental research activities, which are not allocated to reportable segments.

(All unconsolidated financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

FY2004 Selected Unconsolidated Financial Data
(Year ended March 31, 2005)

April 26, 2005

Company name : **Advantest Corporation**
(URL <http://www.advantest.co.jp/investors/>)

Stock exchanges on which shares are listed : Tokyo Stock Exchange

Stock code number : 6857

Location of head office : Tokyo Prefecture

Company representative : Toshio Maruyama, Representative Board Director, President of Corporate Executive Officers and COO

Contact person : Hiroshi Nakamura, Manager, Accounting Department
(03) 3214-7500

Date of Board meeting to approve the financial results : April 26, 2005

Payment of interim dividend : Yes

Expected commencement date of dividend payment: June 29, 2005

Date of general shareholders meeting : April 26, 2005

Adoption of the unit share (*tangenkabu*) system : Yes (each unit comprises 100 shares)

1. Results of FY2004 (April 1, 2004 through March 31, 2005)

(1) Financial Results

| | Net sales | | Operating income | | Ordinary income | |
|---------------|----------------|-------------|------------------|-------------|-----------------|-------------|
| | Million yen | % | Million yen | % | Million yen | % |
| FY2004 | 203,315 | 35.0 | 41,910 | 76.3 | 43,365 | 80.4 |
| FY2003 | 150,558 | 96.3 | 23,776 | - | 24,033 | - |

| | Net income | | Net income per share | Fully diluted net income per share | Return on equity | Ratio of ordinary income to total assets | Ratio of ordinary income to net sales |
|---------------|---------------|--------------|----------------------|------------------------------------|------------------|--|---------------------------------------|
| | Million yen | % | yen | yen | % | % | % |
| FY2004 | 28,421 | 137.7 | 288.68 | 287.91 | 16.3 | 16.8 | 21.3 |
| FY2003 | 11,957 | - | 119.97 | 119.73 | 6.5 | 9.4 | 16.0 |

Note 1: Average number of shares outstanding was 97,750,345 shares during FY2004 and 98,250,830 shares during FY2003.

Note 2: No changes in accounting policies have been made during these periods.

Note 3: The percentages shown for net sales, operating income, ordinary income and net income are changes from the previous year.

(2) Dividends

| | Annual dividend per share | | | Total dividend paid | Payout ratio | Dividend on equity |
|---------------|---------------------------|--------------|--------------|---------------------|--------------|--------------------|
| | Interim | Year end | | | | |
| | Yen | Yen | Yen | Million yen | % | % |
| FY2004 | 50.00 | 25.00 | 25.00 | 4,768 | 16.8 | 3.0 |
| FY2003 | 40.00 | 15.00 | 25.00 | 3,930 | 32.9 | 2.1 |

(3) Financial Position

| | Total assets | Stockholders' equity | Equity-to-assets ratio | Stockholders' equity per share |
|---------------|----------------|----------------------|------------------------|--------------------------------|
| | Million yen | Million yen | % | Yen |
| FY2004 | 238,109 | 159,074 | 66.8 | 1,718.95 |
| FY2003 | 277,047 | 188,891 | 68.2 | 1,920.33 |

Note 1: Number of shares outstanding at year end was 92,423,615 shares in FY2004 and 98,275,640 shares in FY2003.

Note 2: Number of shares held as treasury stock at year end was 7,359,770 shares in FY2004 and 1,507,745 shares in FY2003.

(All unconsolidated financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

2. Projected Results for FY2005 (April 1, 2005 through March 31, 2006)

| | Net sales | Ordinary income | Net income | Annual dividend per share | | |
|-----------------------|----------------|-----------------|---------------|---------------------------|--------------|--------------|
| | | | | Interim | Year end | |
| | Million yen | Million yen | Million yen | Yen | Yen | Yen |
| FY2005 Interim | 95,000 | 19,000 | 12,000 | 25.00 | — | — |
| FY2005 | 205,000 | 44,000 | 28,000 | — | 25.00 | 50.00 |

(Reference) Projected net income per share for the fiscal year: ¥ 302.95

Figures presented in this Earning Digest have been truncated after the million yen.

For a discussion of the assumptions and other factors upon which these projections are based, please refer to “Prospects for the Upcoming Fiscal Year” appearing elsewhere in this document.

(All unconsolidated financial information has been prepared in accordance
with accounting principles generally accepted in Japan.)

Advantest Corporation – Unconsolidated (FY2004)

(Unconsolidated Financial Statements)

(Balance Sheets)

| | FY2003 (As of March 31, 2004) | | FY2004 (As of March 31, 2005) | |
|-------------------------------------|----------------------------------|-------------------|----------------------------------|-------------------|
| | Amount (in million yen) | Percentage (%) | Amount (in million yen) | Percentage (%) |
| (Assets) | | | | |
| I Current Assets | | | | |
| 1. Cash and deposits | | 64,469 | | 68,676 |
| 2. Trade notes receivables | | 4,978 | | 12,418 |
| 3. Accounts receivable | | 67,042 | | 43,564 |
| 4. Finished goods | | 8,154 | | 4,371 |
| 5. Raw materials | | 6,134 | | 3,627 |
| 6. Work in process | | 21,258 | | 14,520 |
| 7. Supplies | | 42 | | 67 |
| 8. Short-term loans receivable | | 7,061 | | 6,876 |
| 9. Other receivable | | 1,744 | | 1,168 |
| 10. Deferred tax assets | | 21,776 | | 10,032 |
| 11. Other | | 735 | | 727 |
| 12. Allowance for doubtful accounts | | (10) | | (0) |
| Total current assets | | 203,388 | 73.4 | 166,050 |
| II Noncurrent assets | | | | |
| (1) Property, plant and equipment | | | | |
| 1. Buildings | 43,205 | | 43,495 | |
| Accumulated depreciation | 27,021 | 16,183 | 28,122 | 15,372 |
| 2. Structures | 4,081 | | 4,100 | |
| Accumulated depreciation | 3,038 | 1,043 | 3,154 | 945 |
| 3. Machinery and equipment | 17,074 | | 17,651 | |
| Accumulated depreciation | 13,821 | 3,252 | 14,350 | 3,301 |
| 4. Vehicles and delivery equipment | 2 | | 30 | |
| Accumulated depreciation | 1 | 0 | 7 | 22 |
| 5. Tools and furniture | 13,904 | | 13,753 | |
| Accumulated depreciation | 12,565 | 1,338 | 11,833 | 1,920 |
| 6. Land | | 18,141 | | 18,141 |
| 7. Construction in progress | | 94 | | 74 |
| Total property, plant and equipment | | 40,054 | 14.5 | 39,778 |

*Accumulated depreciation includes the accumulated impairment losses.

(All unconsolidated financial information has been prepared in accordance
with accounting principles generally accepted in Japan.)

Advantest Corporation – Unconsolidated (FY2004)

| | FY2003 (As of March 31, 2004) | | FY2004 (As of March 31, 2005) | |
|--|----------------------------------|-------------------|----------------------------------|-------------------|
| | Amount (in million yen) | Percentage (%) | Amount (in million yen) | Percentage (%) |
| (2) Intangible fixed assets | | | | |
| 1. Patent rights | 62 | | 187 | |
| 2. Leasehold rights | 173 | | 173 | |
| 3. Telephone rights | 39 | | 39 | |
| 4. Utility rights | 112 | | 84 | |
| 5. Software | 1,367 | | 914 | |
| 6. Other | 129 | | 38 | |
| Total Intangible fixed assets | 1,884 | 0.7 | 1,437 | 0.6 |
| (3) Investments and other assets | | | | |
| 1. Investment securities | 6,713 | | 7,430 | |
| 2. Investment in associated companies | 16,347 | | 16,390 | |
| 3. Long-term loans receivable | 28 | | 22 | |
| 4. Long-term loans to associated companies | 1,380 | | 1,050 | |
| 5. Long-term prepaid expenses | 196 | | 588 | |
| 6. Deferred tax assets | 5,707 | | 4,137 | |
| 7. Other | 1,345 | | 1,223 | |
| Total Investment and other assets | 31,718 | 11.4 | 30,842 | 13.0 |
| Total noncurrent assets | 73,658 | 26.6 | 72,058 | 30.3 |
| Total assets | 277,047 | 100.0 | 238,109 | 100.0 |
| (Liabilities) | | | | |
| I Current liabilities | | | | |
| 1. Trade accounts payable | 38,444 | | 22,642 | |
| 2. Current installments of bonds | 4,500 | | 20,000 | |
| 3. Other accounts payable | 1,173 | | 2,037 | |
| 4. Accrued expenses | 6,647 | | 10,230 | |
| 5. Income tax payable | 32 | | 4,116 | |
| 6. Advance received | 196 | | 284 | |
| 7. Deposits received | 3,293 | | 5,660 | |
| 8. Allowance for product warranty | 1,771 | | 4,345 | |
| 9. Other | 444 | | 178 | |
| Total current liabilities | 56,504 | 20.4 | 69,495 | 29.2 |

(All unconsolidated financial information has been prepared in accordance
with accounting principles generally accepted in Japan.)

Advantest Corporation – Unconsolidated (FY2004)

| | FY2003 (As of March 31, 2004) | | FY2004 (As of March 31, 2005) | |
|---|----------------------------------|-------------------|----------------------------------|-------------------|
| | Amount (in million yen) | Percentage (%) | Amount (in million yen) | Percentage (%) |
| II Noncurrent liabilities | | | | |
| 1. Bonds | | 20,000 | | - |
| 2. Long-term borrowings | | 82 | | 40 |
| 3. Allowance for retirement benefits | | 9,386 | | 7,100 |
| 4. Allowance for officers' retirement benefits | | 1,261 | | 1,509 |
| 5. Other | | 920 | | 888 |
| Total noncurrent liabilities | | 31,651 | | 9,539 |
| Total liabilities | | 88,155 | | 79,034 |
| (Stockholders' equity) | | | | |
| I Common stock | | 32,362 | | 32,362 |
| II Capital surplus | | | | |
| 1. Additional paid-in capital | 32,973 | 32,973 | 32,973 | 32,973 |
| Total capital surplus | | 32,973 | | 32,973 |
| III Retained earnings | | | | |
| 1. Legal reserve | | 3,083 | | 3,083 |
| 2. Voluntary reserve | | | | |
| (1) Reserve for losses in foreign investments | 27,062 | | 27,062 | |
| (2) General reserve | 92,880 | 119,942 | 99,880 | 126,942 |
| 3. Unappropriated earnings at end of year | | 12,647 | | 28,538 |
| Total retained earnings | | 135,672 | | 158,563 |
| IV Net unrealized holding gains on other securities | | 793 | | 1,294 |
| V Treasury stock | | (12,910) | | (66,119) |
| Total stockholders' equity | | 188,891 | | 159,074 |
| Total liabilities and stockholders' equity | | 277,047 | | 238,109 |

(All unconsolidated financial information has been prepared in accordance
with accounting principles generally accepted in Japan.)

Advantest Corporation – Unconsolidated (FY2004)

(Statements of Income)

| | FY2003 (April 1, 2003 through March 31, 2004) | | | FY2004 (April 1, 2004 through March 31, 2005) | | |
|--|---|---------|-------------------|---|---------|-------------------|
| | Amount (in million yen) | | Percentage (%) | Amount (in million yen) | | Percentage (%) |
| I Net sales | | | | | | |
| 1. Net product sales | 150,558 | 150,558 | 100.0 | 203,315 | 203,315 | 100.0 |
| II Cost of sales | | | | | | |
| 1. Inventory of finished goods at beginning of year | 5,741 | | | 8,154 | | |
| 2. Cost of manufactured goods | 89,247 | | | 104,942 | | |
| Total | 94,988 | | | 113,097 | | |
| 3. Transfers to other accounts | 825 | | | 1,658 | | |
| 4. Inventory of finished goods at end of year | 8,154 | | | 4,371 | | |
| Balance of cost of sales | 86,008 | 86,008 | 57.1 | 107,067 | 107,067 | 52.7 |
| Gross profit | | 64,549 | 42.9 | | 96,247 | 47.3 |
| III Selling, general and administrative expenses | | 40,772 | 27.1 | | 54,337 | 26.7 |
| Operating income (loss) | | 23,776 | 15.8 | | 41,910 | 20.6 |
| IV Non-operating income | | | | | | |
| 1. Interest income | 128 | | | 116 | | |
| 2. Dividends income | 1,486 | | | 1,824 | | |
| 3. Lease income | 1,973 | | | 2,015 | | |
| 4. Miscellaneous income | 479 | 4,067 | 2.7 | 666 | 4,622 | 2.3 |
| V Non-operating expenses | | | | | | |
| 1. Interest expenses | 31 | | | 29 | | |
| 2. Bond interests | 434 | | | 409 | | |
| 3. Expenses related to leased equipment | 1,783 | | | 1,516 | | |
| 4. Miscellaneous expenses | 1,561 | 3,811 | 2.5 | 1,211 | 3,167 | 1.6 |
| Ordinary income (loss) | | 24,033 | 16.0 | | 43,365 | 21.3 |
| VI Extraordinary gain | | | | | | |
| 1. Gain on return of substitutional portion of the Employees' Pension Fund | - | - | - | 2,503 | 2,503 | 1.3 |
| VII Extraordinary loss | | | | | | |
| 1. Impairment loss on long-lived assets | 2,996 | 2,996 | 2.0 | - | - | - |
| Income (loss) before income taxes | | 21,036 | 14.0 | | 45,868 | 22.6 |
| Income taxes | 86 | | | 4,141 | | |
| Income taxes - deferred | 8,993 | 9,079 | 6.0 | 13,305 | 17,446 | 8.6 |
| Net income (loss) | | 11,957 | 8.0 | | 28,421 | 14.0 |
| Retained earnings brought forward | | 2,180 | | | 3,020 | |
| Loss from disposition of treasury stock | | 16 | | | 446 | |
| Interim dividend | | 1,473 | | | 2,457 | |
| Unappropriated earnings at end of year | | 12,647 | | | 28,538 | |

(All unconsolidated financial information has been prepared in accordance
with accounting principles generally accepted in Japan.)

Advantest Corporation – Unconsolidated (FY2004)

(Proposed Appropriation of Retained Earnings)

| | FY2003 (April 1, 2003 through March 31, 2004) | | FY2004 (April 1, 2004 through March 31, 2005) | |
|--|---|--------|---|--------|
| | Amount (in million yen) | | Amount (in million yen) | |
| Unappropriated earnings at end of year | | 12,647 | | 28,538 |
| Appropriation of earnings | | | | |
| 1. Dividends | 2,456 (¥25 per share) | | 2,310 (¥25 per share) | |
| 2. Director's bonus | 150 | | 180 | |
| 3. Corporate auditor's bonus | 20 | | 23 | |
| 4. General reserve | 7,000 | 9,626 | 22,000 | 24,513 |
| Unappropriated earnings carried forward | | 3,020 | | 4,024 |

(Note) Interim dividends paid were as follows:

| | FY2003 | FY2004 |
|--------------------------|-----------------------------------|-----------------------------------|
| Date of dividend payment | December 10, 2003 | December 1, 2004 |
| Interim dividend amount | ¥1,473 million (¥15 per share) | ¥2,457 million (¥25 per share) |

(Important Accounting Policies)

There were no changes in accounting policies.

(Cautionary Statement Regarding the Presentation of Notes)

In order to enable timely disclosure of business results, certain notes have been omitted. These notes will be presented as a "Supplement to the Earnings Release" as soon as they become available.

Changes in Board of Directors, Executive Officers and Auditors
(To be effective on June 28, 2005)

(1) Nominee for the Board of Directors (to be elected at the Shareholders Meeting)

| | |
|---------------------------------------|--|
| Director and Senior Executive Advisor | Hiroshi Oura (Representative Director, Chairman of the Board and CEO) |
| Chairman of the Board | Shimpei Takeshita (Vice Chairman of the Board) |
| Representative Board Director | Toshio Maruyama |
| Director of the Board | Junji Nishiura |
| Director of the Board | Hiroji Agata |
| Director of the Board | Hitoshi Owada |
| Director of the Board | Takashi Tokuno |

(2) Nominees for Corporate Auditor (to be elected at the Shareholders Meeting)

| | |
|-------------------|--|
| Corporate Auditor | Naoyuki Akikusa (Representative Director and Chairman, Fujitsu Limited) |
|-------------------|--|

* Corporate Auditor, Mr. Kuniaki Suzuki, retires as of June 28, 2005.

(3) Nominees for Executive Officers

| | |
|---|-------------------------------------|
| President and CEO | Toshio Maruyama (President and COO) |
| Senior Executive Officer | Junji Nishiura |
| Senior Executive Officer | Hiroji Agata |
| Managing Executive Officer | Hitoshi Owada |
| Managing Executive Officer | Takashi Tokuno |
| Managing Executive Officer | Kenichi Mitsuoka |
| Managing Executive Officer | Yuri Morita |
| Managing Executive Officer | Jiro Katoh |
| Managing Executive Officer (to be promoted) | Takao Tadokoro |
| Managing Executive Officer (to be promoted) | Hiroyasu Sawai |
| Managing Executive Officer (to be promoted) | Hiroshi Tsukahara |
| Executive Officer | Masao Shimizu |
| Executive Officer | Masao Araki |
| Executive Officer | Yuichi Kurita |
| Executive Officer | Yoshiro Yagi |
| Executive Officer | Hideaki Imada |
| Executive Officer | Shinichiro Umeda |
| Executive Officer (to be newly elected) | Akira Hatakeyama |
| Executive Officer (to be newly elected) | Yasuhiro Kawata |
| Executive Officer (to be newly elected) | Takashi Sugiura |
| Executive Officer (to be newly elected) | Shinichiro Kuroe |

Resignation from the Board :

Kiyoshi Miyasaka, Director and Senior Executive Officer --
To be elected as President of Advantest Customer Support Corporation

Other changes:

Norihito Kotani, Managing Executive Officer --
To be elected as President of Advantest Laboratory Co. Ltd.

Yoshiaki Furuse, Executive Officer --
To be elected as Executive Director of Advantest Customer Support Corporation

Nominee for Corporate Auditor (Biography)

Naoyuki Akikusa (Date of Birth: December 12, 1938)

Mar. 1961 Graduated from Waseda University, Faculty of Political Science and Economics.

Apr. 1961 Joined Fujitsu Limited

Jun. 1988 Member of the Board, Fujitsu Limited

Jun. 1991 Managing Director, Fujitsu Limited

Jun. 1992 Executive Director, Fujitsu Limited

Jun. 1998 Representative Director and President, Fujitsu Limited

Jun. 2003 Representative Director and Chairman, Fujitsu Limited (Current Position)

Nominee for New Executive Officers (Biography)

Akira Hatakeyama (Date of Birth: December 20, 1950)

Mar. 1973 Graduated from Nagoya University, Faculty of Engineering

Apr. 1973 Joined Advantest Corporation

Apr. 2001 President, Japan Engineering Corporation (Current Position)

Yasuhiro Kawata (Date of Birth: October 5, 1953)

Mar. 1974 Graduated from Wakayama National College of Technology

Apr. 1974 Joined Advantest Corporation

Apr. 2005 General Manager, 2nd SOC Tester Business Division,
1st Test System Business Group (Current Position)

Takashi Sugiura (Date of Birth: March 8, 1957)

Mar. 1979 Graduated from Nagoya University, Faculty of Physics

Apr. 1979 Joined Advantest Corporation

Apr. 2005 General Manager, Product Design Initiatives 1,
1st Test System Business Group (Current Position)

Shinichiro Kuroe (Date of Birth: March 30, 1959)

Mar. 1981 Graduated from Hosei University, Faculty of Engineering

Apr. 1981 Joined Advantest Corporation

Apr. 2005 General Manager, Solution Business Division
Sales and Marketing Group (Current Position)
