

# Overview of FY2005 Third Quarter Financial Results (Consolidated)

(Prepared in accordance with U.S. GAAP)

January 26, 2006

|              |   |  |
|--------------|---|--|
| Company name | <b>Advantest Corporation</b><br>(URL <a href="http://www.advantest.co.jp/investors/">http://www.advantest.co.jp/investors/</a> )                                | (Stock code number: 6857, TSE 1 <sup>st</sup> Section)<br>(Ticker Symbol: ATE, NYSE) |
| Contacts     | Company representative: Toshio Maruyama, Representative Board Director, President and CEO<br>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 September 30, 2005):   | No  |
| Number of consolidated subsidiaries:   | 40  |
| (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 3Q (April 1, 2005 through December 31, 2005)

### (1) Consolidated Financial Results

|                        | Net sales      |                       | Operating income |                       | Income before income taxes |                       | Net income    |                       |
|------------------------|----------------|-----------------------|------------------|-----------------------|----------------------------|-----------------------|---------------|-----------------------|
|                        | Million yen    | % increase (decrease) | Million yen      | % increase (decrease) | Million yen                | % increase (decrease) | Million yen   | % increase (decrease) |
| <b>FY2005 Q3</b>       | <b>174,906</b> | <b>(7.6)</b>          | <b>40,453</b>    | <b>(21.9)</b>         | <b>43,065</b>              | <b>(18.6)</b>         | <b>25,941</b> | <b>(18.9)</b>         |
| FY2004 Q3              | 189,226        | 78.6                  | 51,826           | 327.9                 | 52,893                     | 375.3                 | 31,967        | 349.9                 |
| (For reference) FY2004 | 239,439        |                       | 60,719           |                       | 61,808                     |                       | 38,078        |                       |

|                        | Net income per share (basic) | Net income per share (diluted) |
|------------------------|------------------------------|--------------------------------|
|                        | Yen                          | Yen                            |
| <b>FY2005 Q3</b>       | <b>280.35</b>                | <b>279.18</b>                  |
| FY2004 Q3              | 325.19                       | 324.48                         |
| (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.

### (Qualitative Information Regarding Consolidated Financial Results)

During this third quarter (a period of nine months from April 1, 2005 to December 31, 2005), although inventory control in the IT-related industries continued during the first half of this nine months period, Advantest's operating environment was favorable, as stimulated by the strong demand for consumer digital products, among other products, and due to an increase in capital expenditures by the semiconductor industry that intended to increase the semiconductor production. In particular, the increased demand for portable audio players, flat screen televisions and notebooks computers led to an increase in semiconductor sales. In addition, the trend towards a weaker yen in currency exchange was a positive factor.

Under this environment, Advantest made concentrated efforts to increase orders input received and expand sales with a focus on the introduction of new products for next generation semiconductors that meet customers' demands. Advantest continued to make efforts to implement a thorough inventory and lead time control based on the just-in-time production system, to improve the quality of products and to reduce costs. As a result of the above, in this third quarter, orders input received was (Y)197.3 billion (15.3% increase in comparison to the corresponding third quarter of the previous fiscal year), sales was (Y)174.9 billion (7.6% decrease), net income before income taxes was (Y)43.1 billion (18.6% decrease), and net income was (Y) 25.9 billion (18.9% decrease). These results from this third quarter did not match the results from the corresponding third quarter of the previous fiscal year as Advantest achieved the highest net sales in the interim period of the previous fiscal year, and thus the outcome of this third quarter resulted in lower earnings on lower sales. Nevertheless, Advantest's performance for each quarter has been improving from the corresponding quarter of the previous fiscal year (a period of three months from October 1, 2004 to December 31, 2004). Overseas sales as a percentage of total sales were 68.9%, as compared with 75.4% in the corresponding third quarter of the previous fiscal year.

### (Results by Business Segment)

For the Semiconductor and Component Test System Segment, with respect to semiconductor test systems for DRAM, sales for next generation DRAM has increased, especially due to the increased demand for flash memory semiconductor test systems. Furthermore, sales remained steady for non-memory semiconductor test system for MPU and LCD driver IC. Orders input received was (Y)149.7 billion, sales was (Y)130.8 billion and operating income was (Y)37.6 billion. For the Mechatronics System Segment, sales remained steady for memory semiconductor test handlers and device interface products. Orders input received was (Y)36.0 billion, sales was (Y) 32.6 billion and operating income was (Y)7.7 billion. For the Services, Support and Others Segment, orders input received was (Y)15.7 billion, sales was (Y)14.6 billion and operating income was (Y)2.8 billion.

## (2) Changes in Consolidated Financial Position

|                        | Total assets   | Stockholders' equity | Equity-to-assets ratio | Stockholders' equity per share |
|------------------------|----------------|----------------------|------------------------|--------------------------------|
|                        | Million yen    | Million yen          | %                      | Yen                            |
| <b>FY2005 Q3</b>       | <b>323,901</b> | <b>238,324</b>       | <b>73.6</b>            | <b>2,564.15</b>                |
| FY2004 Q3              | 343,966        | 251,146              | 73.0                   | 2,553.78                       |
| (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                                |
| <b>FY2005 Q3</b>       | <b>30,009</b>                        | <b>(6,217)</b>                       | <b>(21,001)</b>                      | <b>127,851</b>                             |
| FY2004 Q3              | 66,497                               | (6,791)                              | (4,386)                              | 156,362                                    |
| (For reference) FY2004 | 90,327                               | (8,250)                              | (63,036)                             | 120,986                                    |

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

At the end of this third quarter, total assets increased by (Y)27.1 billion from the end of the previous fiscal year to (Y)323.9 billion, due to the increase of trade accounts receivable by (Y)8.1 billion, inventory assets by (Y)8.0 billion and cash and cash equivalents by (Y)6.9 billion. Shareholders' equity was (Y)238.3 billion and equity-to-assets ratio increased by 3.9 percentage points from the end of the previous year to 73.6%.

## (Cash Flow Statements)

Cash and cash equivalents at the end of this third quarter increased by (Y)6.9 billion from the end of the previous fiscal year to (Y)127.9 billion.

Cash flows from operating activities was inflow of (Y)30.0 billion, which consisted of an increase in trade accounts payable ((Y)7.0 billion), among other things, in addition to the net income for this quarter period of (Y)25.9 billion.

Cash flows from investing activities was an outflow of (Y)6.2 billion, which consisted primarily of capital expenditures on tangible fixed assets including lease assets ((Y)5.0 billion).

Cash flows from financing activities was an outflow of (Y)21.0 billion, which consisted primarily of redemption of corporate bonds ((Y)20.0 billion) and dividends paid ((Y)4.5 billion).

## 3. Projected Results for FY2005 (April 1, 2005 through March 31, 2006)

With respect to its earnings forecast for the fourth quarter and beyond, Advantest anticipates that its orders input received and sales will remain steady due to the increasing capital expenditures of the semiconductor and related industries, that are primarily targeted for consumer digital devices. This is so even Advantest is concerned with potential negative impacts that may result from increasing petroleum prices, fluctuations in foreign exchange rates and certain domestic and international economic conditions.

Accordingly, Advantest projects that its earnings will exceed our previous forecast as of October 26, 2005 as below.

## [Consolidated]

|   | Net sales   | Income before income taxes | Net income  |
|---|-------------|----------------------------|-------------|
|   | Million yen | Million yen                | Million yen |
| Previous forecast (A)<br>(As of October 26, 2005) | 240,000     | 61,000                     | 37,000      |
| Revised forecast (B)                              | 250,000     | 66,000                     | 41,000      |
| Difference (B)-(A)                                | 10,000      | 5,000                      | 4,000       |

## [Non-Consolidated] (Parent Company only)

|   | Net sales   | Income before income taxes | Net income  |
|---|-------------|----------------------------|-------------|
|   | Million yen | Million yen                | Million yen |
| Previous forecast (A)<br>(As of October 26, 2005) | 210,000     | 48,000                     | 31,000      |
| Revised forecast (B)                              | 218,000     | 53,000                     | 34,000      |
| Difference (B)-(A)                                | 8,000       | 5,000                      | 3,000       |

(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.

## 1. Quarterly Consolidated Balance Sheets (Summary)

| Item  | Notes | Q3 of FY2005<br>(As of December 31, 2005) |                   | FY2004<br>(As of March 31, 2005) |                   | Increase<br>(Decrease)     | Q3 of FY2004<br>(As of December 31, 2004) |                   |
|---|-------|---|-------------------|----------------------------------|-------------------|----------------------------|---|-------------------|
|   |       | Amount<br>(in million yen)                | Percentage<br>(%) | Amount<br>(in million yen)       | Percentage<br>(%) | Amount<br>(in million yen) | Amount<br>(in million yen)                | Percentage<br>(%) |
| <b>(Assets)</b>   |       |   |                   |                                  |                   |                            |   |                   |
| Cash and cash equivalents                                       |       | 127,851                                   |                   | 120,986                          |                   | 6,865                      | 156,362                                   |                   |
| Trade accounts receivable, less allowance for doubtful accounts | *1    | 64,815                                    |                   | 56,702                           |                   | 8,113                      | 65,586                                    |                   |
| Inventories   |       | 37,574                                    |                   | 29,585                           |                   | 7,989                      | 30,354                                    |                   |
| Other current assets  |       | 20,865                                    |                   | 16,658                           |                   | 4,207                      | 15,978                                    |                   |
| Total current assets  |       | 251,105                                   | 77.5              | 223,931                          | 75.5              | 27,174                     | 268,280                                   | 78.0              |
| Investment securities   |       | 10,803                                    | 3.3               | 7,772                            | 2.6               | 3,031                      | 7,888                                     | 2.3               |
| Property, plant and equipment, net                              | *2    | 50,298                                    | 15.5              | 51,364                           | 17.3              | (1,066)                    | 51,166                                    | 14.9              |
| Intangible assets, at cost, less accumulated amortization       |       | 2,796                                     | 0.9               | 3,090                            | 1.0               | (294)                      | 3,135                                     | 0.9               |
| Other assets  |       | 8,899                                     | 2.8               | 10,612                           | 3.6               | (1,713)                    | 13,497                                    | 3.9               |
| Total assets  |       | 323,901                                   | 100.0             | 296,769                          | 100.0             | 27,132                     | 343,966                                   | 100.0             |
| <b>(Liabilities)</b>  |       |   |                   |                                  |                   |                            |   |                   |
| Current portion of long-term debt                               |       | 47  |                   | 20,043                           |                   | (19,996)                   | 24,543                                    |                   |
| Trade accounts payable  |       | 31,940                                    |                   | 23,196                           |                   | 8,744                      | 18,227                                    |                   |
| Other current liabilities                                       |       | 37,520                                    |                   | 30,755                           |                   | 6,765                      | 27,534                                    |                   |
| Total current liabilities                                       |       | 69,507                                    | 21.5              | 73,994                           | 24.9              | (4,487)                    | 70,304                                    | 20.4              |
| Long-term debt, excluding current portion                       |       | 15  | 0.0               | 40                               | 0.0               | (25)                       | 62  | 0.0               |
| Accrued pension and severance cost                              |       | 12,440                                    | 3.8               | 12,605                           | 4.3               | (165)                      | 19,002                                    | 5.5               |
| Other liabilities   |       | 3,615                                     | 1.1               | 3,381                            | 1.1               | 234                        | 3,452                                     | 1.1               |
| Total liabilities   |       | 85,577                                    | 26.4              | 90,020                           | 30.3              | (4,443)                    | 92,820                                    | 27.0              |
| <b>(Stockholders' equity)</b>                                   |       |   |                   |                                  |                   |                            |   |                   |
| Common stock  |       | 32,363                                    | 10.0              | 32,363                           | 10.9              | —                          | 32,363                                    | 9.4               |
| Capital surplus   |       | 36,769                                    | 11.4              | 35,263                           | 11.9              | 1,506                      | 34,496                                    | 10.0              |
| Retained earnings   |       | 230,255                                   | 71.1              | 210,121                          | 70.8              | 20,134                     | 204,218                                   | 59.4              |
| Accumulated other comprehensive income (loss)                   | *3    | 380                                       | 0.1               | (4,878)                          | (1.6)             | 5,258                      | (7,599)                                   | (2.2)             |
| Treasury stock  |       | (61,443)                                  | (19.0)            | (66,120)                         | (22.3)            | 4,677                      | (12,332)                                  | (3.6)             |
| Total stockholders' equity                                      |       | 238,324                                   | 73.6              | 206,749                          | 69.7              | 31,575                     | 251,146                                   | 73.0              |
| Total liabilities and stockholders' equity                      |       | 323,901                                   | 100.0             | 296,769                          | 100.0             | 27,132                     | 343,966                                   | 100.0             |

## (Notes)

|  |         |         |       |         |
|--|---------|---------|-------|---------|
| 1. Allowance for doubtful accounts                           | 2,184   | 2,174   | 10    | 2,158   |
| 2. Accumulated depreciation on property, plant and equipment | 72,729  | 67,914  | 4,815 | 66,807  |
| 3. Accumulated other comprehensive income (loss)             |         |         |       |         |
| Foreign currency translation adjustment                      | (1,563) | (6,452) | 4,889 | (7,882) |
| Net unrealized gain (loss) on securities                     | 1,943   | 1,574   | 369   | 1,365   |
| Minimum pension liability adjustment                         | —       | —       | —     | (1,082) |

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

| Item   | Q3 of FY2005<br>(April 1, 2005 through<br>December 31, 2005) |                   | Q3 of FY2004<br>(April 1, 2004 through<br>December 31, 2004) |                   | Increase<br>(Decrease)     |       | FY2004<br>(April 1, 2004 through<br>March 31, 2005) |                   |       |         |       |
|--|--|-------------------|--|-------------------|----------------------------|-------|---|-------------------|-------|---------|-------|
|  | Amount<br>(in million yen)                                   | Percentage<br>(%) | Amount<br>(in million yen)                                   | Percentage<br>(%) | Amount<br>(in million yen) |       | Amount<br>(in million yen)                          | Percentage<br>(%) |       |         |       |
| Net sales                                    |  | 174,906           | 100.0  |                   | 189,226                    | 100.0 |   | (14,320)          |       | 239,439 | 100.0 |
| Cost of sales                                |  | 83,980            | 48.0   |                   | 86,895                     | 45.9  |   | (2,915)           |       | 115,994 | 48.4  |
| Gross profit                                 |  | 90,926            | 52.0   |                   | 102,331                    | 54.1  |   | (11,405)          |       | 123,445 | 51.6  |
| Research and development expenses            |  | 20,014            | 11.4   |                   | 18,643                     | 9.9   |   | 1,371             |       | 26,280  | 11.0  |
| Selling, general and administrative expenses |  | 30,459            | 17.5   |                   | 31,862                     | 16.8  |   | (1,403)           |       | 36,446  | 15.2  |
| Operating income (loss)                      |  | 40,453            | 23.1   |                   | 51,826                     | 27.4  |   | (11,373)          |       | 60,719  | 25.4  |
| Other income (expense):                      |  |                   |  |                   |                            |       |   |                   |       |         |       |
| Interest and dividend income                 | 1,185  |                   |  | 372               |                            |       | 813   |                   | 597   |         |       |
| Interest expense                             | (288)  |                   |  | (338)             |                            |       | 50  |                   | (441) |         |       |
| Minority interests (loss)                    | —  |                   |  | (85)              |                            |       | 85  |                   | (84)  |         |       |
| Other  | 1,715  | 2,612             | 1.5  | 1,118             | 1,067                      | 0.6   | 597   | 1,545             | 1,017 | 1,089   | 0.4   |
| Income (loss) before income taxes            |  | 43,065            | 24.6   |                   | 52,893                     | 28.0  |   | (9,828)           |       | 61,808  | 25.8  |
| Income taxes                                 |  | 17,124            | 9.8  |                   | 20,926                     | 11.1  |   | (3,802)           |       | 23,730  | 9.9   |
| Net income (loss)                            |  | 25,941            | 14.8   |                   | 31,967                     | 16.9  |   | (6,026)           |       | 38,078  | 15.9  |

| Item                 | Q3 of FY2005<br>(April 1, 2005 through<br>December 31, 2005) |  | Q3 of FY2004<br>(April 1, 2004 through<br>December 31, 2004) |  | Increase<br>(Decrease) |  | FY2004<br>(April 1, 2004 through<br>March 31, 2005) |  |
|----------------------|--|--|--|--|------------------------|--|---|--|
|                      | Amount (in yen)  |  | Amount (in yen)  |  | Amount (in yen)        |  | Amount (in yen)                                     |  |
| Net income per share |  |  |  |  |                        |  |   |  |
| Basic                | 280.35   |  | 325.19   |  | (44.84)                |  | 389.54  |  |
| Diluted              | 279.18   |  | 324.48   |  | (45.30)                |  | 388.51  |  |

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

| Item   | Q3 of FY2005                                 | Q3 of FY2004                                 | FY2004                                    |
|--|--|--|---|
|  | (April 1, 2005 through<br>December 31, 2005) | (April 1, 2004 through<br>December 31, 2004) | (April 1, 2004 through<br>March 31, 2005) |
|  | Amount<br>(in million yen)                   | Amount<br>(in million yen)                   | Amount<br>(in million yen)                |
| Cash flows from operating activities:  |  |  |   |
| Net income (loss)  | 25,941                                       | 31,967                                       | 38,078                                    |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |  |  |   |
| Depreciation and amortization  | 6,158  | 6,019  | 8,285                                     |
| Decrease (increase) in trade accounts receivable   | (6,298)                                      | 11,150                                       | 20,953                                    |
| Decrease (increase) in inventories   | (7,362)                                      | 19,243                                       | 20,218                                    |
| Increase (decrease) in trade accounts payable  | 7,001  | (20,670)                                     | (16,375)                                  |
| Other  | 4,569  | 18,788                                       | 19,168                                    |
| Net cash provided by operating activities  | 30,009                                       | 66,497                                       | 90,327                                    |
| Cash flows from investing activities:  |  |  |   |
| Purchases of property, plant and equipment   | (4,952)                                      | (6,706)                                      | (8,738)                                   |
| Other  | (1,265)                                      | (85)   | 488                                       |
| Net cash used in investing activities  | (6,217)                                      | (6,791)                                      | (8,250)                                   |
| Cash flows from financing activities:  |  |  |   |
| Principal payments on long-term debt   | (20,021)                                     | (21)   | (4,543)                                   |
| Dividends paid   | (4,499)                                      | (4,776)                                      | (4,907)                                   |
| Other  | 3,519  | 411  | (53,586)                                  |
| Net cash used in financing activities  | (21,001)                                     | (4,386)                                      | (63,036)                                  |
| Net effect of exchange rate changes on cash and cash equivalents                         | 4,074  | (104)  | 799                                       |
| Net change in cash and cash equivalents  | 6,865  | 55,216                                       | 19,840                                    |
| Cash and cash equivalents at beginning of period   | 120,986                                      | 101,146                                      | 101,146                                   |
| Cash and cash equivalents at end of period   | 127,851                                      | 156,362                                      | 120,986                                   |

## Supplemental Information to FY2005 Third Quarter Financial Results

## 1. Business Segment Operating Income

(Rounded to the nearest million yen)

|   |                                 | Q3 of FY2005<br>(April 1, 2005 through<br>December 31, 2005) |                   | Q3 of FY2004<br>(April 1, 2004 through<br>December 31, 2004) |                   | Increase<br>(Decrease) | FY2004<br>(April 1, 2004 through<br>March 31, 2005) |                   |
|---|---------------------------------|--|-------------------|--|-------------------|------------------------|---|-------------------|
|   |                                 | Amount (in<br>million yen)                                   | Percentage<br>(%) | Amount (in<br>million yen)                                   | Percentage<br>(%) | Amount                 | Amount (in<br>million yen)                          | Percentage<br>(%) |
| Semiconductor<br>and Component<br>Test System | Sales to unaffiliated customers | 127,868  | 97.8              | 138,042  | 95.8              | (10,174)               | 173,938   | 96.3              |
|   | Intersegment sales              | 2,926  | 2.2               | 6,105  | 4.2               | (3,179)                | 6,747   | 3.7               |
|   | Net sales                       | 130,794  | 100.0             | 144,147  | 100.0             | (13,353)               | 180,685   | 100.0             |
|   | Operating expenses              | 93,172   | 71.2              | 98,639   | 68.4              | (5,467)                | 130,061   | 72.0              |
|   | Operating income (loss)         | 37,622   | 28.8              | 45,508   | 31.6              | (7,886)                | 50,624  | 28.0              |
| Mechatronics<br>System                        | Sales to unaffiliated customers | 32,479   | 99.5              | 35,773   | 98.7              | (3,294)                | 45,821  | 98.8              |
|   | Intersegment sales              | 164  | 0.5               | 487  | 1.3               | (323)                  | 574   | 1.2               |
|   | Net sales                       | 32,643   | 100.0             | 36,260   | 100.0             | (3,617)                | 46,395  | 100.0             |
|   | Operating expenses              | 24,959   | 76.5              | 24,391   | 67.3              | 568                    | 32,733  | 70.6              |
|   | Operating income (loss)         | 7,684  | 23.5              | 11,869   | 32.7              | (4,185)                | 13,662  | 29.4              |
| Services, Support<br>and Others               | Sales to unaffiliated customers | 14,559   | 100.0             | 15,411   | 100.0             | (852)                  | 19,680  | 100.0             |
|   | Intersegment sales              | -  | -                 | -  | -                 | -                      | -   | -                 |
|   | Net sales                       | 14,559   | 100.0             | 15,411   | 100.0             | (852)                  | 19,680  | 100.0             |
|   | Operating expenses              | 11,726   | 80.5              | 14,307   | 92.8              | (2,581)                | 16,278  | 82.7              |
|   | Operating income (loss)         | 2,833  | 19.5              | 1,104  | 7.2               | 1,729                  | 3,402   | 17.3              |
| Elimination and<br>Corporate                  | Sales to unaffiliated customers | -  | -                 | -  | -                 | -                      | -   | -                 |
|   | Intersegment sales              | (3,090)  | 100.0             | (6,592)  | 100.0             | 3,502                  | (7,321)   | 100.0             |
|   | Net sales                       | (3,090)  | 100.0             | (6,592)  | 100.0             | 3,502                  | (7,321)   | 100.0             |
|   | Operating expenses              | 3,090  | -                 | (1,460)  | -                 | 4,550                  | 675   | -                 |
|   | Operating income (loss)         | (6,180)  | -                 | (5,132)  | -                 | (1,048)                | (7,996)   | -                 |
| Consolidated                                  | Sales to unaffiliated customers | 174,906  | 100.0             | 189,226  | 100.0             | (14,320)               | 239,439   | 100.0             |
|   | Intersegment sales              | -  | -                 | -  | -                 | -                      | -   | -                 |
|   | Net sales                       | 174,906  | 100.0             | 189,226  | 100.0             | (14,320)               | 239,439   | 100.0             |
|   | Operating expenses              | 132,947  | 76.0              | 135,877  | 71.8              | (2,930)                | 179,747   | 75.1              |
|   | Operating income (loss)         | 41,959   | 24.0              | 53,349   | 28.2              | (11,390)               | 59,692  | 24.9              |

- (Notes)
- Adjustments to operating income (loss) included in Corporate mainly consist of research and development expenses for basic research activities, which are not allocated to corporate general administrative expenses and segment by business sector.
  - Stock option compensation expense of (Y)1,506 million and (Y)1,523 million in this third quarter and the third quarter of FY2004, respectively are not included in operating income in the business segment information. Operating income in the business segment information for FY 2004 does not include the temporary profit of (Y)3,317 million which arose from a return of the substitutional portion of its Employee's Pension Fund Plans and the stock option compensation expense of (Y)2,290 million. Therefore, these operating income do not match with the operating income in the consolidated statements of income and the interim consolidated statements of income. Such exclusion was made since such items are not included in the performance review of each business segment by management.

## 2. Geographic Segment Net Sales

## Net sales to unaffiliated customers

(Rounded to the nearest million yen)

|  |                | Q3 of FY2005<br>(April 1, 2005 through<br>December 31, 2005) |                   | Q3 of FY2004<br>(April 1, 2004 through<br>December 31, 2004) |                   | Increase<br>(Decrease) | FY2004<br>(April 1, 2004 through<br>March 31, 2005) |                   |
|--|----------------|--|-------------------|--|-------------------|------------------------|---|-------------------|
|  |                | Amount (in<br>million yen)                                   | Percentage<br>(%) | Amount (in<br>million yen)                                   | Percentage<br>(%) | Amount                 | Amount (in<br>million yen)                          | Percentage<br>(%) |
|  | Americas       | 18,223   | 10.4              | 18,826   | 9.9               | (603)                  | 23,024  | 9.6               |
|  | Europe         | 10,166   | 5.8               | 10,716   | 5.7               | (550)                  | 12,270  | 5.1               |
|  | Asia           | 92,195   | 52.7              | 113,183  | 59.8              | (20,988)               | 144,120   | 60.2              |
|  | Total Overseas | 120,584  | 68.9              | 142,725  | 75.4              | (22,141)               | 179,414   | 74.9              |
|  | Japan          | 54,322   | 31.1              | 46,501   | 24.6              | 7,821                  | 60,025  | 25.1              |
|  | Consolidated   | 174,906  | 100.0             | 189,226  | 100.0             | (14,320)               | 239,439   | 100.0             |

## 3. Consolidated Net Sales by Business Segment

(Rounded to the nearest million yen)

|   | Q3 of FY2005<br>(April 1, 2005 through<br>December 31, 2005) | Q3 of FY2004<br>(April 1, 2004 through<br>December 31, 2004) | Increase<br>(Decrease) | FY2004<br>(April 1, 2004 through<br>March 31, 2005) |
|---|--|--|------------------------|---|
| Semiconductor and Component Test System | 130,794  | 144,147  | (13,353)               | 180,685   |
| Mechatronics System                     | 32,643   | 36,260   | (3,617)                | 46,395  |
| Services, Support and Others            | 14,559   | 15,411   | (852)                  | 19,680  |
| Intercompany transactions elimination   | (3,090)  | (6,592)  | 3,502                  | (7,321)   |
| Total net sales                         | 174,906  | 189,226  | (14,320)               | 239,439   |

## 4. Consolidated Orders input received and Orders Backlog by Business Segment

(Rounded to the nearest million yen)

|   | Q3 of FY2005<br>(April 1, 2005 through<br>December 31, 2005) | Q3 of FY2004<br>(April 1, 2004 through<br>December 31, 2004) | Increase<br>(Decrease) | FY2004<br>(April 1, 2004 through<br>March 31, 2005) |
|---|--|--|------------------------|---|
| Semiconductor and Component Test System | 149,689  | 129,039  | 20,650                 | 171,079   |
| Mechatronics System                     | 36,026   | 33,163   | 2,863                  | 43,833  |
| Services, Support and Others            | 15,658   | 14,867   | 791                    | 19,117  |
| Intercompany transactions elimination   | (4,101)  | (6,007)  | 1,906                  | (6,547)   |
| Total orders input received             | 197,272  | 171,062  | 26,210                 | 227,482   |

|   | Q3 of FY2005<br>(As of December 31, 2005) | Q3 of FY2004<br>(As of December 31, 2004) | Increase<br>(Decrease) | FY2004<br>(As of March 31, 2005) |
|---|---|---|------------------------|----------------------------------|
| Semiconductor and Component Test System | 50,941                                    | 26,544                                    | 24,397                 | 32,046                           |
| Mechatronics System                     | 10,044                                    | 6,125                                     | 3,919                  | 6,660                            |
| Services, Support and Others            | 1,948                                     | 868                                       | 1,080                  | 848                              |
| Intercompany transactions elimination   | (1,028)                                   | (205)                                     | (823)                  | (16)                             |
| Total orders backlog                    | 61,905                                    | 33,332                                    | 28,573                 | 39,538                           |

(Note) The amount of orders input received 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 beginning of such period. Orders input received are recorded upon receipt of a written customer order.

## 5. Consolidated Cash Flows

(Rounded to the nearest million yen)

|  | Q3 of FY2005<br>(April 1, 2005 through<br>December 31, 2005) | Q3 of FY2004<br>(April 1, 2004 through<br>December 31, 2004) | FY2004<br>(April 1, 2004 through<br>March 31, 2005) |
|--|--|--|---|
| Operating activities                       | 30,009   | 66,497   | 90,327  |
| Investing activities                       | (6,217)  | (6,791)  | (8,250)   |
| (Free cash flows)                          | 23,792   | 59,706   | 82,077  |
| Financing activities                       | (21,001)   | (4,386)  | (63,036)  |
| Total cash flows                           | 2,791  | 55,320   | 19,041  |
| Cash and cash equivalents at end of period | 127,851  | 156,362  | 120,986   |

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

(Rounded to the nearest million yen)

|                                   | Q3 of FY2005<br>(April 1, 2005 through<br>December 31, 2005) | Q3 of FY2004<br>(April 1, 2004 through<br>December 31, 2004) | Increase<br>(Decrease) | FY2004<br>(April 1, 2004 through<br>March 31, 2005) |
|-----------------------------------|--|--|------------------------|---|
| Capital expenditures              | 5,195  | 6,892  | (1,697)                | 9,348   |
| Depreciation and amortization     | 6,158  | 6,019  | 139                    | 8,285   |
| Research and development expenses | 20,014   | 18,643   | 1,371                  | 26,280  |

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

(Persons)

|  | Q3 of FY2005<br>(As of December 31, 2005) | FY2004<br>(As of March 31, 2005) | Increase<br>(Decrease) | Q3 of FY2004<br>(As of December 31, 2004) |
|--|---|----------------------------------|------------------------|---|
| Non-Consolidated (Parent Company only) | 1,445                                     | 1,433                            | 12                     | 1,441                                     |
| Consolidated subsidiaries              | 2,146                                     | 2,132                            | 14                     | 2,128                                     |
| Consolidated full-time employee total  | 3,591                                     | 3,565                            | 26                     | 3,569                                     |