

**Overview of FY2004 First Quarter Financial Results (Consolidated)**  
(Prepared in accordance with U.S. GAAP)

July 28, 2004

Company name **Advantest Corporation** (Stock code number: 6857, TSE 1<sup>st</sup> Section)  
(URL <http://www.advantest.co.jp/investors/>) (Ticker Symbol: ATE, NYSE)

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of Corporate Executive Officers and COO  
Person-in-charge: Hiroshi Nakamura, Manager, Accounting Department  
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**1. Notes to the Quarterly Financial Results:**

- (1) Use of simplified accounting method: Yes  
Simplified tax effect accounting is used for the calculation of tax expenses for the purpose of the quarterly financial results.
- (2) Changes in accounting method from the most recent fiscal year: No
- (3) Changes in scope of consolidation and equity method (as compared to March 31, 2004): Yes  
Number of consolidated subsidiaries: 39  
(Newly included) 0  
(Excluded) 1  
Number of unconsolidated subsidiaries: 0  
Number of affiliates accounted for under the equity method: 0  
(Newly included) 0  
(Excluded) 0
- (4) Advantest's independent outside auditor has not been involved in the preparation of these consolidated quarterly financial statements.
- (5) Figures for the corresponding quarter in the previous fiscal year (FY2002 Q1) are nonexistent and percentage changes therefrom are not available for inclusion in the present presentation.

**2. Consolidated Financial Results of FY2004 1Q (April 1, 2004 through June 30, 2004)**

(1) Consolidated Financial Results

	Net sales		Operating income		Income before income taxes		Net income	
	Million yen	increase(%)	Million yen		Million yen		Million yen	
<b>FY2004 Q1</b>	<b>72,065</b>	<b>165.2</b>	<b>22,402</b>	<b>92.5 times</b>	<b>22,660</b>	<b>94.1 times</b>	<b>13,995</b>	<b>97.7 times</b>
FY2003 Q1	27,172	-	242	-	241	-	143	-
(For reference) FY2003	174,218		30,960		28,878		17,329	

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
<b>FY2004 Q1</b>	<b>142.38</b>		<b>142.02</b>	
FY2003 Q1	1.46		1.46	
(For reference) FY2003	176.37		176.02	

(Note) The percentage shown for net sales is the increase rate from the same period of the previous fiscal year while the multiples shown for operating income, income before income taxes and net income are changes in comparison to the same period of the previous fiscal year.

(Qualitative Information Regarding Consolidated Financial Results)

During the first quarter of the current fiscal year, Advantest's operating environment remained robust owing to continuous strong sales of flat-screen TVs, DVD recorders and other digital consumer products and the increased capital expenditure needs of Japanese semiconductor makers amidst stabilization of DRAM prices and steady demand for PCs. As a result, Advantest was able to exceed by far its 1Q projections set forth at the beginning of the current fiscal year. During the quarter, incoming orders increased by 143.6% to ¥77.6 billion from the same quarter of last year and net sales increased by 165.2% to ¥72.0 billion from the same quarter of the preceding year. In terms of profits, the income before income taxes increased 94.1 times as much as the same quarter of the previous year to ¥22.6 billion and net quarterly income, 97.7 times as much as the same quarter of the previous year to ¥13.9 billion. Overseas sales as a percentage of total sales was 73.6%, as compared to 60.3% in the same quarter of last fiscal year.

(Results by Business Segment)

In accordance with the restructuring of the business and organization, Advantest regrouped its two business segments – “Automated Test Equipment” and “Measuring Instruments” – into three business segments – “Semiconductor and Component Test System”, “Mechatronics System” and “Services, Support and Others” effective from April 1, 2004.

With respect to results by business segment for the first quarter of the current fiscal year, incoming orders, net sales and operating income of the Semiconductor and Component Test System business segment were ¥58.8 billion, ¥54.0 billion and ¥19.3 billion respectively. The Mechatronics System business segment posted incoming orders, net sales and operating income of ¥13.4 billion, ¥12.4 billion and ¥4.7 billion, respectively while the Services, Support and Others business segment recorded ¥5.3 billion, ¥5.5 billion and ¥0.6 billion, respectively.

## (2) Changes in Consolidated Financial Position

	Total assets	Stockholders' equity	Equity-to-assets ratio	Stockholders' equity per share
	Million yen	Million yen	%	Yen
<b>FY2004 Q1</b>	<b>341,443</b>	<b>234,517</b>	<b>68.7</b>	<b>2,385.79</b>
FY2003 Q1	281,870	210,405	74.7	2,141.61
(For reference) FY2003	330,808	221,768	67.0	2,256.59

## (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 period
	Million yen	Million yen	Million yen	Million yen
<b>FY2004 Q1</b>	<b>10,383</b>	<b>(2,489)</b>	<b>(2,140)</b>	<b>107,535</b>
FY2003 Q1	3,908	(406)	(976)	90,140
(For reference) FY2003	28,215	(5,070)	(6,376)	101,146

## (Qualitative Information Regarding Changes in Consolidated Financial Position)

With respect to Advantest's financial position for the first fiscal quarter, total assets increased by ¥10.6 billion due to the increase of accounts receivables by ¥12.6 billion to ¥341.4 billion while total liabilities decreased by ¥2.1 billion from the same period from the previous year to ¥106.2 billion. The decrease was primarily due to the decrease of accounts payable by ¥4.1 billion. Shareholders' equity amounted to ¥234.5 billion. As a result, equity-to-assets ratio increased 1.7 percentage points from last fiscal year end to 68.7%.

## (Cash Flow Statements)

Cash and cash equivalents at the end of the first fiscal quarter increased by ¥6.3 billion from the end of the previous fiscal year to ¥107.5 billion.

Cash flows from operating activities was an inflow of ¥10.3 billion, which consisted of among others, a substantial increase in quarterly net income despite the increase in accounts receivables.

Cash flows from investing activities was an outflow of ¥2.4 billion, which consisted of primarily of capital expenditures on tangible fixed assets including lease assets.

Cash flows from financing activities was an outflow of ¥2.1 billion, which consisted primarily of dividends paid.

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

	Net sales	Income before income taxes	Net income
	Million yen	Million yen	Million yen
FY2004 interim	140,000	42,000	26,000
FY2004	250,000	70,000	43,000

(Reference) Projected net income per share for the fiscal year: ¥437.45

## (Qualitative Information Regarding Projected Results)

With respect to Advantest's projected results in the second quarter and beyond, the prospect for semiconductor related capital investments remains strong throughout the interim. As a result, Advantest anticipates increase in sales and profits against the interim earning forecast released on April 26, 2004. Accordingly, consolidated and unconsolidated earning forecasts have been revised as shown in the attachment, "Revision of Earnings Forecast for the Fiscal Year Ending March 2005".

While the net sales forecast for the fiscal year remains unchanged, the earnings forecast for the fiscal year is revised as aforementioned due to the prospect of the profit ratio improving beyond the initial forecast. As a result, initial income before income taxes and net income forecasts for the fiscal year have been revised as shown in the attachment, "Revision of Earnings Forecast for the Fiscal Year Ending March 2005".

(Note) Figures presented in the Quarterly Financial Results have been rounded to the nearest million yen.

### **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 annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission.

## 1. Quarterly Consolidated Balance Sheets (Summary)

Item	Notes	Q1 of FY2004 (As of June 30, 2004)		FY2003 (As of March 31, 2004)		Increase (Decrease)	Q1 of FY2003 (As of June 30, 2003)	
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Amount (in million yen)	Percentage (%)
<b>(Assets)</b>								
Cash and cash equivalents		107,535		101,146		6,389	90,140	
Trade accounts receivable, less allowance for doubtful accounts	*1	88,818		76,133		12,685	41,802	
Inventories		46,406		49,423		(3,017)	35,774	
Other current assets		23,154		29,060		(5,906)	16,910	
Total current assets		265,913	77.9	255,762	77.3	10,151	184,626	65.5
Investment securities		7,818	2.3	7,952	2.4	(134)	7,157	2.6
Property, plant and equipment, net	*2	51,253	15.0	50,516	15.3	737	53,934	19.1
Intangible assets, at cost, less accumulated amortization		3,509	1.0	3,756	1.1	(247)	4,859	1.7
Other assets		12,950	3.8	12,822	3.9	128	31,294	11.1
Total assets		341,443	100.0	330,808	100.0	10,635	281,870	100.0
<b>(Liabilities)</b>								
Current installments of long-term debt		4,543		4,543		—	2,243	
Trade accounts payable		34,048		38,214		(4,166)	13,536	
Other current liabilities		25,482		23,854		1,628	13,289	
Total current liabilities		64,073	18.8	66,611	20.1	(2,538)	29,068	10.3
Long-term debt, excluding current installments		20,083	5.9	20,083	6.1	—	24,626	8.7
Accrued pension and severance cost		18,618	5.5	18,348	5.6	270	14,642	5.2
Other noncurrent liabilities		3,495	0.9	3,411	1.0	84	2,746	1.0
Total liabilities		106,269	31.1	108,453	32.8	(2,184)	71,082	25.2
<b>(Minority interests)</b>								
Minority interests		657	0.2	587	0.2	70	383	0.1
<b>(Stockholders' equity)</b>								
Common stock		32,363	9.5	32,363	9.8	—	32,363	11.5
Capital surplus		32,973	9.7	32,973	10.0	—	32,973	11.7
Retained earnings		188,867	55.2	177,404	53.5	11,463	161,708	57.4
Accumulated other comprehensive income (loss)	*3	(6,960)	(2.0)	(8,061)	(2.4)	1,101	(3,472)	(1.2)
Treasury stock		(12,726)	(3.7)	(12,911)	(3.9)	185	(13,167)	(4.7)
Total stockholders' equity		234,517	68.7	221,768	67.0	12,749	210,405	74.7
Total liabilities and stockholders' equity		341,443	100.0	330,808	100.0	10,635	281,870	100.0

(Notes)

1. Allowance for doubtful accounts	2,461	2,464	(3)	1,292
2. Accumulated depreciation of property, plant and equipment	65,599	64,533	1,066	68,827
3. Accumulated other comprehensive income (loss)				
Foreign currency translation adjustments	(7,100)	(8,087)	987	(3,674)
Net unrealized gains on securities	1,435	1,422	13	202
Minimum pension liability adjustments	(1,295)	(1,396)	101	—

## 2. Quarterly Consolidated Statements of Income (Summary)

Item	Q1 of FY2004 (April 1, 2004 through June 30, 2004)		Q1 of FY2003 (April 1, 2003 through June 30, 2003)		Increase (Decrease)		FY2003 (April 1, 2003 through March 31, 2004)	
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)		Amount (in million yen)	Percentage (%)
Net sales	72,065	100.0	27,172	100.0	44,893		174,218	100.0
Cost of sales	34,027	47.2	14,839	54.6	19,188		85,513	49.1
Gross profit	38,038	52.8	12,333	45.4	25,705		88,705	50.9
Research and development expenses	5,813	8.1	5,077	18.7	736		21,637	12.4
Selling, general and administrative expenses	9,823	13.6	7,014	25.8	2,809		36,108	20.7
Operating income	22,402	31.1	242	0.9	22,160		30,960	17.8
Other income (expense):								
Interest and dividend income	98		90		8		339	
Interest expense	(113)		(121)		8		(469)	
Minority interests (loss)	(65)		(35)		(30)		(214)	
Other	338	258	65	(1)	273	259	(1,738)	(2,082)
Income before income taxes	22,660	31.4	241	0.9	22,419		28,878	16.6
Income taxes	8,665	12.0	98	0.4	8,567		11,549	6.6
Net income	13,995	19.4	143	0.5	13,852		17,329	10.0

Item	Q1 of FY2004 (April 1, 2004 through June 30, 2004)		Q1 of FY2003 (April 1, 2003 through June 30, 2003)		Increase (Decrease)		FY2003 (April 1, 2003 through March 31, 2004)	
	Amount (in yen)		Amount (in yen)		Amount (in yen)		Amount (in yen)	
Net income per share								
Basic	142.38		1.46		140.92		176.37	
Diluted	142.02		1.46		140.56		176.02	

## 3. Quarterly Consolidated Statements of Cash Flows (Summary)

Item	Q1 of FY2004 (April 1, 2004 through June 30, 2004)	Q1 of FY2003 (April 1, 2003 through June 30, 2003)	FY2003 (April 1, 2003 through March 31, 2004)
	Amount (in million yen)	Amount (in million yen)	Amount (in million yen)
Cash flows from operating activities:			
Net income	13,995	143	17,329
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,036	2,407	9,328
Decrease (increase) in trade accounts receivable	(12,254)	1,269	(35,285)
Decrease (increase) in inventories	3,284	(700)	(14,570)
Increase (decrease) in trade accounts payable	(4,632)	2,678	29,190
Other	7,954	(1,889)	22,223
Net cash provided by operating activities	10,383	3,908	28,215
Cash flows from investing activities:			
Purchases of property, plant and equipment	(2,436)	(785)	(5,068)
Other	(53)	379	(2)
Net cash used in investing activities	(2,489)	(406)	(5,070)
Cash flows from financing activities:			
Dividends paid	(2,319)	(909)	(2,462)
Other	179	(67)	(3,914)
Net cash used in financing activities	(2,140)	(976)	(6,376)
Net effect of exchange rate changes on cash and cash equivalents	635	276	(2,961)
Net change in cash and cash equivalents	6,389	2,802	13,808
Cash and cash equivalents at beginning of period	101,146	87,338	87,338
Cash and cash equivalents at end of period	107,535	90,140	101,146

## Supplemental Information to FY2004 First Quarter Financial Results

## 1. Business Segment Operating Income

(In billion yen; truncated after the hundred million)

		Q1 of FY2004 (April 1, 2004 through June 30, 2004)		Q1 of FY2003 (April 1, 2003 through June 30, 2003)		Increase (Decrease)
		Amount	Percentage (%)	Amount	Percentage (%)	Amount
Semiconductor and component test system	Sales to unaffiliated customers	54.0	94.5	17.4	97.7	36.6
	Intersegment sales	3.1	5.5	0.4	2.3	2.7
	Net sales	57.2	100.0	17.8	100.0	39.4
	Operating expenses	37.8	66.2	17.6	98.6	20.2
	Operating income	19.3	33.8	0.2	1.4	19.1
Mechatronics system	Sales to unaffiliated customers	12.4	99.2	5.1	98.6	7.3
	Intersegment sales	0.0	0.8	0.0	1.4	0.0
	Net sales	12.5	100.0	5.1	100.0	7.4
	Operating expenses	7.7	61.7	4.5	87.4	3.2
	Operating income	4.7	38.3	0.6	12.6	4.1
Services, support and others	Sales to unaffiliated customers	5.5	100.0	4.5	100.0	1.0
	Intersegment sales	-	-	-	-	-
	Net sales	5.5	100.0	4.5	100.0	1.0
	Operating expenses	4.9	89.2	4.3	95.2	0.6
	Operating income	0.6	10.8	0.2	4.8	0.4
Elimination and corporate	Sales to unaffiliated customers	-	-	-	-	-
	Intersegment sales	(3.2)	100.0	(0.4)	100.0	(2.8)
	Net sales	(3.2)	100.0	(0.4)	100.0	(2.8)
	Operating expenses	(0.9)	-	0.4	-	(1.3)
	Operating income	(2.3)	-	(0.8)	-	(1.5)
Consolidated	Sales to unaffiliated customers	72.0	100.0	27.1	100.0	44.9
	Intersegment sales	-	-	-	-	-
	Net sales	72.0	100.0	27.1	100.0	44.9
	Operating expenses	49.6	68.9	26.9	99.1	22.7
	Operating income	22.4	31.1	0.2	0.9	22.2

## 2. Geographic Segment Net Sales

(In billion yen; truncated after the hundred million)

		Q1 of FY2004 (April 1, 2004 through June 30, 2004)		Q1 of FY2003 (April 1, 2003 through June 30, 2003)		Increase (Decrease)	FY2003 (April 1, 2003 through March 31, 2004)	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Amount	Percentage (%)
	Americas	8.1	11.3	2.1	8.0	6.0	16.2	9.3
	Europe	2.9	4.1	1.7	6.6	1.2	10.4	6.0
	Asia	42.0	58.2	12.4	45.7	29.6	89.5	51.4
	Overseas total	53.0	73.6	16.3	60.3	36.7	116.2	66.7
	Japan	18.9	26.4	10.7	39.7	8.2	57.9	33.3
	Consolidated	72.0	100.0	27.1	100.0	44.9	174.2	100.0

## 3. Consolidated Net Sales by Business Segment

(In billion yen; truncated after the hundred million)

	Q1 of FY2004 (April 1, 2004 through June 30, 2004)	Q1 of FY2003 (April 1, 2003 through June 30, 2003)	Increase (Decrease)
Semiconductor and component test system	54.0	17.4	36.6
Mechatronics system	12.4	5.1	7.3
Services, support and others	5.5	4.5	1.0
Net sales total	72.0	27.1	44.9

## 4. Consolidated Volume of Order and Orders Backlog by Business Segment

(In billion yen; truncated after the hundred million)

	Q1 of FY2004 (April 1, 2004 through June 30, 2004)	Q1 of FY2003 (April 1, 2003 through June 30, 2003)	Increase (Decrease)
Semiconductor and component test system	58.8	20.7	38.1
Mechatronics system	13.4	6.5	6.9
Services, support and others	5.3	4.5	0.8
Total volume of orders	77.6	31.8	45.8

	Q1 of FY2004 (As of June 30, 2004)	Q1 of FY2003 (As of June 30, 2003)	Increase (Decrease)
Semiconductor and component test system	45.6	14.3	31.3
Mechatronics system	10.2	5.4	4.8
Services, support and others	1.1	1.6	(0.5)
Total orders backlog	57.0	21.4	35.6

(Note) The amount of incoming orders for any given period consists of the sum of the revenues for such period and the amount of backlog at the end of such period less the backlog at the end of the previous fiscal year. Backlog is calculated based on incoming orders, which are recorded as such once a written customer order is received.

## 5. Consolidated Cash Flows

(In billion yen; truncated after the hundred million)

	Q1 of FY2004 (April 1, 2004 through June 30, 2004)	Q1 of FY2003 (April 1, 2003 through June 30, 2003)	FY2003 (April 1, 2003 through March 31, 2004)
Operating activities	10.3	3.9	28.2
Investing activities	(2.4)	(0.4)	(5.0)
(Free cash flows)	7.8	3.5	23.1
Financing activities	(2.1)	(0.9)	(6.3)
Total cash flows	5.7	2.5	16.7
Cash and cash equivalents at end of period	107.5	90.1	101.1

## 6. Consolidated Capital Expenditures, Depreciation and Amortization and Research and Development Expenses

(In billion yen; truncated after the hundred million)

	Q1 of FY2004 (April 1, 2004 through June 30, 2004)	Q1 of FY2003 (April 1, 2003 through June 30, 2003)	Increase (Decrease)	FY2003 (April 1, 2003 through March 31, 2004)
Capital expenditures	2.3	0.6	1.7	5.6
Depreciation and amortization	2.0	2.4	(0.4)	9.3
Research and development expenses	5.8	5.0	0.8	21.6

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

(Persons)

	Q1 of FY2004 (As of June 30, 2004)	FY2003 (As of March 31, 2004)	Increase (Decrease)	Q1 of FY2003 (As of June 30, 2003)
Unconsolidated	1,468	1,450	18	1,630
Affiliates	2,096	2,094	2	1,914
Consolidated full-time employee total	3,564	3,544	20	3,544