

Overview of FY2005 First Quarter Financial Results (Consolidated)

(Prepared in accordance with U.S. GAAP)

July 26, 2005

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

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 Person-in-charge: Hiroshi Nakamura, Manager, Accounting Department (TEL (03) 3214-7500)

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, 2005): No
- Number of consolidated subsidiaries: 39
 (Newly included) 0
 (Excluded) 0
- 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.

2. Consolidated Financial Results of FY2005 1Q (April 1, 2005 through June 30, 2005)

(1) Consolidated Financial Results

	Net sales		Operating income		Income before income taxes		Net income	
	Million yen	increase(%)	Million yen		Million yen		Million yen	
FY2005 Q1	52,002	(27.8)	11,770	(47.5)	12,121	(46.5)	7,820	(44.1)
FY2004 Q1	72,065	165.2	22,402	92.5 times	22,660	94.1 times	13,995	97.7 times
(For reference) FY2004	239,439		60,719		61,808		38,078	

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
FY2005 Q1	84.61		84.37	
FY2004 Q1	142.38		142.02	
(For reference) FY2004	389.54		388.51	

(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. The multiples shown for operating income, income before income taxes and net income are changes in comparison to the corresponding period of the previous fiscal year.

(Qualitative Information Regarding Consolidated Financial Results)

During the first quarter of the current fiscal year, as a result of progress in the inventory adjustment for digital consumer products such as flat screen televisions, DVD recorders and cellular phones, and due to strong sales in personal computers, particularly notebook computers, Advantest's operating environment was steady due to the trend towards recovery in capital expenditures by the semiconductor manufacturers. In such an environment, Advantest introduced new products for next-generation semiconductors in order to meet customers' needs, as an effort to increase incoming orders and sales. Advantest continued to make efforts to improve productivity and reduce costs. As a result, during the first quarter of the current fiscal year, incoming orders decreased by 21.7% to ¥60.8 billion from the same quarter of the previous fiscal year and net sales decreased by 27.8% to ¥52 billion from the same quarter of the previous fiscal year. Income before income taxes decreased by 46.5% to ¥12.1 billion from the same quarter of the previous fiscal year and net income for the current fiscal year decreased by 44.1% to ¥7.8 billion from the same quarter of the previous fiscal year. Overseas sales as a percentage of total sales was 69.5% compared with 73.6% in the same quarter of the previous fiscal year.

(Results by Business Segment)

During the first quarter of the current fiscal year, in the Semiconductor and Component Test System segment, incoming orders, net sales and operating income were ¥46.9 billion, ¥39.2 billion and ¥11.2 billion, respectively, as semiconductor test systems for flash memory, MPUs and LCD driver IC maintained steady sales, despite restrained capital expenditures by some of the semiconductor manufacturers for DRAM semiconductor test systems due to low DRAM prices. In the Mechatronics System segment, incoming orders, net sales and operating income were ¥10.8 billion, ¥9.3 billion and ¥2.2 billion respectively, as a result of steady demand in device interface products for DDR-SDRAM and flash memory, despite lagging sales in test handlers for DRAM. In the Services, Support and Others segment, incoming orders, net sales and operating income were ¥4.5 billion, ¥4.1 billion and ¥0.8 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
FY2005 Q1	306,734	213,448	69.6	2,309.40
FY2004 Q1	341,443	234,517	68.7	2,385.79
(For reference) FY2004	296,769	206,749	69.7	2,236.97

(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
FY2005 Q1	-785	-1,372	-2,157	117,601
FY2004 Q1	10,383	-2,489	-2,140	107,535
(For reference) FY2004	90,327	-8,250	-63,036	120,986

(Qualitative Information Regarding Changes in Consolidated Financial Position)

With respect to Advantest's financial position for the first fiscal quarter, total assets increased by ¥9.9 billion to ¥306.7 billion, due to the increase of accounts receivables by ¥7.4 billion and inventory assets by ¥6.1 billion. Total liabilities increased by ¥3.2 billion to ¥93.2 billion, primarily due to the increase of accounts payable by ¥6.5 billion. Shareholders' equity was ¥213.4 billion and equity-to-assets ratio decreased by 0.1 percentage points to 69.6% from the last fiscal year end.

(Cash Flow Statements)

Cash and cash equivalents at the end of the first fiscal quarter decreased by ¥3.3 billion from the end of the previous fiscal year to ¥117.6 billion.

Cash flows from operating activities was an outflow of ¥0.7 billion, which consisted of an increase in account receivables and inventory assets despite posting net income for current period of ¥7.8 billion.

Cash flows from investing activities was an outflow of ¥1.3 billion, which consisted 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 FY2005 (April 1, 2005 through March 31, 2006)

	Net sales	Income before income taxes	Net income
	Million yen	Million yen	Million yen
FY2005 interim	112,000	25,000	15,000
FY2005	240,000	60,000	37,000

(Qualitative Information Regarding Projected Results)

With respect to Advantest's projected results in the second quarter and beyond, the prospect for semiconductor related capital expenditures remain positive with the recovering demand attributed to the progress in inventory adjustment of digital consumer products and the increase in demand for DRAM towards the year end sale season, despite the uncertainties regarding the economy attributable to inflating oil prices and fluctuations in the currency exchange rates against the Chinese yuan and the US dollar. Earnings forecast for the interim and the fiscal year ending March 2006, therefore, remains unchanged.

(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 FY2005 (As of June 30, 2005)		FY2004 (As of March 31, 2005)		Increase (Decrease)	Q1 of FY2004 (As of June 30, 2004)	
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Amount (in million yen)	Percentage (%)
(Assets)								
Cash and cash equivalents		117,601		120,986		(3,385)	107,535	
Trade accounts receivable, less allowance for doubtful accounts	*1	64,157		56,702		7,455	88,818	
Inventories		35,685		29,585		6,100	46,406	
Other current assets		17,599		16,658		941	23,154	
Total current assets		235,042	76.6	223,931	75.5	11,111	265,913	77.9
Investment securities		7,944	2.6	7,772	2.6	172	7,818	2.3
Property, plant and equipment, net	*2	50,683	16.5	51,364	17.3	(681)	51,253	15.0
Intangible assets, at cost, less accumulated amortization		2,966	1.0	3,090	1.0	(124)	3,509	1.0
Other assets		10,099	3.3	10,612	3.6	(513)	12,950	3.8
Total assets		306,734	100.0	296,769	100.0	9,965	341,443	100.0
(Liabilities)								
Current installments of long-term debt		20,043		20,043		—	4,543	
Trade accounts payable		29,748		23,196		6,552	34,048	
Other current liabilities		27,189		30,755		(3,566)	25,482	
Total current liabilities		76,980	25.1	73,994	24.9	2,986	64,073	18.8
Long-term debt, excluding current installments		40	0.0	40	0.0	—	20,083	5.9
Accrued pension and severance cost		12,476	4.1	12,605	4.3	(129)	18,618	5.5
Other long-term liabilities		3,790	1.2	3,381	1.1	409	3,495	0.9
Total liabilities		93,286	30.4	90,020	30.3	3,266	106,269	31.1
(Minority interests)								
Minority interests		—	—	—	—	—	657	0.2
(Stockholders' equity)								
Common stock		32,363	10.6	32,363	10.9	—	32,363	9.5
Capital surplus		35,277	11.5	35,263	11.9	14	32,973	9.7
Retained earnings		215,625	70.3	210,121	70.8	5,504	188,867	55.2
Accumulated other comprehensive income (loss)	*3	(3,719)	(1.2)	(4,878)	(1.6)	1,159	(6,960)	(2.0)
Treasury stock		(66,098)	(21.6)	(66,120)	(22.3)	22	(12,726)	(3.7)
Total stockholders' equity		213,448	69.6	206,749	69.7	6,699	234,517	68.7
Total liabilities and stockholders' equity		306,734	100.0	296,769	100.0	9,965	341,443	100.0

(Notes)

1. Allowance for doubtful accounts	2,184	2,174	10	2,461
2. Accumulated depreciation on property, plant and equipment	69,117	67,914	1,203	65,599
3. Accumulated other comprehensive income (loss)				
Foreign currency translation adjustment	(5,401)	(6,452)	1,051	(7,100)
Net unrealized gains on securities	1,682	1,574	108	1,435
Minimum pension liability adjustment	—	—	—	(1,295)

2. Quarterly Consolidated Statements of Income (Summary)

Item	Q1 of FY2005 (April 1, 2005 through June 30, 2005)		Q1 of FY2004 (April 1, 2004 through June 30, 2004)		Increase (Decrease)		FY2004 (April 1, 2004 through March 31, 2005)	
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)		Amount (in million yen)	Percentage (%)
Net sales	52,002	100.0	72,065	100.0	(20,063)		239,439	100.0
Cost of sales	24,330	46.8	34,027	47.2	(9,697)		115,994	48.4
Gross profit	27,672	53.2	38,038	52.8	(10,366)		123,445	51.6
Research and development expenses	6,635	12.8	5,813	8.1	822		26,280	11.0
Selling, general and administrative expenses	9,267	17.8	9,823	13.6	(556)		36,446	15.2
Operating income	11,770	22.6	22,402	31.1	(10,632)		60,719	25.4
Other income (expense):								
Interest and dividend income	329		98		231		597	
Interest expense	(106)		(113)		7		(441)	
Minority interests (loss)	—		(65)		65		(84)	
Other	128	0.7	338	0.3	(210)	93	1,017	0.4
Income before income taxes	12,121	23.3	22,660	31.4	(10,539)		61,808	25.8
Income taxes	4,301	8.3	8,665	12.0	(4,364)		23,730	9.9
Net income	7,820	15.0	13,995	19.4	(6,175)		38,078	15.9

Item	Q1 of FY2005 (April 1, 2005 through June 30, 2005)		Q1 of FY2004 (April 1, 2004 through June 30, 2004)		Increase (Decrease)		FY2004 (April 1, 2004 through March 31, 2005)	
	Amount (in yen)		Amount (in yen)		Amount (in yen)		Amount (in yen)	
Net income per share								
Basic	84.61		142.38		(57.77)		389.54	
Diluted	84.37		142.02		(57.65)		388.51	

3. Quarterly Consolidated Statements of Cash Flows (Summary)

Item	Q1 of FY2005 (April 1, 2005 through June 30, 2005)	Q1 of FY2004 (April 1, 2004 through June 30, 2004)	FY2004 (April 1, 2004 through March 31, 2005)
	Amount (in million yen)	Amount (in million yen)	Amount (in million yen)
Cash flows from operating activities:			
Net income	7,820	13,995	38,078
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,953	2,036	8,285
Decrease (increase) in trade accounts receivable	(6,901)	(12,254)	20,953
Decrease (increase) in inventories	(5,977)	3,284	20,218
Increase (decrease) in trade accounts payable	6,023	(4,632)	(16,375)
Other	(3,703)	7,954	19,168
Net cash provided by operating activities	(785)	10,383	90,327
Cash flows from investing activities:			
Purchases of property, plant and equipment	(1,444)	(2,436)	(8,738)
Other	72	(53)	488
Net cash used in investing activities	(1,372)	(2,489)	(8,250)
Cash flows from financing activities:			
Dividends paid	(2,190)	(2,319)	(4,907)
Other	33	179	(58,129)
Net cash used in financing activities	(2,157)	(2,140)	(63,036)
Net effect of exchange rate changes on cash and cash equivalents	929	635	799
Net change in cash and cash equivalents	(3,385)	6,389	19,840
Cash and cash equivalents at beginning of period	120,986	101,146	101,146
Cash and cash equivalents at end of period	117,601	107,535	120,986

Supplemental Information to FY2005 First Quarter Financial Results

1. Business Segment Operating Income

(In billion yen; truncated after the hundred million)

		Q1 of FY2005		Q1 of FY2004		Increase (Decrease)	FY2004	
		〔April 1, 2005 through June 30, 2005〕		〔April 1, 2004 through June 30, 2004〕			〔April 1, 2004 through March 31, 2005〕	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Amount	Percentage (%)
Semiconductor and Component Test System	Sales to unaffiliated customers	38.5	98.2	54.0	94.5	(15.5)	173.9	96.3
	Intersegment sales	0.7	1.8	3.1	5.5	(2.4)	6.7	3.7
	Net sales	39.2	100.0	57.2	100.0	(18.0)	180.6	100.0
	Operating expenses	27.9	71.3	37.8	66.2	(9.9)	130.0	72.0
	Operating income	11.2	28.7	19.3	33.8	(8.1)	50.6	28.0
Mechatronics System	Sales to unaffiliated customers	9.3	99.6	12.4	99.2	(3.1)	45.8	98.8
	Intersegment sales	0.0	0.4	0.0	0.8	0.0	0.5	1.2
	Net sales	9.3	100.0	12.5	100.0	(3.2)	46.3	100.0
	Operating expenses	7.0	75.6	7.7	61.7	(0.7)	32.7	70.6
	Operating income	2.2	24.4	4.7	38.3	(2.5)	13.6	29.4
Services, Support and Others	Sales to unaffiliated customers	4.1	100.0	5.5	100.0	(1.4)	19.6	100.0
	Intersegment sales	-	-	-	-	-	-	-
	Net sales	4.1	100.0	5.5	100.0	(1.4)	19.6	100.0
	Operating expenses	3.2	79.1	4.9	89.2	(1.7)	16.2	82.7
	Operating income	0.8	20.9	0.6	10.8	0.2	3.4	17.3
Elimination and Corporate	Sales to unaffiliated customers	-	-	-	-	-	-	-
	Intersegment sales	(0.7)	100.0	(3.2)	100.0	2.5	(7.3)	100.0
	Net sales	(0.7)	100.0	(3.2)	100.0	2.5	(7.3)	100.0
	Operating expenses	1.9	-	(0.9)	-	2.8	0.6	-
	Operating income	(2.6)	-	(2.3)	-	(0.3)	(7.9)	-
Consolidated	Sales to unaffiliated customers	52.0	100.0	72.0	100.0	(20.0)	239.4	100.0
	Intersegment sales	-	-	-	-	-	-	-
	Net sales	52.0	100.0	72.0	100.0	(20.0)	239.4	100.0
	Operating expenses	40.2	77.4	49.6	68.9	(9.4)	179.7	75.1
	Operating income	11.7	22.6	22.4	31.1	(10.7)	59.6	24.9

2. Geographic Segment Net Sales

(In billion yen; truncated after the hundred million)

		Q1 of FY2005		Q1 of FY2004		Increase (Decrease)	FY2004	
		〔April 1, 2005 through June 30, 2005〕		〔April 1, 2004 through June 30, 2004〕			〔April 1, 2004 through March 31, 2005〕	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Amount	Percentage (%)
	Americas	4.7	9.2	8.1	11.3	(3.4)	23.0	9.6
	Europe	2.0	4.0	3.3	4.6	(1.3)	12.2	5.1
	Asia	29.2	56.3	41.6	57.7	(12.4)	144.1	60.2
	Total Overseas	36.1	69.5	53.0	73.6	(16.9)	179.4	74.9
	Japan	15.8	30.5	18.9	26.4	(3.1)	60.0	25.1
	Consolidated	52.0	100.0	72.0	100.0	(20.0)	239.4	100.0

3. Consolidated Net Sales by Business Segment

(In billion yen; truncated after the hundred million)

	Q1 of FY2005 (April 1, 2005 through June 30, 2005)	Q1 of FY2004 (April 1, 2004 through June 30, 2004)	Increase (Decrease)	FY2004 (April 1, 2004 through March 31, 2005)
Semiconductor and Component Test System	39.2	57.2	(18.0)	180.6
Mechatronics System	9.3	12.5	(3.2)	46.3
Services, Support and Others	4.1	5.5	(1.4)	19.6
Elimination	(0.7)	(3.2)	2.5	(7.3)
Total net sales	52.0	72.0	(20.0)	239.4

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

(In billion yen; truncated after the hundred million)

	Q1 of FY2005 (April 1, 2005 through June 30, 2005)	Q1 of FY2004 (April 1, 2004 through June 30, 2004)	Increase (Decrease)	FY2004 (April 1, 2004 through March 31, 2005)
Semiconductor and Component Test System	46.9	63.2	(16.3)	171.0
Mechatronics System	10.8	13.7	(2.9)	43.8
Services, Support and Others	4.5	5.3	(0.8)	19.1
Elimination	(1.5)	(4.6)	3.1	(6.5)
Total volume of orders	60.8	77.6	(16.8)	227.4

	Q1 of FY2005 (As of June 30, 2005)	Q1 of FY2004 (As of June 30, 2004)	Increase (Decrease)	FY2004 (As of March 31, 2005)
Semiconductor and Component Test System	39.8	47.6	(7.8)	32.0
Mechatronics System	8.1	10.4	(2.3)	6.6
Services, Support and Others	1.2	1.1	0.1	0.8
Elimination	(0.8)	(2.1)	1.3	(0.0)
Total orders backlog	48.3	57.0	(8.7)	39.5

(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)

	Q1 of FY2005 (April 1, 2005 through June 30, 2005)	Q1 of FY2004 (April 1, 2004 through June 30, 2004)	FY2004 (April 1, 2004 through March 31, 2005)
Operating activities	(0.7)	10.3	90.3
Investing activities	(1.3)	(2.4)	(8.2)
(Free cash flows)	(2.1)	7.8	82.0
Financing activities	(2.1)	(2.1)	(63.0)
Total cash flows	(4.3)	5.7	19.0
Cash and cash equivalents at end of period	117.6	107.5	120.9

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

(In billion yen; truncated after the hundred million)

	Q1 of FY2005 (April 1, 2005 through June 30, 2005)	Q1 of FY2004 (April 1, 2004 through June 30, 2004)	Increase (Decrease)	FY2004 (April 1, 2004 through March 31, 2005)
Capital expenditures	1.1	2.3	(1.2)	9.3
Depreciation and amortization	1.9	2.0	(0.1)	8.2
Research and development expenses	6.6	5.8	0.8	26.2

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

(Persons)

	Q1 of FY2005 (As of June 30, 2005)	FY2004 (As of March 31, 2005)	Increase (Decrease)	Q1 of FY2004 (As of June 30, 2004)
Unconsolidated	1,461	1,433	28	1,468
Affiliates	2,138	2,132	6	2,096
Consolidated full-time employee total	3,599	3,565	34	3,564