

**FY2003 Consolidated Financial Results**  
(Prepared in accordance with U.S. GAAP)  
(Year ended March 31, 2004)

April 26, 2004

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, 2004

Application of U.S. GAAP : Yes

**1. Consolidated Results of FY2003 (April 1, 2003 through March 31, 2004)**

(1) Consolidated Financial Results

	Net sales		Operating income		Income before income taxes	
	Million yen	%	Million yen	%	Million yen	%
<b>FY2003</b>	<b>174,218</b>	<b>78.2</b>	<b>30,960</b>	-	<b>28,878</b>	-
FY2002	97,740	2.6	(16,743)	-	(18,688)	-

	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	%	%	%
<b>FY2003</b>	<b>17,329</b>	-	<b>176.37</b>	<b>176.02</b>	<b>8.0</b>	<b>9.4</b>	<b>16.6</b>
FY2002	(12,994)	-	(131.99)	(131.99)	(5.8)	(6.3)	(19.1)

Note 1: Equity in losses of affiliates was ¥117 million in FY2003 and ¥109 million in FY2002.

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

Note 3: Average number of shares outstanding was 98,250,830 shares during FY2003 and 98,445,111 during FY2002.

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
<b>FY2003</b>	<b>330,808</b>	<b>221,768</b>	<b>67.0</b>	<b>2,256.59</b>
FY2002	281,224	210,663	74.9	2,144.23

Note: Outstanding number of shares at year end was 98,275,640 shares in FY2003 and 98,246,359 shares in FY2002.

(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
<b>FY2003</b>	<b>28,215</b>	<b>(5,070)</b>	<b>(6,376)</b>	<b>101,146</b>
FY2002	4,967	(8,419)	(14,488)	87,338

(4) Scope of Consolidation and Equity Method

Number of consolidated subsidiaries: 40

Number of unconsolidated subsidiaries: 0

Number of affiliates accounted for under the equity method: 0

(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)	1 company

**2. Projected Results for FY2004 (April 1, 2004 through March 31, 2005)**

	Net sales	Net income before income taxes	Net income
	Million yen	Million yen	Million yen
<b>FY2004 interim</b>	<b>125,000</b>	<b>30,000</b>	<b>18,000</b>
<b>FY2004</b>	<b>250,000</b>	<b>60,000</b>	<b>36,000</b>

(Reference) Projected net income per share for the fiscal year: ¥366.32

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 mission 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

Advantest is focused on improving operating results through establishing an operating structure that responds timely to market changes, promoting early development of key future technologies and providing timely customer solutions under the concept of “GETsolution”.<sup>1</sup> 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 in the U.S., Europe and Asia.

Further, Advantest seeks to achieve better transparency and strengthen its corporate branding by stressing the importance of corporate social responsibilities, enhancing its disclosure process and compliance system, and addressing environmental as well as human rights issues.

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 expects to achieve further growth and fulfill its social mission by having each employee take the initiative to tackle new issues. This initiative will continue into 2004, the year of Advantest 50th anniversary.

- \*1 GETsolution (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

In addition to such indicators of performance as profit margin, ROE and cash flows, Advantest uses “AVA” (Advantest Value Added), a financial index incorporating the concept of EVA (Economic Value Added)<sup>2</sup>, to measure its business performance. 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 Steward & 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 direct distribution of profits, Advantest has adopted a policy of maintaining consistent dividend payouts subject to its financial condition.

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 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)

In order to ensure timely response to rapid changes in the business environment and to strengthen corporate governance, Advantest reorganized several aspects of its management structure in June 2003, including changes to its Board of Directors and the introduction of the Executive Officer system. The Board of Directors, which consists of 7 members and is the ultimate decision-making body, is in charge of formulating business policies and strategies, as well as monitoring and supervising the company's operations. Executive Officers, on the other hand, are delegated significant authority for executing operations speedily and efficiently.

Advantest adopts a Board of Corporate Auditors system. In an effort to strengthen internal auditing, Advantest has in June 2003 increased the number of part-time outside auditor from one to two.

Advantest receives advice from both Japanese and foreign legal counsels as necessary with respect to further improving corporate governance.

In July 2003, Advantest established the Corporate Social Responsibility Committee ("CSR Committee") to monitor and supervise the Company's activities from the view of corporate social responsibility. The CSR Committee oversees the Disclosure Committee, the Committee on Environmental Conservation, the Information Security Committee and the Human Rights Committee, each of which had until then been operated separately. Furthermore, in January 2004, Advantest set up an Internal Control Committee under the CSR Committee to strengthen the company's internal control mechanism, whose purpose is to ensure (i) management effectiveness and efficiency, (ii) reliability of financial reporting and (iii) legal and regulatory compliance.

## 2. Business Results and Financial Condition

### (1) Business Results

#### Fiscal Year Results

During the fiscal year, business conditions affecting the Company have been generally very favorable due to an increased appetite for capital expenditures in the semiconductor manufacturing industry, as stimulated by the strong performance of digital consumer products including digital cameras and DVD devices, decreased volatility of DRAM prices, and improved demands for personal computers.

Under this environment, Advantest made concentrated efforts to increase incoming orders and expand sales through the timely introduction of new products. Advantest and its group companies combined forces in a drive towards improving profitability by shortening production time and improving production efficiency, in part through a reorganization of its manufacturing operations implemented on July 1, 2003 to consolidate certain of its manufacturing subsidiaries under Advantest Manufacturing, Inc., as well as continuing its efforts from the previous fiscal year to reduce fixed costs.

As a result of the above, Advantest returned to profit as incoming orders increased by 105.9% to ¥208.9 billion and net sales increased by 78.2% to ¥174.2 billion, each as compared with the previous fiscal year, while achieving net income before income taxes of ¥28.8 billion and net income of ¥17.3 billion. Overseas sales as a percentage of total sales was 66.7%, as compared to 60.2% in the previous fiscal year.

In the automated test equipment segment, flash memory testers in the memory tester market performed strongly both domestically and overseas. In addition, DRAM testers experienced solid sales, particularly with respect to new models such as the T5593 high-speed memory tester for next generation DDR memory and general purpose high-speed memory testers, which generated a high level of purchase inquiries both in and outside of Japan.

In the SoC (System-on-a-chip) and application specific semiconductor testers market, testers for SoC used in mobile phones and digital consumer devices and testers for LCD driver ICs continued their robust sales from the previous fiscal year particularly in Japan and Taiwan. In addition, Advantest has introduced new products aiming at the CCD and in-car device market. Advantest has also launched the T2000 series of new-concept SoC testers based on OPENSTAR<sup>TM,3</sup> which recorded strong sales in the North American market.

As a result of the above, incoming orders in the automated test equipment segment increased by 118.9% to ¥195.4 billion while net sales of the segment increased by 89.4% to ¥160.8 billion, each as compared with the previous fiscal year. Overseas sales as a percentage of total sales in the automated test equipment segment was 70.2%, as compared to 65.4% in the previous fiscal year.

In the measuring instrument segment, business conditions continued to be severe due to delays in the recovery of demand in the communication market in general, despite certain market, such as the wireless LAN market, performing well in the wireless communications related market. In this segment, despite efforts to introduce new products based on the WMT<sup>4</sup> platform, including a high-performance signal analyzer for next generation mobile communication, full-fledged recovery was not seen in sales or profits.

As a result of the above, incoming orders in the measuring instrument segment increased by 10.8% to ¥13.4 billion while net sales of the segment increased by 4.2% to ¥13.3 billion, each as compared with the previous fiscal year. Overseas sales as a percentage of total sales in the measuring instrument segment was 25.2%, as compared to 25.8% in the previous fiscal year.

However, the measuring instrument segment has faced operating deficits in the two preceding fiscal years and, despite Advantest’s restructuring efforts, did not return to profitability in the current fiscal year, with no such prospects for the foreseeable future. Therefore, Advantest has made a determination to recognize an impairment charge on long-lived assets of this segment and recorded a charge in the aggregate amount of ¥3.0 billion, which was included in operating expense of this fiscal year.

For further information on the prospects of the measuring instrument segment, please refer to the section entitled “Prospects for the Upcoming Fiscal Year”.

- \*3 OPENSTAR™ – The name of an open architecture standard published by the Semiconductor Test Consortium, Inc.
- \*4 WMT (Wizard of Module Test) is a common platform proprietarily developed by Advantest for measuring instruments.

On August 1, 2003, Advantest and certain of its consolidated domestic subsidiaries received approval from the Minister of Health and Labor to be exempted from future benefit obligations related to the substitutional portion of its Welfare Pension Plan as part of the transfer of its Welfare Pension Plan to the Japanese government pursuant to the Defined Benefit Corporate Pension Law. Advantest and these consolidated domestic subsidiaries expect to recognize, on the day of transfer of the substitutional portion, the full amount of any loss or gains resulting therefrom in accordance with EITF Issue No. 03-2, “Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities”. As a result, Advantest does not expect the transfer to have any impact on its results of the fiscal year.

On December 16, 2003, Advantest acquired 100% ownership of its subsidiary, Japan Engineering Co., Ltd., through a simplified share exchange against delivery of Advantest’s treasury stock.

#### <Distribution of Profits>

Advantest succeeded in returning to profits this fiscal year after two years of deficits. Nonetheless, business conditions are still not in a state to permit general optimism. Based on the profit distribution policy described above and as stated in its revised dividend forecast issued on March 5, 2004, Advantest expects to propose to the 62nd General Shareholders’ Meeting a year-end dividend of ¥25 per share, which, together with the interim dividend of ¥15 per share already paid, amounts to a fiscal-year total of ¥40 per share (as compared to ¥30 per share in the previous fiscal year).

#### Prospects for the Upcoming Fiscal Year

With respect to business conditions in the upcoming fiscal year, 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 recovery 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. Notwithstanding the existence of certain factors that may have a negative impact, such as the strengthening of yen and the prospects for economic recovery, Advantest expects the business environment to improve in general.

In order to respond to these expected increases in demand, Advantest plans to implement a number of measures aimed at furthering its profitability, including plans to increase sales through the timely introduction of new products that meet market 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 43.5% to ¥250.0 billion, while net income before income taxes is estimated to increase by 107.8% to ¥60.0 billion and net income by 107.7% to ¥36.0 billion, each as compared with the current fiscal year.

In connection with the regrouping and reorganization, as described below, of the Company's business in FY2004, Advantest plans to reclassify and regroup its two reportable segments of "automated test equipment" and "measuring instruments" into the following three new segments – "semiconductor and component test system", "mechatronics system" and "services, support and others".

The measuring instrument segment, which has historically been one of Advantest's reportable segments, has suffered poor results with grim prospects for recovery. Therefore, Advantest has undertaken a fundamental review of this segment, and made the decision to reorganize the segment by selectively focusing on certain of its existing businesses, centering on the act of "measurement", which is the basic pillar of the company's business.

The first segment of "semiconductor and component test system" focuses on the markets for semiconductors and electronic parts. This segment combines Advantest's product lines of memory testers, SoC testers and application specific semiconductor testers with certain measuring instrument product lines, as well as incorporating the constituent technologies, sophisticated engineering teams and other resources developed in the measuring instrument business.

The second segment of "mechatronics system" focuses on peripheral devices used for "measurement", which shall include handlers, which are used for the purpose of factory automation, device interfaces, which serve as interface with devices to be measured, and nano-technology related operations.

The last segment of "services, support and others" shall consist of solutions provided in connection with the above businesses, support services, and the equipment lease business.

As for the prospects of each of the new business segments, the semiconductor and component test system segment is expected to experience further increases in demand, as a number of new products are scheduled to be introduced in the memory tester markets and semiconductor manufacturers are expected to make investments to expand manufacturing capacity. In addition, in the SoC and application specific semiconductor testers market, strong sales are expected to continue for testers for SoCs used in digital consumer electronic devices and testers for LCD driver ICs, while the T2000 series testers are expected to contribute to profitability in light of increased demand and introduction of new modules. Further, products for the CCD and in-car device markets are expected to experience increased demand generated by the introduction of a range of new products. Net sales for this segment is forecasted to be ¥180.0 billion.

In the mechatronics system segment, strong sales are expected to continue for products capable of simultaneously handling a large number of devices and products equipped with cooling functions. Net sales for this segment is forecasted to be ¥50.0 billion.

Net sales for the services, support and others segment is forecasted to be ¥20.0 billion.

#### <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 ¥50 per share for the upcoming fiscal year (including an interim dividend of ¥25 per share), which represents an increase of ¥10 as compared to the current fiscal year.

(2) Financial Condition

Cash and cash equivalents held at March 31, 2004 were ¥101.1 billion, an increase of ¥13.8 billion from March 31, 2003.

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

Net cash provided by operating activities was ¥28.2 billion. This amount was primarily attributable to a net income of ¥17.3 billion and an increase in accounts payable of ¥29.1 billion.

Net cash used in investment activities were an outflow of ¥5.0 billion. This amount was primarily attributable to capital expenditures of ¥5.4 billion, including capital expenditures related to equipment for leasing.

Net cash used in financing activities was ¥6.3 billion. This amount was primarily attributable to dividend payments in the amount of ¥2.4 billion, the repayment of long-term debt in the amount of ¥2.2 billion and the repayment of the obligations of a newly consolidated subsidiary in the amount of ¥1.5 billion.

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

	Year ended March 31,				
	2000	2001	2002	2003	2004
Stockholders' equity ratio ( % )	66.9	65.8	78.3	74.9	67.0
Stockholders' equity ratio based on market prices ( % )	674.8	304.0	311.4	147.4	253.4
Debt to annual cash flow ratio	1.8	1.1	3.0	5.4	0.9
Interest coverage ratio	3,057.3	4,116.4	1,703.0	1,013.7	5,965.1

\*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	FY2002 (As of March 31, 2003)		FY2003 (As of March 31, 2004)	
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)
(Assets)					
Cash and cash equivalents		87,338		101,146	
Trade accounts receivable, less allowance for doubtful accounts	*1	42,921		76,133	
Inventories		34,995		49,423	
Deferred tax assets		13,875		24,223	
Other current assets		2,886		4,837	
Total current assets		182,015	64.7	255,762	77.3
Investment securities	Note 4	6,928	2.5	7,952	2.4
Property, plant and equipment, net	*2 *3	55,431	19.7	50,516	15.3
Deferred tax assets		27,827	9.9	9,599	2.9
Intangible assets, at cost, less accumulated amortization		5,291	1.9	3,756	1.1
Other assets		3,732	1.3	3,223	1.0
Total assets		281,224	100.0	330,808	100.0
(Liabilities)					
Current installments of long-term debt	*3	2,243		4,543	
Trade accounts payable		10,787		38,214	
Income taxes payable		1,949		3,845	
Accrued expenses		6,443		8,939	
Accrued warranty expenses		2,396		3,121	
Deferred revenue		1,361		4,543	
Other current liabilities		3,219		3,406	
Total current liabilities		28,398	10.1	66,611	20.1
Long-term debt, excluding current installments	*3	24,626	8.8	20,083	6.1
Accrued pension and severance cost		14,219	5.0	18,348	5.6
Other long-term liabilities		3,006	1.1	3,411	1.0
Total liabilities		70,249	25.0	108,453	32.8

	Notes	FY2002 (As of March 31, 2003)		FY2003 (As of March 31, 2004)	
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)
(Minority interests)					
Minority interests		312	0.1	587	0.2
(Stockholders' equity)					
Common stock		32,363	11.5	32,363	9.8
Capital surplus		32,973	11.7	32,973	10.0
Retained earnings		162,547	57.8	177,404	53.5
Accumulated other comprehensive income (loss)	*4	(4,055)	(1.4)	(8,061)	(2.4)
Treasury stock		(13,165)	(4.7)	(12,911)	(3.9)
Total stockholders' equity		210,663	74.9	221,768	67.0
Total liabilities and stockholders' equity		281,224	100.0	330,808	100.0

(Notes)

	Amount (in million yen)	Amount (in million yen)
*1. Allowance for doubtful accounts	1,240	2,464
*2. Accumulated depreciation on property, plant and equipment	67,028	64,533
*3. Collateralized assets and secured obligations		
Property, plant and equipment	415	403
Obligations secured by the above	53	38
*4. Accumulated other comprehensive income (loss)		
Foreign currency translation adjustment	(4,111)	(8,087)
Net unrealized gain (loss) on available-for-sale securities	56	1,422
Minimum pension liability adjustment	-	(1,396)
5. Net assets per share (in yen)	2,144.23	2,256.59

## Consolidated Statements of Income

	Notes	FY2002 (April 1, 2002 through March 31, 2003)		FY2003 (April 1, 2003 through March 31, 2004)			
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)		
Net sales			97,740	100.0	174,218	100.0	
Cost of sales			56,551	57.9	85,513	49.1	
Gross profit			41,189	42.1	88,705	50.9	
Research and development expenses			23,615	24.1	21,637	12.4	
Selling, general and administrative expenses			34,317	35.1	36,108	20.7	
Operating income (loss)			(16,743)	(17.1)	30,960	17.8	
Other income (expense):							
Interest and dividends income		407			339		
Interest expense		(490)			(469)		
Minority interests		(107)			(214)		
Equity in earnings (losses) of affiliates		(109)			(117)		
Other		(1,646)	(1,945)	(2.0)	(1,621)	(2,082)	(1.2)
Income (loss) before income taxes			(18,688)	(19.1)	28,878	16.6	
Income taxes			(5,694)	(5.8)	11,549	6.6	
Net income (loss)			(12,994)	(13.3)	17,329	10.0	

	Notes	FY2002 (April 1, 2002 through March 31, 2003)	FY2003 (April 1, 2003 through March 31, 2004)
		Amount (in yen)	Amount (in yen)
Net income per share (Net loss per share)			
Basic		(131.99)	176.37
Diluted		(131.99)	176.02

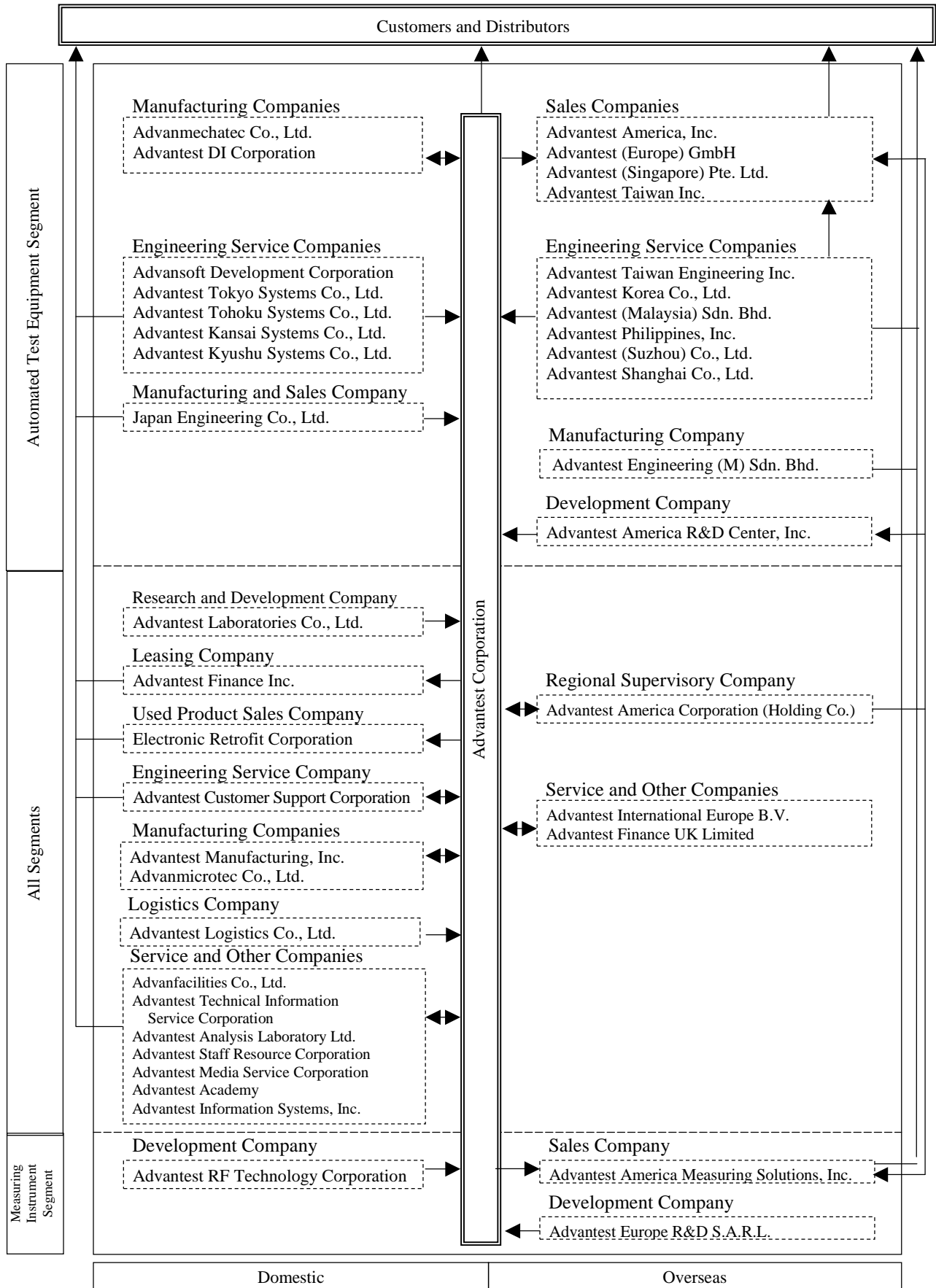
## Consolidated Statements of Stockholders' Equity

		FY2002 (April 1, 2002 through March 31, 2003)	FY2003 (April 1, 2003 through March 31, 2004)
	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
Balance at end of year		32,973	32,973
Retained earnings :			
Balance at beginning of year		178,998	162,547
Net income (loss)		(12,994)	17,329
Cash dividends		(3,457)	(2,456)
Loss on disposal of treasury stock		-	(16)
Balance at end of year		162,547	177,404
Accumulated other comprehensive income (loss) :			
Balance at beginning of year		(1,184)	(4,055)
Other comprehensive income (loss), net of tax		(2,871)	(4,006)
Balance at end of year		(4,055)	(8,061)
Treasury stock :			
Balance at beginning of year		(2,434)	(13,165)
Treasury stock purchased		(10,731)	(32)
Exercise of stock options		-	180
Decrease in treasury stock upon share exchange		-	105
Treasury stock sold		-	1
Balance at end of year		(13,165)	(12,911)
Total stockholders' equity		210,663	221,768
Disclosure of comprehensive income (loss) :			
Net income (loss)		(12,994)	17,329
Other comprehensive income (loss), net of tax		(2,871)	(4,006)
Total comprehensive income (loss)		(15,865)	13,323

## Consolidated Statements of Cash Flows

	FY2002 (April 1, 2002 through March 31, 2003)	FY2003 (April 1, 2003 through March 31, 2004)
	Amount (in million yen)	Amount (in million yen)
<b>I Cash flows from operating activities:</b>		
Net income (loss)	(12,994)	17,329
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	10,942	9,328
Deferred income taxes	(8,012)	6,703
Impairment loss on long-lived assets	-	3,030
Decrease (increase) in trade accounts receivable	(10,927)	(35,285)
Decrease (increase) in inventories	17,415	(14,570)
Increase (decrease) in trade accounts payable	6,963	29,190
Increase (decrease) in income taxes payable	1,878	1,997
Increase (decrease) in accrued expenses	(2,198)	2,518
Increase (decrease) in accrued warranty expenses	(440)	709
Increase (decrease) in deferred revenue	489	3,441
Increase (decrease) in accrued pension and severance cost	1,022	2,639
Other	829	1,186
Net cash provided by operating activities	4,967	28,215
<b>II Cash flows from investing activities:</b>		
Proceeds from sale of marketable securities	-	323
Proceeds from sale of non-marketable securities	7	387
Purchases of non-marketable securities	(1,000)	(1,288)
Proceeds from sale of property, plant and equipment	583	435
Purchases of intangible assets	(947)	(358)
Purchases of property, plant and equipment	(6,827)	(5,068)
Other	(235)	499
Net cash used in investing activities	(8,419)	(5,070)
<b>III Cash flows from financing activities:</b>		
Principal payments on long-term debt	(42)	(2,243)
Payments to acquire treasury stock	(10,733)	(31)
Dividends paid	(3,453)	(2,462)
Payments on obligations of a newly consolidated subsidiary	-	(1,568)
Other	(260)	(72)
Net cash used in financing activities	(14,488)	(6,376)
<b>IV Net effect of exchange rate changes on cash and cash equivalents</b>	(654)	(2,961)
<b>V Net change in cash and cash equivalents</b>	(18,594)	13,808
<b>VI Cash and cash equivalents at beginning of year</b>	105,932	87,338
<b>VII Cash and cash equivalents at end of year</b>	87,338	101,146

Organization of the Advantest Group



Consolidated subsidiaries: 23 domestic; 17 overseas; 40 total

Equity method subsidiaries: none

← : 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. 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 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:

		FY2002 (As of March 31, 2003)	FY2003 (As of March 31, 2004)	Increase (decrease)
	Domestic	21	23	2
	Overseas	20	17	(3)
	Consolidated subsidiaries	41	40	(1)
	Equity method affiliates	1	0	(1)
	Total	42	40	(2)

Changes in the scope of consolidation:

Newly included (3):	Advantest RF Technology Corporation *1 Advantest Information Systems, Inc. *2 Japan Engineering Co., Ltd. *3
Excluded (4):	Advantest Instruments Co., Ltd. *4 Advantest America Design Center, Inc.*5 Advantest (Singapore) Pte. Ltd.*6 Advantest Test Engineering Corporation*7

Changes in the scope of application of equity method:

Excluded (1):	Japan Engineering Co., Ltd. *3
---------------	--------------------------------

- \*1 Advantest RF Technology Corporation was established on April 1, 2003 as a subsidiary to develop measuring instruments.
- \*2 Advantest Information Systems, Inc. was established on July 1, 2003 by spinning off Advantest's information system operations.
- \*3 Japan Engineering Co., Ltd. became a wholly-owned subsidiary of Advantest upon the consummation of a share subscription by Advantest of Japan Engineering's new shares on August 5, 2003, and an acquisition by Advantest of all remaining interests in Japan Engineering by means of a share exchange on December 16, 2003.
- \*4 Advantest Instruments Co., Ltd. was merged into Advanelectron Co., Ltd. on July 1, 2003 as part of an initiative to consolidate Advantest's manufacturing operations. In addition, Advanelectron Co., Ltd. has changed its registered name to Advantest Manufacturing, Inc.
- \*5 Advantest America Design Center, Inc. closed operation on June 30, 2003.
- \*6 Advantest (Singapore) Pte. Ltd. was consolidated with Advantest's Asian regional supervisory subsidiary, Advantest Asia Pte. Ltd., on October 1, 2003. Further, the registered name of Advantest Asia Pte. Ltd. has been changed to Advantest (Singapore) Pte. Ltd.
- \*7 Advantest Test Engineering Corporation was merged into Advantest America R&D Center, Inc. on March 19, 2004 with a view to streamline management.

(Note 2) Summary of Significant Accounting Policies and Practices

There was no change in accounting practices.

However, Advantest has adopted the following accounting standards effective from this fiscal year.

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. Advantest adopted the provisions of SFAS No. 143 on April 1, 2003. The effect on Advantest's consolidated financial statements is insignificant.

In December 2002, the Emerging Issues Task Force reached a final consensus on Issue No. 00-21 (“EITF 00-21”), “Revenue Arrangements with Multiple Deliverables”. EITF 00-21 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. In applying EITF 00-21, separate contracts with the same entity or related parties that are entered into at or near the same time are presumed to have been negotiated as a package and should, therefore, be evaluated as a single arrangement in considering whether there are one or more units of accounting. That presumption may be overcome if there is sufficient evidence to the contrary. EITF 00-21 also addresses how consideration should be measured and allocated to the separate units of accounting in the arrangement. Advantest adopted the provisions of EITF 00-21 for the transactions entered into on and after July 1, 2003. The effect on Advantest’s consolidated financial statements is insignificant.

On August 1, 2003, Advantest and certain of its consolidated domestic subsidiaries received approval from the Minister of Health and Labor to be exempted from obligation for benefits related to future employee service under the substitutional portion of its Employees’ Pension Fund plans as part of the transfer of its Employees’ Pension Fund plans to the Japanese government pursuant to the Defined Benefit Corporate Pension Law. Advantest and these consolidated domestic subsidiaries expect to recognize, upon completion of the transfer to the government of the substitutional portion, any loss or gains resulting therefrom in accordance with EITF Issue No. 03-2, “Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities”. As a result, Advantest does not expect the transfer to have any effect on its results of this fiscal year 2003.

#### (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, 2004.

#### (Note 4) Investment Securities

Marketable securities consist of equity securities with an aggregate fair value of ¥1,327 million and ¥4,311 million, gross unrealized gains, which are determined based on the specific-identification method, of ¥182 million and ¥2,093 million, gross unrealized losses of ¥28 million and ¥1 million, and acquisition cost of ¥1,173 million and ¥2,238 million as of March 31, 2003 and 2004, respectively.

Gross realized gains were ¥224 million for the year ended March 31, 2004. Gross realized losses were ¥1,876 million and ¥1,455 million for the years ended March 31, 2003 and 2004, respectively. 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. In addition, the fair values of such securities were not readily determinable.

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

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

	<u>FY2002</u>
Numerator:	
Net income (loss)	<u>(12,994)</u> million
Denominator:	
Basic weighted average shares	98,445,111 shares
Dilutive effect of exercise of stock option and warrants	<u>-</u> shares
Diluted weighted average shares	<u>98,445,111</u> shares
	<u>FY2003</u>
Numerator:	
Net income	<u>17,329</u> million
Denominator:	
Basic weighted average shares	98,250,830 shares
Dilutive effect of exercise of stock option and warrants	<u>195,306</u> shares
Diluted weighted average shares	<u>98,446,136</u> shares

At March 31, 2003 and 2004, stock options and warrants representing, upon exercise, 1,113,800 shares and 329,500 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.

## (Segment Information)

## 1. Business Segment Information

(In million yen)

		FY2002		FY 2003	
		(April 1, 2002 through March 31, 2003)	Percentage (%)	(April 1, 2003 through March 31, 2004)	Percentage (%)
Automated test equipment	Net sales to unaffiliated customers	84,910	100.0	160,855	100.0
	Operating income (loss)	465	0.5	48,562	30.2
	Expenditures for additions to long-lived assets	5,844		5,166	
	Depreciation and amortization	7,269		6,439	
	Total assets	138,114		200,833	
Measuring instruments	Net sales to unaffiliated customers	12,830	100.0	13,363	100.0
	Operating income (loss)	(7,939)	(61.9)	(9,053)	(67.7)
	Expenditures for additions to long-lived assets	648		254	
	Depreciation and amortization	1,236		777	
	Total assets	18,332		10,838	
Elimination and Corporate	Net sales to unaffiliated customers	-	-	-	-
	Operating income (loss)	(9,269)	-	(8,549)	-
	Expenditures for additions to long-lived assets	1,072		201	
	Depreciation and amortization	2,437		2,112	
	Total assets	124,778		119,137	
Consolidated	Net sales to unaffiliated customers	97,740	100.0	174,218	100.0
	Operating income (loss)	(16,743)	(17.1)	30,960	17.8
	Expenditures for additions to long-lived assets	7,564		5,621	
	Depreciation and amortization	10,942		9,328	
	Total assets	281,224		330,808	

- (Notes)
- Adjustments to operating income (loss) in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments.
  - Total assets included in Corporate consist of cash and cash equivalents, assets for general corporate use and assets used for fundamental research activities, which are not allocated to reportable segments.

## 2. Geographic Segment Information (Based on Location of Customers)

(In million yen)

Net sales		FY2002		FY 2003	
		(April 1, 2002 through March 31, 2003)	Percentage (%)	(April 1, 2003 through March 31, 2004)	Percentage (%)
	North America	8,666	8.9	16,264	9.3
	Europe	8,940	9.1	10,401	6.0
	Asia	41,261	42.2	89,563	51.4
	Overseas total	58,867	60.2	116,228	66.7
	Japan	38,873	39.8	57,990	33.3
	Consolidated	97,740	100.0	174,218	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 FY2003 Earnings Digest

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

## 1. Summary of FY2003 Results (April 1, 2003 through March 31, 2004)

(Consolidated)

(In billion yen; truncated after the hundred million)

	FY2002	FY2003	Increase/Decrease	Percentage change (%)
Net sales	97.7	174.2	76.4	78.2
Operating income (loss)	(16.7)	30.9	47.7	-
Income (loss) before income taxes	(18.6)	28.8	47.5	-
Net income (loss)	(12.9)	17.3	30.3	-
Total assets	281.2	330.8	49.5	17.6
Stockholders' equity	210.6	221.7	11.1	5.3
Net income (loss) per share (basic) (in yen)	(131.99)	176.37	308.36	-
Net income (loss) per share (diluted) (in yen)	(131.99)	176.02	308.01	-
Stockholders' equity per share (in yen)	2,144.23	2,256.59	112.36	5.2
Net interest payment	(0.0)	(0.1)	(0.0)	-
ROE(%)	(5.8)	8.0	13.8	-

(Unconsolidated) (Japanese GAAP)

(In billion yen; truncated after the hundred million)

	FY2002	FY2003	Increase/Decrease	Percentage change (%)
Net sales	76.6	150.5	73.8	96.3
Operating income (loss)	(18.2)	23.7	41.9	-
Ordinary income (loss)	(19.0)	24.0	43.1	-
Net income (loss)	(11.4)	11.9	23.4	-
Total assets	235.4	277.0	41.5	17.7
Stockholders' equity	178.2	188.8	10.6	6.0
Net income (loss) per share (basic) (in yen)	(116.49)	119.97	236.46	-
Net income (loss) per share (diluted) (in yen)	-	119.73	-	-
Stockholders' equity per share (in yen)	1,814.36	1,920.33	105.97	5.8
Dividends per share (in yen)	30.00	40.00	10.00	33.3

## 2. Consolidated Net Sales by Business and Geographic Segment

(In billion yen; truncated after the hundred million)

By Business Segment	FY2002	FY2003	Increase/Decrease	Percentage change (%)
SoC	17.8	27.9	10.0	56.1
Memory	41.3	89.8	48.5	117.4
Handlers and device interfaces	18.9	34.2	15.2	80.7
Other	6.7	8.8	2.0	31.0
Automated test equipment total	84.9	160.8	75.9	89.4
Wireless communication	4.7	4.3	(0.3)	(8.0)
Fiber optic communication	1.5	1.0	(0.4)	(30.4)
Other	6.5	7.9	1.3	21.2
Measuring instruments total	12.8	13.3	0.5	4.2
Net sales total	97.7	174.2	76.4	78.2

By Geographic Segment	FY2002	FY2003	Increase/Decrease	Percentage change (%)
Domestic total	38.8	57.9	19.1	49.2
North America	8.6	16.2	7.5	87.7
Europe	8.9	10.4	1.4	16.3
Asia	41.2	89.5	48.3	117.1
Overseas total	58.8	116.2	57.3	97.4

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

Volume of order	FY2002	FY2003	Increase/Decrease	Percentage change (%)
Automated test equipment	89.3	195.4	106.1	118.9
Measuring instruments	12.1	13.4	1.3	10.8
Total volume of orders	101.4	208.9	107.4	105.9

Orders backlog	FY2002	FY2003	Increase/Decrease	Percentage change (%)
Automated test equipment	15.4	50.0	34.6	224.6
Measuring instruments	1.3	1.4	0.1	9.5
Total orders backlog	16.7	51.4	34.7	207.4

(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 cust

## 4. Consolidated Volume of Production by Business Segment (In billion yen; truncated after the hundred million)

	FY2002	FY2003	Increase/Decrease	Percentage change (%)
Automated test equipment	71.3	171.4	100.1	140.3
Measuring instruments	13.1	11.8	(1.2)	(9.4)
Total volume of production	84.4	183.3	98.8	117.1

(Note) Volume of production is calculated based on sales price (net of applicable consumption taxes), using the actual sales price for products sold and expected sales price for any unsold product.

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

	FY2002	FY2003	Increase/Decrease	Percentage change (%)
Operating activities	4.9	28.2	23.2	468.0
Investing activities	(8.4)	(5.0)	3.3	-
(Free cash flows)	(3.4)	23.1	26.5	-
Financing activities	(14.4)	(6.3)	8.1	-
Total cash flows	(17.9)	16.7	34.7	-
Cash and cash equivalents at end of year	87.3	101.1	13.8	15.8

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

	FY2002	FY2003	Increase/Decrease	Percentage change (%)
Bonds and warrant bonds	26.7	24.5	(2.2)	(8.2)
Loans and lease obligations	0.3	0.1	(0.1)	(49.2)
Total interest-bearing liabilities	27.0	24.6	(2.3)	(8.7)

## 7. Consolidated Capital Expenditure, Depreciation and Amortization and Research and Development Expenses

(In billion yen; truncated after the hundred million)

	FY2002	FY2003	Increase/Decrease	Percentage change (%)
Capital expenditures	7.5	5.6	(1.9)	(25.7)
Depreciation and amortization	10.9	9.3	(1.6)	(14.7)
Research and development expenses	23.6	21.6	(1.9)	(8.4)

## 8. Number of Employees (Advantest Corporation and Consolidated Subsidiaries) (Persons)

	FY2002	FY2003	Increase/Decrease	Percentage change (%)
Unconsolidated	1,607	1,450	(157)	(9.8)
Domestic affiliates	1,154	1,370	216	18.7
Overseas affiliates	758	724	(34)	(4.5)
Affiliates total	1,912	2,094	182	9.5
Consolidated full-time employee total	3,519	3,544	25	0.7

## 9. Supplemental Segment Information

## Geographic Segment Information (Based on Location of Advantest and its Affiliates)

(In million yen)

		FY2002		FY2003	
		(April 1, 2002 through March 31, 2003)	Percentage (%)	(April 1, 2003 through March 31, 2004)	Percentage (%)
Japan	Net sales to unaffiliated customers	53,622	-	91,860	-
	Intersegment sales	29,373	-	68,143	-
	Net Sales	82,995	100.0	160,003	100.0
	Operating income (loss)	(11,404)	(13.7)	31,582	19.7
	Total assets	138,099		181,987	
North America	Net sales to unaffiliated customers	15,443	-	29,641	-
	Intersegment sales	2,455	-	2,134	-
	Net Sales	17,898	100.0	31,775	100.0
	Operating income (loss)	(729)	(4.1)	2,182	6.9
	Total assets	19,309		26,105	
Europe	Net sales to unaffiliated customers	11,112	-	15,322	-
	Intersegment sales	401	-	728	-
	Net Sales	11,513	100.0	16,050	100.0
	Operating income (loss)	1,228	10.7	2,105	13.1
	Total assets	10,552		14,240	
Asia	Net sales to unaffiliated customers	17,563	-	37,395	-
	Intersegment sales	2,990	-	4,051	-
	Net Sales	20,553	100.0	41,446	100.0
	Operating income (loss)	1,242	6.0	5,003	12.1
	Total assets	31,791		49,121	
Elimination and Corporate	Net sales to unaffiliated customers	-	-	-	-
	Intersegment sales	(35,219)	-	(75,056)	-
	Net Sales	(35,219)	-	(75,056)	-
	Operating income (loss)	(7,080)	-	(9,912)	-
	Total assets	81,473		59,355	
Consolidated	Net sales to unaffiliated customers	97,740	-	174,218	-
	Intersegment sales	-	-	-	-
	Net Sales	97,740	100.0	174,218	100.0
	Operating income (loss)	(16,743)	(17.1)	30,960	17.8
	Total assets	281,224		330,808	

- (Notes)
1. Adjustments to operating income (loss) in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments.
  2. Total assets included in Corporate consist of cash and cash equivalents, assets for general corporate use and assets used for fundamental research activities, which are not allocated to reportable

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

**FY2003 Selected Unconsolidated Financial Data**  
(Year ended March 31, 2004)

**April 26, 2004**

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) 3342-7500  
Date of Board meeting to approve the financial results : April 26, 2004  
Payment of interim dividend : Yes  
Date of general shareholders meeting : June 25, 2004  
Adoption of the unit share (*tangenkabu*) system : Yes (each unit comprises 100 shares)

**1. Results of FY2003 (April 1, 2003 through March 31, 2004)**

(1) Financial Results

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
<b>FY2003</b>	<b>150,558</b>	<b>96.3</b>	<b>23,776</b>	–	<b>24,033</b>	–
FY2002	76,686	5.2	(18,209)	–	(19,084)	–

	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	%	%	%
<b>FY2003</b>	<b>11,957</b>	–	<b>119.97</b>	<b>119.73</b>	<b>6.5</b>	<b>9.4</b>	<b>16.0</b>
FY2002	(11,467)	–	(116.49)	–	(6.0)	(7.7)	(24.9)

Note 1: Average number of shares outstanding was 98,250,830 shares during FY2003 and 98,445,111 shares during FY2002.

Note 2: Certain 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	%	%
<b>FY2003</b>	<b>40.00</b>	<b>15.00</b>	<b>25.00</b>	<b>3,930</b>	<b>32.9</b>	<b>2.1</b>
FY2002	30.00	20.00	10.00	2,947	–	1.7

Note: In FY2003 nil was paid as memorial dividend and nil as special dividend.

(3) Financial Position

	Total assets	Stockholders' equity	Equity-to-assets ratio	Stockholders' equity per share
	Million yen	Million yen	%	Yen
<b>FY2003</b>	<b>277,047</b>	<b>188,891</b>	<b>68.2</b>	<b>1,920.33</b>
FY2002	235,456	178,253	75.7	1,814.36

Note 1: Number of shares outstanding at year end was 98,275,640 shares in FY2003 and 98,246,359 shares in FY2002.

Note 2: Number of shares held as treasury stock at year end was 1,507,745 shares in FY2003 and 1,537,026 shares in FY2002.

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

**2. Projected Results for FY2004 (April 1, 2004 through March 31, 2005)**

	Net sales	Ordinary income	Net income	Annual dividend per share		
				Interim	Year end	
	Million yen	Million yen	Million yen	Yen	Yen	Yen
<b>FY2004 Interim</b>	<b>110,000</b>	<b>25,000</b>	<b>15,000</b>	<b>25.00</b>	—	—
<b>FY2004</b>	<b>220,000</b>	<b>50,000</b>	<b>30,000</b>	—	<b>25.00</b>	<b>50.00</b>

(Reference) Projected net income per share for the fiscal year: ¥ 303.53

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 FY2003)

(Unconsolidated Financial Statements)

(Balance Sheets)

	FY2002 (As of March 31, 2003)		FY2003 (As of March 31, 2004)	
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)
(Assets)				
I Current Assets				
1. Cash and deposits	56,949		64,469	
2. Trade notes receivables	901		4,978	
3. Accounts receivable	32,838		67,042	
4. Finished goods	5,741		8,154	
5. Raw materials	6,350		6,134	
6. Work in process	15,007		21,258	
7. Supplies	118		42	
8. Short-term loans receivable	8,707		7,061	
9. Other receivable	1,702		1,744	
10. Deferred tax assets	12,278		21,776	
11. Other	58		735	
12. Allowance for doubtful accounts	-		(10)	
Total current assets	140,656	59.7	203,388	73.4
II Noncurrent assets				
(1) Property, plant and equipment				
1. Buildings	43,091		43,205	
Accumulated depreciation	24,310	18,780	27,021	16,183
2. Structures	4,079		4,081	
Accumulated depreciation	2,794	1,285	3,038	1,043
3. Machinery and equipment	16,379		17,074	
Accumulated depreciation	12,990	3,389	13,821	3,252
4. Vehicles and delivery equipment	2		2	
Accumulated depreciation	1	0	1	0
5. Tools and furniture	14,935		13,904	
Accumulated depreciation	12,257	2,678	12,565	1,338
6. Land		18,133		18,141
7. Construction in progress		131		94
Total property, plant and equipment	44,399	18.9	40,054	14.5

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

Advantest Corporation – (Unconsolidated FY2003)

	FY2002 (As of March 31, 2003)		FY2003 (As of March 31, 2004)	
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)
(2) Intangible fixed assets				
1. Patent rights	441		62	
2. Leasehold rights	173		173	
3. Telephone rights	39		39	
4. Utility rights	144		112	
5. Software	3,191		1,367	
6. Other	-		129	
Total Intangible fixed assets	3,990	1.7	1,884	0.7
(3) Investments and other assets				
1. Investment securities	4,105		6,713	
2. Investment in associated companies	15,512		16,347	
3. Long-term loans receivable	51		28	
4. Long-term loans to associated companies	-		1,380	
5. Long-term prepaid expenses	25		196	
6. Deferred tax assets	24,999		5,707	
7. Other	1,715		1,345	
Total Investment and other assets	46,410	19.7	31,718	11.4
Total noncurrent assets	94,799	40.3	73,658	26.6
Total assets	235,456	100.0	277,047	100.0
(Liabilities)				
I Current liabilities				
1. Trade accounts payable	10,371		38,444	
2. Current installments of bonds	2,200		4,500	
3. Other accounts payable	1,311		1,173	
4. Accrued expenses	5,218		6,647	
5. Income tax payable	28		32	
6. Advance received	284		196	
7. Deposits received	131		3,293	
8. Allowance for product warranty	1,658		1,771	
9. Other	549		444	
Total current liabilities	21,754	9.2	56,504	20.4

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

Advantest Corporation – (Unconsolidated FY2003)

	FY2002 (As of March 31, 2003)		FY2003 (As of March 31, 2004)	
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)
II Noncurrent liabilities				
1. Bonds		24,500		20,000
2. Long-term borrowings		125		82
3. Allowance for retirement benefits		8,510		9,386
4. Allowance for officers' retirement benefits		1,426		1,261
5. Other		884		920
Total noncurrent liabilities		35,447	15.1	31,651
Total liabilities		57,202	24.3	88,155
(Stockholders' equity)				
I Common stock		32,362	13.7	32,362
II Capital surplus				
1. Additional paid-in capital	32,973	32,973		32,973
Total capital surplus		32,973	14.0	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	106,880	133,942	92,880	119,942
3. Unappropriated earnings at end of year		-		12,647
4. Undisposed deficit at end of year		10,837		-
Total retained earnings		126,187	53.6	135,672
IV Net unrealized holding gains on other securities		(104)	(0.0)	793
V Treasury stock		(13,165)	(5.6)	(12,910)
Total stockholders' equity		178,253	75.7	188,891
Total liabilities and stockholders' equity		235,456	100.0	277,047

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

Advantest Corporation – (Unconsolidated FY2003)

(Statements of Income)

	FY2002 (April 1, 2002 through March 31, 2003)			FY2003 (April 1, 2003 through March 31, 2004)		
	Amount (in million yen)		Percentage (%)	Amount (in million yen)		Percentage (%)
I Net sales						
1. Net product sales	76,686	76,686	100.0	150,558	150,558	100.0
II Cost of sales						
1. Inventory of finished goods at beginning of year	6,510			5,741		
2. Cost of manufactured goods	49,867			89,247		
Total	56,378			94,988		
3. Transfers to other accounts	1,473			825		
4. Inventory of finished goods at end of year	5,741			8,154		
Balance of cost of sales	49,163	49,163	64.1	86,008	86,008	57.1
Gross profit		27,523	35.9		64,549	42.9
III Selling, general and administrative expenses		45,732	59.6		40,772	27.1
Operating income (loss)		(18,209)	(23.7)		23,776	15.8
IV Non-operating income						
1. Interest income	190			128		
2. Dividends income	1,712			1,486		
3. Lease income	2,126			1,973		
4. Miscellaneous income	277	4,307	5.6	479	4,067	2.7
V Non-operating expenses						
1. Interest expenses	35			31		
2. Bond interests	438			434		
3. Expenses related to leased equipment	1,898			1,783		
4. Miscellaneous expenses	2,809	5,182	6.8	1,561	3,811	2.5
Ordinary income (loss)		(19,084)	(24.9)		24,033	16.0
VI Extraordinary loss						
1. Impairment loss on long-lived assets	-	-	-	2,996	2,996	2.0
Income (loss) before income taxes		(19,084)	(24.9)		21,036	14.0
Income taxes	43			86		
Income taxes - deferred	(7,659)	(7,616)	(9.9)	8,993	9,079	6.0
Net income (loss)		(11,467)	(15.0)		11,957	8.0
Retained earnings brought forward		2,595			2,180	
Loss from disposition of treasury stock		-			16	
Interim dividend		1,965			1,473	
Unappropriated earnings at end of year		-			12,647	
Undisposed deficit at end of year		10,837			-	

(Proposed Appropriation of Retained Earnings)

	FY2002 (April 1, 2002 through March 31, 2003)		FY2003 (April 1, 2003 through March 31, 2004)	
	Amount (in million yen)		Amount (in million yen)	
I Unappropriated earnings at end of year		-		12,647
Undisposed deficit at end of year		10,837		-
II Reversal of voluntary reserve				
Reversal of general reserve	14,000	14,000	-	-
Total		3,162		12,647
III Appropriation of earnings				
1. Dividends	982 (¥10 per share)		2,456 (¥25 per share)	
2. Director's bonus	-		150	
3. Corporate auditor's bonus	-		20	
4. General reserve	-	982	7,000	9,626
IV Unappropriated earnings carried forward		2,180		3,020

(Note) Interim dividends paid were as follows:

	<u>FY2002</u>	<u>FY2003</u>
Date of dividend payment	December 10, 2002	December 10, 2003
Interim dividend amount	¥1,965 million (¥20 per share)	¥1,473 million (¥15 per share)

**(Important Accounting Policies)**

Changes in accounting policies:

*Accounting Standard for Impairment of Fixed Assets*

From this fiscal year, Advantest has adopted the accounting standard for impairment of fixed assets ("Opinion on Establishing an Accounting Standard for Impairment of Fixed Assets" (BADC, August 9, 2002)) and "Implementation Guidelines for Impairment Accounting of Fixed Assets" (ASB Implementation Guidelines no. 6, October 31, 2003), as these standard and guidelines became applicable to financial statements of fiscal years ending on or after March 31, 2004. The adoption of the above has negatively affected income before income taxes by ¥2,996 million. Accumulated impairment losses have been included as a component of accumulated depreciation.

There was no change in accounting policy other than the above.

**(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 25, 2004)

(1) Nominee for the Board of Directors

Director of the Board Takashi Tokuno (Managing Executive Officer)  
(to be elected)

(2) Nominees for Corporate Auditors

Corporate Standing Auditor Noboru Yamaguchi (Corporate Standing Auditor)  
(to be re-elected)

Corporate Auditor Kuniaki Suzuki (Fujitsu Limited, Corporate Executive Vice  
(to be appointed) President)

\*The service term for Auditor Mr. Keizo Fukagawa expires as of June 25, 2004.

(3) Nominees for Executive Officers

Managing Executive Officer Jiro Katoh (Executive Officer)  
(to be promoted)

Executive Officer (to be elected) Shinichiro Umeda (General Manager, ATE Software  
Division, ATE Business Group)

Nominees for Board of Director (Biography)

Takashi Tokuno (Date of Birth: October 9, 1948)

Mar. 1971 Graduated from Shibaura Institute of Technology, Faculty of Engineering

Apr. 1971 Joined Advantest Corporation

Jun. 1996 Member of the Board, Advantest Corporation

Jun. 2000 Managing Director, Advantest Corporation

Jun. 2003 Managing Executive Officer (Current Position), Advantest Corporation

Nominee for Corporate Auditor (Biography)

Kuniaki Suzuki (Date of Birth: August 28, 1945)

Jun. 1969 Bachelor of Arts in Law from the University of Tokyo

Jul. 1969 Joined Fujitsu Limited

Jun. 2000 Member of the Board, Fujitsu Limited

Jun. 2003 Member of the Board,  
Corporate Executive Vice President (Current Position), Fujitsu Limited

Nominees for Executive Officer (Biography)

Shinichiro Umeda (Date of Birth: July 21, 1949)

Mar. 1972 Graduated from Tokyo Denki University, Faculty of Engineering

Sep. 1973 Joined Advantest Corporation

Jun. 2001 General Manager, ATE Software Division,  
ATE Business Group (Current Position)

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