

## A Message from the Management



**We see opportunity for change  
in challenging times**

**Hiroshi Oura**  
Chairman of the Board and CEO (left)  
**Toshio Maruyama**  
President and COO (right)

## A Message from the Management

### Overview of Fiscal 2001

The year ended March 31, 2002 (“fiscal 2001”), represented a challenging year for Advantest Corporation.

In fiscal 2000, Advantest enjoyed a record level of consolidated net sales. In comparison, in fiscal 2001 the IT slump triggered a general recession in the U.S. economy, and the September 11 terrorist attacks sent ripples through markets. The global economy suffered and the outlook remained uncertain. Although there were certain signs of improvement in the economies of the United States, Europe, Japan, and other parts of Asia, a full-fledged recovery remained elusive.

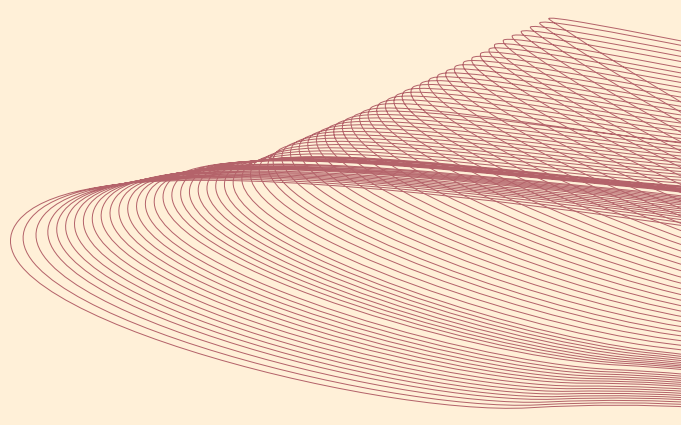
Excess inventory and overcapacity caused by the rapid drop in demand from the prior fiscal year led to significantly decreased global investment levels in the semiconductor industry. Capital expenditures in the fiber-optic and wireless communications industries also decreased significantly in response to the excessive investments made during the IT boom years.

We have thus far taken various initiatives to reduce the susceptibility of our business to economic fluctuations. In fiscal 2001, however, conditions deteriorated beyond our expectations. As a result, consolidated net sales decreased 65.6% year on year, to ¥95.2 billion, primarily as a result of a significant decrease in sales of the automated test equipment segment. Advantest had an operating loss of ¥37.1 billion and a net loss of ¥23.9 billion for fiscal 2001.

### Restructuring and Business Strategy

For the cover of this annual report, we have chosen the phrase “Riding above the waves.” We believe this captures the essence of the Company’s objectives. Advantest is committed to restructuring its operations and aggressively pursuing its business strategies to improve its resistance to economic fluctuations and cyclical downturns in the semiconductor industry.

In terms of restructuring, we have boldly reorganized our business by consolidating or terminating some of our operations and reducing the number of our employees. We have also established a new distribution system that allows the delivery of repairs and parts to our global customers within



48 hours. Furthermore, we are pursuing significant cost cuts by standardizing parts and component designs and providing more focused product offerings. We have also redefined our work environment by introducing a new human resource development system and a merit-based salary system for management-level employees.

As an important element of our business strategy, we place great emphasis on further strengthening our long-term relationships with customers. In the automated test equipment segment, which accounts for the majority of the Company’s revenues, Advantest needs to anticipate advances in semiconductor production technologies. To this end, we are working to maintain and expand our close ties with semiconductor manufacturers.

Advantest currently enjoys the top market share in the memory semiconductor test systems market and is highly regarded by its customers. In addition to maintaining and strengthening this market share, we hope to expand our share in the system-on-a-chip (SoC) semiconductor test systems market, which is expected to grow at a higher rate than the memory semiconductor test systems market in the near future. To achieve this goal, we are expanding our product line to offer a full range of SoC semiconductor test systems and increasing our staff of system engineers to respond more quickly to customers’ needs.



For the measuring instrument segment, Advantest has developed an innovative system called the WMT (Wizard of Module Test). This system enables Advantest customers to upgrade or install additional functions to their measuring instruments by adding or replacing modules rather than replacing an entire system. Through the WMT system, we expect to lower development and manufacturing costs and shorten delivery times, thereby reducing costs for our customers.

**Future Prospects**

In the medium-to-long term, the transition towards ADSL and other broadband connections in the communications industry and the emergence of PDAs, digital TVs, and other digital consumer products in the electronics industry are expected to lead to increased investments and an expanded market.

Despite sustained consumer spending in the United States, the current downturn is expected to continue in Japan in fiscal 2002 as consumer demand remains weak. In the electronics industry, where semiconductor and communication equipment manufacturers continue to hold back capital expenditures, demand is not expected to recover until the second half of fiscal 2002.

In response to these circumstances, we will continue to implement the various reform measures described above to

enable ourselves to respond quickly to market changes. In addition, we will continue the research and development of next-generation technologies and will seek to improve customer satisfaction by providing the best solutions to our customers under the concept of GET solution (Globally Enabled Total solution).

Advantest began listing on the New York Stock Exchange in September 2001, and we hope this listing will facilitate our overseas business expansion, particularly in the United States. We also hope to use this opportunity to strengthen our investor relations and disclosure efforts and to increase public recognition of the Company.

We look forward to your continued advice and support for bringing Advantest to the next level.

Hiroshi Oura  
Chairman of the Board and CEO

Toshio Maruyama  
President and COO