

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

January 27, 2005

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

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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 September 30, 2004): Yes
Number of consolidated subsidiaries: 39
(Newly included) 2
(Excluded) 2
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 third quarter of FY2002 are nonexistent, and therefore, percentage changes therefrom are not available for inclusion in the present presentation.

2. Consolidated Financial Results of FY2004 3Q (April 1, 2004 through December 31, 2004)

(1) Consolidated Financial Results

	Net sales		Operating income		Income before income taxes		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2004 Q3	189,226	78.6	53,349	340.5	54,416	389.0	33,490	371.3
FY2003 Q3	105,950	-	12,111	-	11,128	-	7,106	-
(For reference) FY2003	174,218		30,960		28,878		17,329	

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
FY2004 Q3	340.68	339.94
FY2003 Q3	72.33	72.22
(For reference) FY2003	176.37	176.02

(Note) The percentages shown in the above items including net sales and operating income are changes in comparison to the corresponding period of the previous fiscal year.

(Qualitative Information Regarding Consolidated Financial Results)

With respect to the nine months ended December 31, 2004, Advantest's operating environment remained strong throughout the first half of the nine months owing to continuous strong sales of digital cameras, DVD recorders, flat-screen TVs and other digital consumer products and steady demand for PCs. Since the second half of the nine months, however, Advantest's operating environment has entered a difficult phase due to the decreased capital expenditures of Japanese semiconductor manufacturers in response to inventory cutbacks in the IT areas such as digital consumer products and mobile phones.

Under these circumstances, Advantest made focused efforts to improve productivity and profitability through increased delivery of new products and fundamental overhaul of the production system.

As a result, incoming orders increased by 21.6% to (Y)171 billion from the same quarter of last year and net sales increased by 78.6% to (Y)189.2 billion from the same quarter of last year. In terms of profits, the income before income taxes increased by 389.0% to (Y)54.4 billion and net quarterly income increased by 371.3% to (Y)33.4 billion from the same quarter of last year. Overseas sales ratio was 75.4% compared to 64.5% for the same quarter of last year.

(Results by Business Segment)

In accordance with the restructuring of the business and organization initiated on April 1, 2004, 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.”

With respect to results by business segment for the third quarter of the current fiscal year, for the Semiconductor and Component Test System business segment, incoming orders increased by 26.7% to (Y)129 billion from the same period of last year, sales increased by 99.3% to (Y)144.1 billion from the same period of last year and operating income increased by 293.9% to (Y)45.5 billion from the same period of last year. For the Mechatronics System business segment, incoming orders increased by 20.6% to (Y)33.1 billion from the same period last year, sales increased by 62.5% to (Y)36.2 billion from the same period of last year and operating income increased by 91.5% to (Y)11.8 billion from the same period of last year. For the Services, Support and Others business segment, incoming orders increased by 4.9% to (Y)14.8 billion from the same period of last year, sales increased by 10.4% to (Y)15.4 billion from the same period of last year and operating income was (Y)1.1 billion.

(2) Changes in Consolidated Financial Position

	Total assets	Stockholders' equity	Equity-to-assets ratio	Stockholders' equity per share
	Million yen	Million yen	%	Yen
FY2004 Q3	343,966	251,146	73.0	2,553.78
FY2003 Q3	306,238	212,608	69.4	2,163.81
(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
FY2004 Q3	66,497	(6,791)	(4,386)	156,362
FY2003 Q3	13,849	(3,064)	(3,981)	91,965
(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 third quarter, total assets increased by (Y)13.1 billion to (Y)343.9 billion due to the increase of cash and cash equivalents by (Y)55.2 billion from the end of the previous fiscal year, while total liabilities decreased by (Y)15.6 billion from the end of the previous year to (Y)92.8 billion primarily due to the decrease of accounts payable by (Y)19.9 billion. Shareholders' equity amounted to (Y)251.1 billion. As a result, equity-to-assets ratio increased 6.0 percentage points from last fiscal year end to 73.0%.

(Cash Flow Statements)

Cash and cash equivalents at the end of the third fiscal quarter increased by (Y)55.2 billion from the end of the previous fiscal year to (Y)156.3 billion. Cash flows from operating activities was an inflow of (Y)66.4 billion, which consisted primarily of an increase in quarterly net profit of (Y)33.4 billion, a decrease in accounts receivable of (Y)11.1 billion and a decrease in inventory of (Y)19.2 billion. Cash flows from investing activities was an outflow of (Y)6.7 billion, which consisted primarily of capital expenditure on tangible fixed assets including lease assets. Cash flows from financing activities was an outflow of ¥4.3 billion, which consisted primarily of dividends paid of (Y)4.7 billion.

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

With respect to Advantest's projected results for the fourth quarter and beyond, the prospect for semiconductor related capital investments of some semiconductor manufacturers remains strong throughout the interim despite the negative impact on Advantest's business, due to, among others, inventory adjustment of IT related products and the strong yen. As a result, Advantest anticipates the sales and profits in the fourth quarter to be higher than that of the third quarter. Accordingly, the earnings forecast for the fourth quarter of FY2004 released on October 26, 2004 have not been revised.

(Reference) Consolidated Earnings Forecast Released on October 26, 2004

	Net sales	Income before income taxes	Net income
	Million yen	Million yen	Million yen
FY2004	250,000	71,000	43,000

(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.

Quarterly Consolidated Financial Statements (Summary)

1. Quarterly Consolidated Balance Sheets (Summary)

Item	Notes	Q3 of FY2004 (As of December 31, 2004)		FY2003 (As of March 31, 2004)		Increase (Decrease)	Q3 of FY2003 (As of December 31, 2003)	
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Amount (in million yen)	Percentage (%)
(Assets)								
Cash and cash equivalents		156,362		101,146		55,216	91,965	
Trade accounts receivable, less allowance for doubtful accounts	*1	65,586		76,133		(10,547)	56,798	
Inventories		30,354		49,423		(19,069)	45,988	
Other current assets		15,978		29,060		(13,082)	17,327	
Total current assets		268,280	78.0	255,762	77.3	12,518	212,078	69.3
Investment securities		7,888	2.3	7,952	2.4	(64)	7,437	2.4
Property, plant and equipment, net	*2	51,166	14.9	50,516	15.3	650	52,525	17.2
Intangible assets, at cost, less accumulated amortization		3,135	0.9	3,756	1.1	(621)	4,933	1.6
Other assets		13,497	3.9	12,822	3.9	675	29,265	9.5
Total assets		343,966	100.0	330,808	100.0	13,158	306,238	100.0
(Liabilities)								
Current installments of long-term debt		24,543		4,543		20,000	2,243	
Trade accounts payable		18,227		38,214		(19,987)	30,282	
Other current liabilities		27,534		23,854		3,680	16,774	
Total current liabilities		70,304	20.4	66,611	20.1	3,693	49,299	16.1
Long-term debt, excluding current installments		62	0.0	20,083	6.1	(20,021)	24,604	8.0
Accrued pension and severance cost		19,002	5.5	18,348	5.6	654	15,600	5.1
Other liabilities		3,452	1.1	3,411	1.0	41	3,632	1.2
Total liabilities		92,820	27.0	108,453	32.8	(15,633)	93,135	30.4
(Minority interests)								
Minority interests		—	—	587	0.2	(587)	495	0.2
(Stockholders' equity)								
Common stock		32,363	9.4	32,363	9.8	-	32,363	10.6
Capital surplus		32,973	9.6	32,973	10.0	-	32,973	10.8
Retained earnings		205,741	59.8	177,404	53.5	28,337	167,190	54.5
Accumulated other comprehensive income (loss)	*3	(7,599)	(2.2)	(8,061)	(2.4)	462	(6,840)	(2.2)
Treasury stock		(12,332)	(3.6)	(12,911)	(3.9)	579	(13,078)	(4.3)
Total stockholders' equity		251,146	73.0	221,768	67.0	29,378	212,608	69.4
Total liabilities and stockholders' equity		343,966	100.0	330,808	100.0	13,158	306,238	100.0

(Notes)

1. Allowance for doubtful accounts	2,158	2,464	(306)	2,568
2. Accumulated depreciation of property, plant and equipment	66,807	64,533	2,274	70,145
3. Accumulated other comprehensive income (loss)				
Foreign currency translation adjustments	(7,882)	(8,087)	205	(7,526)
Net unrealized gains on available-for-sale securities	1,365	1,422	(57)	686
Minimum pension liability adjustments	(1,082)	(1,396)	314	-

2. Quarterly Consolidated Statements of Income (Summary)

Item	Q3 of FY2004 (April 1, 2004 through December 31, 2004)		Q3 of FY2003 (April 1, 2003 through December 31, 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	189,226	100.0	105,950	100.0	83,276	174,218	100.0				
Cost of sales	86,895	45.9	53,727	50.7	33,168	85,513	49.1				
Gross profit	102,331	54.1	52,223	49.3	50,108	88,705	50.9				
Research and development expenses	18,643	9.9	15,895	15.0	2,748	21,637	12.4				
Selling, general and administrative expenses	30,339	16.0	24,217	22.9	6,122	36,108	20.7				
Operating income	53,349	28.2	12,111	11.4	41,238	30,960	17.8				
Other income (expense):											
Interest and dividend income	372		258		114	339					
Interest expense	(338)		(356)		18	(469)					
Minority interests (loss)	(85)		(85)		0	(214)					
Other	1,118	1,067	0.6	(800)	(983)	(0.9)	1,918	2,050	(1,738)	(2,082)	(1.2)
Income before income taxes	54,416	28.8	11,128	10.5	43,288	28,878	16.6				
Income taxes	20,926	11.1	4,022	3.8	16,904	11,549	6.6				
Net income	33,490	17.7	7,106	6.7	26,384	17,329	10.0				

Item	Q3 of FY2004 (April 1, 2004 through December 31, 2004)		Q3 of FY2003 (April 1, 2003 through December 31, 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	340.68	72.33	268.35	176.37				
Diluted	339.94	72.22	267.72	176.02				

3. Quarterly Consolidated Statements of Cash Flows (Summary)

Item	Q3 of FY2004 (April 1, 2004 through December 31, 2004)	Q3 of FY2003 (April 1, 2003 through December 31, 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	33,490	7,106	17,329
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,019	7,054	9,328
Decrease (increase) in trade accounts receivable	11,150	(15,084)	(35,285)
Decrease (increase) in inventories	19,243	(10,931)	(14,570)
Increase (decrease) in trade accounts payable	(20,670)	20,645	29,190
Other	17,265	5,059	22,223
Net cash provided by operating activities	66,497	13,849	28,215
Cash flows from investing activities:			
Purchases of property, plant and equipment	(6,706)	(3,049)	(5,068)
Other	(85)	(15)	(2)
Net cash used in investing activities	(6,791)	(3,064)	(5,070)
Cash flows from financing activities:			
Dividends paid	(4,776)	(2,344)	(2,462)
Other	390	(1,637)	(3,914)
Net cash used in financing activities	(4,386)	(3,981)	(6,376)
Net effect of exchange rate changes on cash and cash equivalents	(104)	(2,177)	(2,961)
Net change in cash and cash equivalents (decrease)	55,216	4,627	13,808
Cash and cash equivalents at beginning of period	101,146	87,338	87,338
Cash and cash equivalents at end of period	156,362	91,965	101,146

Supplemental Information to FY2004 Third Quarter Financial Results

1. Business Segment Operating Income

(In billion yen; truncated after the hundred million)

		Q3 of FY2004		Q3 of FY2003		Increase
		(April 1, 2004 through December 31, 2004)		(April 1, 2003 through December 31, 2003)		(Decrease)
		Amount	Percentage (%)	Amount	Percentage (%)	Amount
Semiconductor and component test system	Sales to unaffiliated customers	138.0	95.8	69.8	96.6	68.2
	Intersegment sales	6.1	4.2	2.4	3.4	3.7
	Net sales	144.1	100.0	72.3	100.0	71.8
	Operating expenses	98.6	68.4	60.7	84.0	37.9
	Operating income (loss)	45.5	31.6	11.5	16.0	34.0
Mechatronics system	Sales to unaffiliated customers	35.7	98.7	22.0	99.0	13.7
	Intersegment sales	0.4	1.3	0.2	1.0	0.2
	Net sales	36.2	100.0	22.3	100.0	13.9
	Operating expenses	24.3	67.3	16.1	72.2	8.2
	Operating income (loss)	11.8	32.7	6.1	27.8	5.7
Services, support and others	Sales to unaffiliated customers	15.4	100.0	13.9	100.0	1.5
	Intersegment sales	-	-	-	-	-
	Net sales	15.4	100.0	13.9	100.0	1.5
	Operating expenses	14.3	92.8	14.5	104.4	(0.2)
	Operating income (loss)	1.1	7.2	(0.6)	(4.4)	1.7
Elimination and corporate	Sales to unaffiliated customers	-	-	-	-	-
	Intersegment sales	(6.5)	100.0	(2.6)	100.0	(3.9)
	Net sales	(6.5)	100.0	(2.6)	100.0	(3.9)
	Operating expenses	(1.4)	-	2.3	-	(3.7)
	Operating income (loss)	(5.1)	-	(5.0)	-	(0.1)
Consolidated	Sales to unaffiliated customers	189.2	100.0	105.9	100.0	83.3
	Intersegment sales	-	-	-	-	-
	Net sales	189.2	100.0	105.9	100.0	83.3
	Operating expenses	135.8	71.8	93.8	88.6	42.0
	Operating income (loss)	53.3	28.2	12.1	11.4	41.2

- (Notes)
1. 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”. Certain reclassifications have been made to the business segment information for Q3 of FY2003 to conform presentation used for Q3 of FY2004.
 2. Adjustments to operating income (loss) included under "Elimination and corporate" consist primarily of expenses for fundamental research activities and costs of the administrative operations of headquarters.

2. Geographic Segment Net Sales (Based on Location of Customers)

(In billion yen; truncated after the hundred million)

		Q3 of FY2004		Q3 of FY2003		Increase	FY2003	
		(April 1, 2004 through December 31, 2004)		(April 1, 2003 through December 31, 2003)		(Decrease)	(April 1, 2003 through March 31, 2004)	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Amount	Percentage (%)
	Americas	18.8	9.9	7.5	7.1	11.3	16.2	9.3
	Europe	10.7	5.7	7.2	6.8	3.5	10.4	6.0
	Asia	113.1	59.8	53.5	50.6	59.6	89.5	51.4
	Overseas total	142.7	75.4	68.3	64.5	74.4	116.2	66.7
	Japan	46.5	24.6	37.5	35.5	9.0	57.9	33.3
	Consolidated	189.2	100.0	105.9	100.0	83.3	174.2	100.0

3. Consolidated Net Sales by Business Segment

(In billion yen; truncated after the hundred million)

	Q3 of FY2004 (April 1, 2004 through December 31, 2004)	Q3 of FY2003 (April 1, 2003 through December 31, 2003)	Increase (Decrease)
Semiconductor and component test system	144.1	72.3	71.8
Mechatronics system	36.2	22.3	13.9
Services, support and others	15.4	13.9	1.5
Intersegment transactions	(6.5)	(2.6)	(3.9)
Net sales total	189.2	105.9	83.3

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

(In billion yen; truncated after the hundred million)

	Q3 of FY2004 (April 1, 2004 through December 31, 2004)	Q3 of FY2003 (April 1, 2003 through December 31, 2003)	Increase (Decrease)
Semiconductor and component test system	129.0	101.8	27.2
Mechatronics system	33.1	27.4	5.7
Services, support and others	14.8	14.1	0.7
Intersegment transactions	(6.0)	(2.7)	(3.3)
Total volume of orders	171.0	140.7	30.3

	Q3 of FY2004 (As of December 31, 2004)	Q3 of FY2003 (As of December 31, 2003)	Increase (Decrease)
Semiconductor and component test system	26.5	40.6	(14.1)
Mechatronics system	6.1	9.1	(3.0)
Services, support and others	0.8	1.9	(1.1)
Intersegment transactions	(0.2)	(0.2)	0.0
Total orders backlog	33.3	51.5	(18.2)

(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. Incoming orders are recorded as such upon receipt of a written customer order.

5. Consolidated Cash Flows

(In billion yen; truncated after the hundred million)

	Q3 of FY2004 (April 1, 2004 through December 31, 2004)	Q3 of FY2003 (April 1, 2003 through December 31, 2003)	FY2003 (April 1, 2003 through March 31, 2004)
Operating activities	66.4	13.8	28.2
Investing activities	(6.7)	(3.0)	(5.0)
(Free cash flows)	59.7	10.7	23.1
Financing activities	(4.3)	(3.9)	(6.3)
Total cash flows	55.3	6.8	16.7
Cash and cash equivalents at end of period	156.3	91.9	101.1

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

(In billion yen; truncated after the hundred million)

	Q3 of FY2004 (April 1, 2004 through December 31, 2004)	Q3 of FY2003 (April 1, 2003 through December 31, 2003)	Increase (Decrease)	FY2003 (April 1, 2003 through March 31, 2004)
Capital expenditures	6.8	3.1	3.7	5.6
Depreciation and amortization	6.0	7.0	(1.0)	9.3
Research and development expenses	18.6	15.8	2.8	21.6

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

(Persons)

	Q3 of FY2004 (As of December 31, 2004)	FY2003 (As of March 31, 2004)	Increase (Decrease)	Q3 of FY2003 (As of December 31, 2003)
Unconsolidated	1,441	1,450	(9)	1,444
Affiliates	2,128	2,094	34	2,135
Consolidated full-time employee total	3,569	3,544	25	3,579