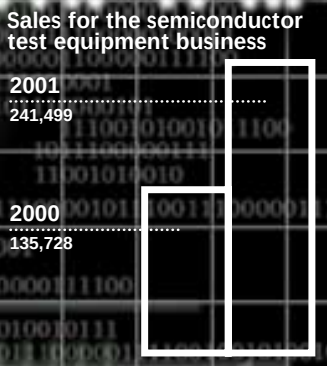
Semiconductor Test Systems

Maintaining Our Lead in Memory Test Systems While Boosting Our Share in the SoC Market

As chip manufacturers search for new ways to cut production costs, they are demanding bold, new solutions from their partners in the semiconductor test system industry. At Advantest, we are constantly trying to improve upon our present market position and past technological achievements by fully understanding the needs of our customers and quickly providing them with best-in-class products.



New Products Make Strong Showing in Fiscal 2000 — Use of Design-Ins Reaps Huge Dividends

Fiscal 2000 net sales for Advantest's automated test equipment business reached ¥241.4 billion, an increase of 77.9% over the previous year. Sales of memory test systems were particularly strong, finishing the year with net sales of ¥140.4 billion for year-on-year growth of 150.3%. In addition, steady sales of our new offerings for the non-memory market helped net sales for this sector increase by 5.5% to ¥41.1 billion.

This outstanding business performance was made possible by our ability to leverage our technological strengths and manufacturing prowess to provide products that dovetailed with the needs of our customers. In particular, much of this success can be attributed to our increased commitment to "design-ins" — the practice of working closely with customers starting from the design stage of their products, so that we can accurately grasp their testing needs and incorporate that data into the development of our test systems. By being a true partner that works together with them to address their testing challenges, we will enable new growth both for our customers and for our company.

Leveraging Our Top Position in Memory Test Systems

Over the past decade the semiconductor industry has seen some dramatic changes including the formation and dissolution of numerous alliances, the rise of "fabless" companies that outsource all of their chip manufacturing, and the emergence of test houses — factories that specialize solely on chip testing. Amidst these changes, there has been growing pressure for test system companies to provide increased product performance, while at the same time lowering test costs. Over the years, Advantest has established an impressive track record for consistently bringing best-in-class products to the memory market. In the future, we intend to maintain our number one share of this market by continuing to quickly develop on-target products that meet the changing testing demands of memory chips.

Aggressively Developing New SoC Test Systems to Increase Market Share

Currently, Advantest is concentrating on the development of new test systems for system-on-a-chip (SoC) semiconductors, which combine logic, memory, and analog circuitry all upon a single chip. The compactness and diverse functions of SoCs have made them popular for use in cellular phones and other consumer electronics, fueling expectations of high, long-term growth. For a company like Advantest, which since its founding has focused on the development of electronic measurement instruments, the convergence of analog and digital circuitry within SoCs provides an ideal fit to our areas of technological expertise. As such, we will be working to ready a comprehensive product portfolio that can meet all the testing challenges posed by the diversity of SoCs being developed.

One of the anchors of this future lineup will be our T6500 series of SoC test systems, which was launched in fiscal 2000. The three models within this product family are all geared to help reduce the cost of testing in the manufacturing line and are two times more compact and energy-efficient than preceding models.

In addition, through the use of a common platform for all of our SoC test systems, we plan to both save in research and development costs and accelerate our time to market. We are also actively working to respond to the growing use of built-in self-test (BIST) — a rapidly emerging, mission-critical technology in which testing circuitry is embedded within the chip itself to help reduce the cost of testing.