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Report for the 63rd Fiscal Year
(April 1, 2004 through March 31, 2005)

Advantest Corporation

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Message to Shareholders

To Our Shareholders

We are pleased to send you our “Report for the 63rd Fiscal Year (from April 1, 2004 to March 31, 2005).”

In response to severe competition and the unfavorable business climate triggered by the collapse of the IT bubble, in October 2001 Advantest launched a company-wide initiative called “Initiative 21.” The final year of the campaign was set for fiscal 2004, which was also Advantest’s 50th anniversary year.

The business environment in fiscal 2004 was favorable due to an increased appetite for capital expenditures in the semiconductor industry, supported by factors such as a recovery in the electronics market and strong demand for personal computers. In this environment, the Advantest Group has sought to expand sales by marketing new, high-value-added products that meet market needs, while focusing on fundamental improvements to our manufacturing system and implementing cost reductions to increase our revenues.

During this term Advantest also implemented the “Code of Ethics for Officers” in order to achieve a higher level of ethical conscience, integrity and social justice in our corporate activities. We have also made management more transparent to our investors, shareholders, customers and other stakeholders, and have sought to build a globally competitive management operation. Furthermore, the “Internal Control Committee” was established to achieve three goals: (1) Efficacy and efficiency of business management; (2) reliability of financial reporting and (3) compliance with laws and regulations.

As a result of these efforts, net sales this fiscal year increased by 37.4% to ¥239.4 billion from the previous fiscal year. Income before income taxes increased by 114.0% to ¥61.8 billion and net income increased 119.7% to ¥38.0 billion from the previous fiscal year.

Advantest believes that the maintenance and growth of corporate value in the long term is fundamental to shareholder profit. Based on our basic profit distribution policy of maintaining consistent dividend payouts, we intend to propose at the 63rd Ordinary General Meeting of Shareholders, to be held on June 28, 2005, that the year-end dividend will be 25 yen per share, which, combined with the interim dividend of 25 yen already paid, makes an annual dividend of 50 yen (as compared to 40 yen in fiscal 2003).

Encouraged by the results achieved through Initiative 21, we are going to deploy a company-wide initiative based on the new medium-term business plan that starts in fiscal 2005. While continuing to emphasize our core competency, “measurement,” we will seek to strengthen our management structure and financial position to enable us to adapt to changes in the global market; we will develop new products to stimulate next-generation market demand; and we will raise Advantest to the next level of its evolution.

We hope that we may rely on you for your continued support and guidance in the future.

June, 2005

Hiroshi Oura

Chairman of the Board and CEO

Toshio Maruyama

President and COO

Business Report

(April 1, 2004 through March 31, 2005)

1. Overview of Business

(1) Operations and Results of Business

(i) Business Conditions

Overall

During the fiscal year, business conditions affecting the Advantest Group in the first half of the fiscal year were favorable due to strong capital expenditures of semiconductor manufacturing industry, as stimulated by the strong demand for electronic products such as flat-screen televisions, DVD devices and digital cameras and a steady demand for computers including personal computers. However, in the second half of the fiscal year, capital expenditures of the semiconductor manufacturing industry indicated a trend to expenditure restrictions as a result of inventory control of consumer digital electronics products and a decline in DRAM prices. Towards the end of the fiscal year there were signs of recovery.

Under such an environment, Advantest made concentrated efforts to increase incoming orders and expand sales through the timely introduction of new products that meets customers' needs. Advantest and its group companies combined forces in a drive towards improving profitability by after stock production method and improving production efficiency, through a reorganization of its manufacturing operations, as well as continuing its efforts to reduce costs.

As a result of above incoming orders increased by 8.9% to ¥227.4 billion compared with the previous fiscal year and net sales increased by 37.4% to ¥239.4 billion. Net income before income taxes was ¥61.8 billion, an increase of 114.0%, and net income for the current period was ¥38.0 billion, up 119.7% from the previous fiscal year. Overseas sales as a percentage of total sales was 74.9%, as compared to 66.7% in the previous fiscal year.

Business conditions by Business Segment

Advantest and its group companies reclassified and regrouped its two reportable segments of "automated test equipment" and "measuring instruments" into the following three new segments: "Semiconductor and Component Test Systems," "Mechatronics Systems," and "Services, Support and Others" since the beginning of this fiscal year. With respect to the amounts for the previous term below, necessary adjustments and reclassification to the segment information for the preceding consolidated fiscal year have been made to conform with the presentation of the current period.

Semiconductor and Component Test System Segment

In the memory tester market, testers for DRAM performed well throughout the year despite some adjustments made in the second half of the fiscal year, due to strong performance of new products such as super-high-speed memory testers and general purpose high-speed memory tester for the next-generation DDR and general high-speed memory testers. On the other hand, sales of flash memory testers were strong in the first half of the fiscal year in continuation from the previous fiscal year, but orders and sales lagged in the second half of the year due to reduced capital expenditures of semiconductor manufacturers IT-related products. In the SoC (System-on-a-Chip) and AS (Application Specific) tester market, sales of T2000, a new concept tester based on OPENSTAR[®]*, performed strongly throughout the year. On the other hand, SoC testers for cell phones and other digital consumer devices and testers for LCD driver ICs have maintained large sales from the previous fiscal year, domestically and in Taiwan. As with flash memory testers, however, orders and sales of SoC testers and testers for LCD driver ICs lagged in the second half of the year.

As a result of the above, incoming orders in the semiconductor and component test system business increased by 11.1% to ¥171.0 billion and net sales increased by 46.3% to ¥180.6 billion and operating income increased by 76.5% to ¥50.6 billion compared with the previous fiscal year.

Mechatronics System Segment

Impacted by the positive sales of memory testers, memory test handlers with cooling featurer throughout the fiscal year, despite inventory adjustment in the second half of the fiscal year. In addition, device interface products maintained steady throughout the fiscal year, as a result of factors such as diversification of devices.

As a result of the above, incoming orders in the segment increased by 11.1% to ¥43.8 billion, net sales increased by 35.6% to ¥46.3 billion, and operating income increased by 21.6% to ¥13.6 billion compared with the previous fiscal year.

Services, Support and Others Segment

In this segment, incoming orders was ¥19.1 billion (-5.1% in comparison with previous year), net sales was ¥19.6 billion (-3.8%) and operating profit was ¥3.4 billion.

(Note) OPENSTAR[®]: The name of an open architecture standard published by the STC (Semiconductor Test Consortium, Inc.).

OPENSTAR[®] is a registered trademark or trademark in the United States, Japan, and other countries.

Sales Breakdown by Business Segment (consolidated)

Fiscal Year Segment	FY2003 (the 62 nd)		FY2004 (the 63 rd)		Change from the previous period	
	Amount (in: million yen)	Percentage (%)	Amount (in: million yen)	Percentage (%)	Amount (in: million yen)	Percentage increase (decrease) (%)
Semiconductor and Component Test System	123,489	70.9	180,685	75.5	57,196	46.3
Mechatronics System	34,225	19.6	46,395	19.4	12,170	35.6
Services, Support and Others	20,465	11.8	19,680	8.2	(785)	(3.8)
Elimination and Corporate	(3,961)	(2.3)	(7,321)	(3.1)	(3,360)	-
Total	174,218	100.0	239,439	100.0	65,221	37.4
Overseas	116,228	66.7	179,414	74.9	63,186	54.4

(Note) Necessary adjustments and reclassification of the segment information for the preceding consolidated fiscal year have been made to conform with the presentation of the current consolidated period.

Sales Breakdown by Business Segment (unconsolidated)

Fiscal Year Segment	FY2003 (the 62 nd)		FY2004 (the 63 rd)		Change from the previous period	
	Amount (in: million yen)	Percentage (%)	Amount (in: million yen)	Percentage (%)	Amount (in: million yen)	Percentage increase (decrease) (%)
Semiconductor and Component and Test System	113,365	75.3	161,749	79.5	48,383	42.7
Mechatronics System	28,777	19.1	36,536	18.0	7,758	27.0
Services, Support and Others	8,415	5.6	5,028	2.5	(3,386)	(40.2)
Total	150,558	100.0	203,315	100.0	52,756	35.0
Export	97,744	64.9	148,018	72.8	50,273	51.4

(Note) Necessary adjustments and reclassification of the segment information for the preceding consolidated fiscal year have been made to conform with the presentation of the current consolidated period.

(ii) Challenges Ahead

With respect to business conditions in the upcoming fiscal year, Advantest expects to see a continuing increase in demand for digital consumer devices in the medium term, as well as a solid increase in semiconductor demand in light of the growth for the personal computer market and expansion of the third-generation mobile phone market. In addition, Advantest expects an increase in capital expenditures by semiconductor manufacturers resulting from investments relating to 300mm wafers and the transition to a new generation of memory devices. Notwithstanding, in the short term, there are some risks associated with manufacturing and adjustment of products such as electronic components and IT-related products that lead the digital economy, the raise of material price, strength of yen and pressure caused by these factors that make our products' price down.

In order to respond to these conditions, Advantest and its group companies continue to strive to reduce costs, to shorten time-to-delivery through improvements in manufacturing efficiency.

(iii) Capital Expenditures

Advantest and its group companies invested a total of ¥9.3 billion in capital expenditures in FY2004. Most of the investments were used to fund new product development manufacturing streamlining, power saving, and to expand manufacturing capacity.

(iv) Financing

No significant financing activities took place in FY2004.

(2) Historical Data on Business Results and Assets

(i) Historical Data on Business Results and Assets (consolidated)

	FY2001 (the 60 th)	FY2002 (the 61 st)	FY2003 (the 62 nd)	FY2004 (the 63 rd)
Net sales (in: million yen)	95,244	97,740	174,218	239,439
Net income (in: million yen)	(22,949)	(12,994)	17,329	38,078
Basic net income per share (in yen)	(230.76)	(131.99)	176.37	389.54
Net assets (in: million yen)	242,841	210,663	221,768	206,749
Total assets (in: million yen)	305,075	281,224	330,808	296,769

(Notes) 1: Beginning in FY2002, Advantest prepared its consolidated financial statements in accordance with generally accepted accounting principles (GAAP) in the United States.

2: The calculation of "Basic net income per share" was based on the average number of issued shares the relevant fiscal year reduced by the average number of treasury shares held during the fiscal year.

[Charts illustrating the information presented in the above table.]

(ii) Historical Data on Business Results and Assets (unconsolidated)

	FY2001 (the 60th)	FY2002 (the 61st)	FY2003 (the 62nd)	FY2004 (the 63rd)
Net sales (in: million yen)	72,928	76,686	150,558	203,315
Net income (in: million yen)	(19,265)	(11,467)	11,957	28,421
Net income per share (in yen)	(193.71)	(116.49)	119.97	288.68
Net assets (in: million yen)	204,058	178,253	188,891	159,074
Total assets (in: million yen)	258,544	235,456	277,047	238,109

(Notes) 1: The calculation of "Net income per share" was based on the average number of issued shares the relevant fiscal year reduced by the average number of treasury shares held during the fiscal year. Beginning in FY2002, the Company adopted the "Accounting Standards Regarding Calculations of Earnings Per Share of current net earnings" (ASB Statement No. 2) and "Guidelines for Accounting Standards Regarding Calculations of Earnings Per Share of current net earnings" (ASB Guidelines No. 4).

2: Beginning in FY2003, the Company has adopted the "Accounting Standards for Impairment Accounting of Fixed Assets" Business Accounting Council ("BADC") and "Implementation Guidelines for Impairment Accounting of Fixed Assets" (ASB Implementation Guidelines No. 6).

[Charts illustrating the information presented in the above table.]

2. Company Information (as of March 31, 2005)

(1) Primary Areas of Business

Advantest and its group companies manufacture and market semiconductor and component test systems and products related to mechatronics systems (test handlers, device interface, etc.). In addition to manufacturing, Advantest and its group companies also carry out research and development activities and provide maintenance services and related services in the business category of “Services, Support and Others.”

(2) Equity Stock

- | | |
|---|--------------------|
| (i) Total number of authorized shares | 220,000,000 shares |
| (ii) Total number of issued shares | 99,783,385 shares |
| (iii) Number of shareholders | 28,412 |
| (iv) Major Shareholders (Top 10 shareholders) | |

Name of Shareholder	Status of Ownership		Company's Interest in Shareholder	
	Number of Shares (in: thousand shares)	Percentage of Voting Rights (%)	Number of Shares (in: thousand shares)	Percentage of Ownership (%)
Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.)	10,071	10.91	—	—
The Master Trust Bank of Japan, Ltd. (trust account)	8,782	9.51	—	—
Japan Trustee Services Bank, Ltd. (trust account)	7,068	7.66	—	—
BNP Paribas Securities (Japan) Limited	2,503	2.71	—	—
CALYON DMA OTC	2,259	2.44	—	—
Societe Generale Paris O.B.E. Dept	2,013	2.18	—	—
The Dai-ichi Mutual Life Insurance Company	1,724	1.86	—	—
Shinsei Bank, Limited	1,627	1.76	—	—
Deutsche Bank AG, London 610	1,554	1.68	—	—
Fukoku Mutual Life Insurance Company	1,546	1.67	—	—

(Notes) 1. Treasury shares held by the Company in the number of 7,359 thousand shares have not been included in the table above.

- Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.) holds the 10,071 thousand shares of common stock listed above as the trustee of a retirement benefit plan of Fujitsu Limited, and exercises its voting rights pursuant to instructions given by Fujitsu Limited.
- The Company has acknowledged that the substantial shareholding reports shall be filed pursuant to the “Disclosure of Substantial Shareholding” prescribed in the Securities and Exchange Law, and Goldman Sachs (Japan) Ltd. and its two affiliates jointly held 6,272 thousand shares of Advantest as of March 31, 2005 according to the substantial shareholding reports filed on April 14, 2005, Nomura securities Co., Ltd. and its five affiliates jointly held 6,476 thousand shares of Advantest as of February 28, 2005 according to the substantial shareholding reports filed on March 15, 2005, Capital Guardian Trust Company and its three affiliates jointly held 9,705 thousand shares of Advantest as of January 31, 2005 according to the substantial shareholding reports filed on February 15, 2005, and Barclays Global Investors Japan Trust & Banking Co., Ltd. and its eight affiliates jointly held 5,405 thousand shares of Advantest as of March 31, 2004 according to the substantial shareholding reports filed on April 13, 2004. However, the Company has not included the number of shares held by an unverified number of beneficial owners in the table above.

(Reference)

[INSERT PIE CHART HERE]

Financial Institutions and Securities Company	155 holders, 44,535 thousand shares (44.6%)
Non-Japanese Holders	443 holders, 36,152 thousand shares (36.2%)
Other Entities	367 holders, 10,080 thousand shares (10.1%)
Individuals and Others	27,447 holders 9,015 thousand shares (9.1%)

(3) Acquisition, Disposition and Holding of Treasury Stock

(i) Acquisition

Common stock	6,004,290 shares
Aggregate cost of acquisition	¥54,513,620 thousand

Among the above, treasury shares purchased by resolution of the Board in accordance with the Articles of Incorporation after the 62nd ordinary general meeting of shareholders:

Common stock	6,000,000 shares
Aggregate cost of acquisition	¥54,480,000 thousand

Reasons for purchase: to implement a flexible capital policy responsive to ever-changing environments surrounding management

(ii) Disposition

Common stock	152,265 shares
Aggregate proceeds from disposition	¥1,304,313 thousand

(iii) Number of treasury stocks process for expiration

Common stock	- share
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(iv) Number of treasury stocks as of the end of the period

Common stock	7,359,770 shares
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(4) Employees

(i) Employees of Advantest and its group companies

Number of Employees	Change from End of Previous Period
3,565	21

(Note) The numbers set forth above include employees seconded to affiliates but exclude employees seconded to companies other than affiliates.

(ii) Employees of Advantest

Number of Employees	Change from End of Previous Period	Average Age	Average Years of Service
1,433	(17)	37.6	12.8

(Note) The numbers set forth above refer to employees currently working.

(5) Business Combinations

(i) Significant Subsidiaries

Name of Subsidiary	Common Stock	Percentage of Voting Rights	Principal Activities
Advantest Laboratories Ltd.	¥50 million	100%	Research and development of measuring and testing technologies
Advantest Customer Support Corporation	¥300 million	100%	Maintenance service for the Company's products
Advanmechatec Co., Ltd.	¥300 million	100%	Manufacturing of the Company's products
Advantest Manufacturing, Inc.	¥80 million	100%	Manufacturing of the Company's products
Advantest DI Corporation	¥50 million	100%	Manufacturing of the Company's products
Japan Engineering Co., Ltd.	¥305 million	100%	Development, manufacturing and sales of the Company's products
Advantest Finance Inc.	¥1,000 million	100%	Leasing of the Company's products
Advantest America, Inc.	42,000 thousand USD	100%	Manufacturing and sales of the Company's products
Advantest (Europe) GmbH	10,793 thousand Euros	100%	Sales of the Company's products
Advantest Taiwan Inc.	560,000 thousand New Taiwan Dollars	100%	Sales of the Company's products
Advantest (Singapore) Pte. Ltd.	15,300 thousand Singapore Dollars	100%	Sales of the Company's products
Advantest Korea Co., Ltd	5,484 million Won	100%	Maintenance service and manufacturing of the Company's products
Advantest (Suzhou) Co., Ltd.	1,500 thousand USD	100%	Sales, technical services, and support of the Company's products

(Note) Percentage of voting rights includes indirectly held shares.

(ii) Business Combination Activities

- (a) On April 1, 2004, Advanmicrotec Co., Ltd. was merged into Advantest Manufacturing, Inc. with a view to integrating production systems.
- (b) On December 31, Advantest RF Technology Corporation was merged into the Company with a view to enhancing technological development efficiency.
- (c) On September 30, 2004, Advantest America Measuring Solutions, Inc. was merged into Advantest America, Inc. with a view to enhancing operational efficiency.
- (d) On October 1, 2004, Advantest Green Corporation was established as a special affiliate firm to promote the employment of the disabled.
- (e) On October 1, 2004, Advantest Taiwan Engineering Inc. was merged into Advantest Taiwan Inc. with a view to enhancing operational efficiency.

(iii) Results of Business Combination Activities

The Company has 39 consolidated subsidiaries, including the 13 significant subsidiaries set forth above. The business results for FY2004 are as set forth in "Historical Data on Business Results and Assets (consolidated)" on page 7.

(6) Significant Sales Offices and Branch Offices

(i) Japan

Category	Name of Office	Location
Head Office, Sales Office and Service Office	Head Office	Chiyoda-ku, Tokyo
	Western Japan Office	Suita-shi, Osaka
	Kawasaki Office	Kawasaki-shi, Kanagawa
R&D Centers, Laboratories	Gunma R&D Center	Meiwa-machi, Ora-gun, Gunma
	Otone R&D Center	Otone-machi, Kitasaitama-gun,
	Kitakyushu R&D Center	Kitakyushu-shi, Fukuoka
	Advantest Laboratories	Sendai-shi, Miyagi
Factories	Gunma Factory	Ora-machi, Ora-gun, Gunma
	Menuma Factory	Menuma-machi, Osato-gun, Saitama

(ii) Overseas

Category	Name of Office	Location
Sales Office and Service Office	Advantest America, Inc.	U.S.A
	Advantest (Europe) GmbH	Germany
	Advantest Taiwan Inc.	Taiwan
	Advantest (Singapore) Pte. Ltd.	Singapore
	Advantest Korea Co., Ltd.	Korea
	Advantest (Suzhou) Co., Ltd.	China

(7) Board of Directors and Corporate Auditors

Title	Name	Area of Responsibility
Chairman of the Board and CEO	Hiroshi Oura	
Vice Chairman of the Board	Shimpei Takeshita	
Representative Board Director	Toshio Maruyama	
Director	Kiyoshi Miyasaka	
Director	Junji Nishiura	
Director	Hiroji Agata	
Director	Hitoshi Owada	
Director	Takashi Tokuno	
Standing Corporate Auditor	Noboru Yamaguchi	
Standing Corporate Auditor	Tadahiko Hirano	
Corporate Auditor	Takashi Takaya	Standing Corporate Auditor of Fujitsu Limited
Corporate Auditor	Kuniaki Suzuki	Senior Managing Director, Senior Executive Officer of Fujitsu Limited

(Notes) 1: Changes in the appointment of board directors and corporate auditors during FY2004 are as follows:

Changes adopted by the 62nd General Meeting of Shareholders on June 25, 2004

Retiring:

Corporate Auditor Keizo Fukagawa

Newly elected:

Director Takashi Tokuno
Corporate Auditor Kuniaki Suzuki

- 2: Of the corporate auditors set forth above, Takashi Takaya and Kuniaki Suzuki are outside corporate auditors appointed pursuant to Article 18, Section 1 of the "Law Concerning Exceptions to the Commercial Code Relating to Audit, etc. of Stock Corporations."

(Reference) The current terms of Executive Officers are as follows:

Title	Name	Area of Responsibility
President and COO	Toshio Maruyama*	
Senior Executive Officer	Kiyoshi Miyasaka*	Corporate Planning and Strategy; Senior Vice President, Strategic Business Initiatives
Senior Executive Officer	Junji Nishiura*	Technology and Production
Senior Executive Officer	Hiroji Agata*	Sales and Marketing
Managing Executive Officer	Hitoshi Owada*	Corporate Affairs
Managing Executive Officer	Takashi Tokuno*	Product Development; Senior Vice President, ATE Business Group
Managing Executive Officer	Kenichi Mitsuoka	Senior Vice President, FA Business Group
Managing Executive Officer	Norihito Kotani	Senior Vice President, AS Business Group
Managing Executive Officer	Yuri Morita	Senior Vice President, Corporate Affairs Group
Managing Executive Officer	Jiro Katoh	Senior Vice President, Technology Development Group
Executive Officer	Takao Tadokoro	Senior Vice President, Sales and Marketing Group
Executive Officer	Hiroyasu Sawai	Vice President, SE, ATE Business Group
Executive Officer	Hiroshi Tsukahara	Senior Vice President, DI Business Group
Executive Officer	Masao Shimizu	Vice President, SoC Tester Products, ATE Business Group
Executive Officer	Masao Araki	Director and President of Advantest (Suzhou) Co., Ltd.
Executive Officer	Yoshiaki Furuse	Vice President, AS, Sales and Marketing Group
Executive Officer	Yuichi Kurita	Vice President, Finance, Corporate Affairs Group
Executive Officer	Yoshiro Yagi	Vice President, ATE, Sales and Marketing Group
Executive Officer	Hideaki Imada	Vice President, OAI, Sales and Marketing Group
Executive Officer	Shinichiro Umeda	Vice President, Software, ATE Business Group

(* Indicates an Executive Officer who also serves on the Board of Directors)

(Note) Changes in the responsibilities of the Executive Officers after the end of the current term will be as follows:

Effective April 1, 2005

Title	Name	Area of Responsibility
Managing Executive Officer	Takashi Tokuno	Head of Test System Business
Managing Executive Officer	Norihito Kotani	Deputy Head of Test System Business
Executive Officer	Hiroyasu Sawai	Senior Vice President, SE Group
Executive Officer	Masao Shimizu	Senior Vice President, 1 st Test System Business Group
Executive Officer	Yoshiaki Furuse	Vice President, Sales and Marketing Group
Executive Officer	Yoshiro Yagi	Vice President, Sales and Marketing Group
Executive Officer	Hideaki Imada	Senior Vice President, 2 nd Test System Business Group
Executive Officer	Shinichiro Umeda	Senior Vice President, Software Development Group

(8) Compensations Paid to Board Directors and Corporate Auditors

Category	Board directors		Corporate auditors		Total	
	Number of directors subject to payment	Amount paid (million)	Number of auditors subject to payment	Amount paid (million)	Number subject to payment	Amount paid (million)
Compensation pursuant to the Articles of Incorporation or resolution of the general meeting of shareholders	(April 2004 to June 2004) 7 (July 2004 to March 2005) 8	¥298	(April 2004 to June 2004) 4 (July 2004 to March 2005) 4	¥56	(April 2004 to June 2004) 11 (July 2004 to March 2005) 12	¥354
Bonuses to directors or corporate auditors in appropriation of retained earnings	7	¥150	4	¥20	11	¥170
Benefits to retiring directors or corporate auditors based on a resolution of the general meeting of shareholders	-	-	-	-	-	-
Total		¥448		¥76		¥524

- (Notes) 1. The maximum amount of compensation payable by resolution of the general meeting of shareholders (compensation prescribed in Article 269, Section 1, Paragraph 1 or Article 279, Section 1 of the Commercial Code) shall be within ¥40,000,000 per month for directors and ¥6,000,000 per month for corporate auditors.
2. Eight board directors and four corporate auditors served as of the end of the fiscal year. The discrepancy between the number subject to payment and the total number subject to payment for the period from April 2004 to June 2004 represents one newly elected board director, one newly elected corporate auditor, and one retire corporate auditor.

(9) Stock Acquisition Rights

(a) Stock acquisition rights currently outstanding

	Resolution passed at the Ordinary General Meeting of Shareholders of June 27, 2002	Resolution passed at the Ordinary General Meeting of Shareholders of June 27, 2003	Resolution passed at the Ordinary General Meeting of Shareholders of June 25, 2004
Number of Stock Acquisition Rights	6,770	6,220	7,690
Class and aggregate number of shares to be issued or delivered upon exercise	677,000 shares of common stock	622,000 shares of common stock	769,000 shares of common stock
Issuance Price	¥ 0	¥ 0	¥ 0

(b) Stock acquisition rights issued during FY2004 under especially favorable terms to persons who are not shareholders

	The resolution at the Board of Directors held on June 25, 2004	The resolution at the Board of Directors held on October 26, 2004	The resolution at the Board of Directors held on March 30, 2005
Date of issuance	July 1, 2004	November 15, 2004	April 1, 2005
Class and aggregate number of shares to be issued or delivered upon exercise	761,000 shares of common stock	4,000 shares of common stock	4,000 shares of common stock
Number of stock acquisition rights (each stock acquisition right is exercisable for 100 shares)	7,610	40	40
Issuance price	¥0		
Exercise price to be paid upon exercise	¥7,464 per share		
Exercise period	April 1, 2005 to March 31, 2009		
Terms of exercise	<p>(a) The rights holder may not exercise his rights if:</p> <p>(i) the rights holder becomes a person who does not hold any position as a director, corporate auditor, executive officer, employee, advisor or non-regular employee of the Company or of any of its domestic or overseas subsidiaries before the expiration of the exercise period, unless the Company otherwise deems it appropriate to allow him to exercise his stock acquisition rights and notifies him to that effect;</p> <p>(ii) the rights holder dies;</p> <p>(iii) the rights holder notifies the Company of his/her intention to waive the rights;</p> <p>(b) The stock acquisition rights may not be inherited.</p> <p>(c) Other matters are prescribed in the 'Grant Agreement of Stock Acquisition Rights'.</p>		
Cancellation of stock acquisition rights	<p>(a) The Company may cancel, for no consideration, any stock acquisition right in the event that the general meeting of the shareholders resolves to approve (i) any merger agreement pursuant to which the Company shall cease to exist, or (ii) any share exchange agreement or share transfer pursuant to which the Company shall become a wholly owned subsidiary of another company.</p> <p>(b) The Company may cancel, for no consideration, all or part of the stock acquisition rights owned by a rights holder to the extent that such stock acquisition rights are not exercisable due to the rights holder's failure to satisfy any of the conditions to exercise stock acquisition rights.</p>		
Favorable terms related to the stock acquisition rights	The stock acquisition rights were issued for no consideration to directors, corporate auditors, and employees of the Company and its domestic and overseas subsidiaries.		

(Names of the persons to which stock acquisition rights were granted and the numbers granted)

Directors of the Company

Name	Number of stock acquisition rights
Hiroshi Oura, Shimpei Takeshita, Toshio Maruyama	300 each
Kiyoshi Miyasaka, Junji Nishiura, Hiroji Agata	200 each
Hitoshi Owada, Takashi Tokuno	180 each

Corporate Auditors of the Company

Name	Number of stock acquisition rights
Noboru Yamaguchi, Tadahiko Hirano, Takashi Takaya, Kuniaki Suzuki	30 each

Executive Officers of the Company

Name	Number of stock acquisition rights
Kenichi Mitsuoka, Norihito Kotani, Yuri Morita, Jiro Katoh	160 each
Takao Tadokoro, Hiroyasu Sawai, Hiroshi Tsukahara, Masao Shimizu, Masao Araki, Yoshiaki Furuse, Yuichi Kurita, Yoshiro Yagi, Hideaki Imada, Shinichiro Umeda	120 each

Employees of the Company; Directors and employees of the Company's subsidiaries (top 10 persons only)

Name	Number of stock acquisition rights
Keith Lee, Josef Schraetzenstaller, Cheng Sui Yoong, Kim Young Hwan	100 each
Robert Sauer	80
Tetsuo Aoki, Tomio Aso, Masakazu Ando, Tomomichi Uemura, Yoshio Endo	30 each

(Note) As several of the persons listed share the same rank, the names are presented in alphabetical order.

(v) Breakdown of stock acquisition rights granted to employees of the Company and directors and employees of the Company's subsidiaries

Category	Number of stock acquisition rights	Class and total number of shares to be issued or delivered upon exercise	Total number of persons granted stock acquisition rights
Employees of the Company	1,880	188,000 shares of common stock	78
Directors of the Company's subsidiaries	710	71,000 shares of common stock	19
Employees of the Company's subsidiaries	1,280	128,000 shares of common stock	86

(10) Amount of Compensation for the Accounting Auditor of the Company

- (i) Total amount of compensation paid to accounting auditors by the Company and its subsidiaries:
¥45 million
- (ii) Out of the amount in (i) above, the total of the amounts of compensation paid by the Company and its subsidiaries as consideration for services prescribed in Article 2, Section 1 of the Certified Public Accountant Law:
¥45 million
- (iii) Out of the amount in (ii) above, the total of the amounts of compensation paid by the Company as consideration for services prescribed in Article 2, Section 1 of the Certified Public Accountant Law:
¥44 million

(Note) As the Company has not drawn any distinction between the compensation for the audit services pursuant to the Law Concerning Exceptions to the Commercial Code Relating to Audit, etc. of Stock Corporations and the compensation for the audit services pursuant to the Securities and Exchange Law, the amount in (iii) above represents the total amount.

Consolidated Balance Sheets

(As of March 31, 2005)

(unit: million yen)

	FY2004	FY2003 (reference)		FY2004	FY2003 (reference)
Assets			Liabilities		
Current assets	223,931	255,762	Current liabilities	73,994	66,611
Cash and cash equivalents	120,986	101,146	Current installments of	20,043	4,543
Trade accounts	56,702	76,133	long-term debt		
receivable, less allowance			Trade accounts payable	23,196	38,214
for doubtful accounts			Income taxes payable	7,278	3,845
Inventories	29,585	49,423	Accrued expenses	13,865	9,368
Deferred tax assets	13,673	25,875	Accrued warranty expenses	4,090	3,121
Other current assets	2,985	3,185	Deferred revenue	2,220	4,543
Investment securities	7,772	7,952	Other current liabilities	3,302	2,977
Property, plant and	51,364	50,516	Long-term debt, excluding	40	20,083
equipment, net			current installments		
Deferred tax assets	8,438	10,964	Accrued pension and severance	12,605	18,348
Intangible assets, at cost,	3,090	3,756	cost		
less accumulated			Other long-term liabilities	3,381	3,411
amortization			Total Liabilities	90,020	108,453
Other assets	2,174	1,858	Minority interests	--	587
			Stockholders' equity		
			Common stock	32,363	32,363
			Capital surplus	35,263	32,973
			Retained earnings	210,121	177,404
			Accumulated other	(4,878)	(8,061)
			comprehensive income (loss)		
			Treasury stock	(66,120)	(12,911)
			Total stockholders' equity	206,749	221,768
Total Assets	296,769	330,808	Total liabilities and	296,769	330,808
			stockholders' equity		

- (Note) Amounts of less than one million above are rounded.
1. Allowance for doubtful accounts: ¥2,174 million
 2. Accumulated depreciation on property, plant, and equipment ¥67,933 million
 3. Outstanding loan guarantees ¥387 million
 4. Assets pledged as collateral Property, plant, and equipment ¥393 million

5. Accumulated other comprehensive income (loss) Foreign exchange translation adjustments: (¥6,452 million)
Net unrealized gains on revaluation of securities: ¥1,574 million

Consolidated Statements of Income

(From April 1, 2004 to March, 2005)

(unit: million yen)

	FY2004	FY2003 (reference)
	Amount	Amount
Net sales	239,439	174,218
Cost of sales	115,994	85,513
Gross profit	123,445	88,705
Research and development expenses	26,280	21,637
Selling, general, and administrative expenses	36,446	36,108
Operating income (loss)	60,719	30,960
Other income (expense):		
Interest and dividend income	597	339
Interest expense	(441)	(469)
Minority interests (losses)	(84)	(214)
Equity in earnings (losses) of affiliates	-	(117)
Other	1,017	(1,621)
Income (loss) before income taxes	61,808	28,878
Income taxes	23,730	11,549
Net income (loss)	38,078	17,329

(Note) Amounts of less than one million above are rounded.

Basic net income per share ¥389.54

Basis of Presentation of the consolidated financial statements
(Significant accounting policies)

1. Basis of Presentation

The consolidated statutory report including consolidated balance sheets and consolidated statements of income has been prepared on the basis of accounting principles generally accepted in the United States of America (“U.S. GAAP”), pursuant to the provisions of paragraph 1 of Article 179 of the Commercial Code Enforcement Regulations of Japan. Pursuant to the provisions of the article, however, certain disclosures required on the basis of U.S. GAAP is omitted.

2. Cash equivalents

Cash equivalents consist of deposits and negotiable certificates of deposit due to mature within 3 months.

3. Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the average cost method.

4. Securities

The Company applies Statement of Financial Accounting Standards (SFAS) No. 115 *Accounting for Certain Investment in Debt and Equity Securities*.

Available-for-sale securities are recorded at fair value. Unrealized gains and losses on trading securities are included in earnings. Unrealized gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported in accumulated other comprehensive income (loss) until realized. Realized gain and losses are determined on the average cost method.

Other securities are accounted for using the acquisition cost method.

5. Depreciation of property, plant, and equipment

Depreciation is computed principally using the declining-balance method except for buildings and machinery and equipment under capital leases for the Company and its domestic subsidiaries and the straight-line method for foreign subsidiaries. Buildings are principally depreciated using the straight-line method. Depreciation for machinery and equipment under capital leases is computed using the straight-line method.

6. Goodwill and other intangible assets

Under SFAS No. 142, “Goodwill and Other Intangible Assets”, goodwill and intangible assets with an indefinite useful life are not amortized, but instead is tested for impairment at least annually. Intangible assets with definite useful lives are amortized over their respective estimated useful lives.

7. Impairment of long-lived assets

The Company applies SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*, the impairment of long-lived fixed assets or intangible assets to be subject to depreciation and amortization when events or changes in their conditions result in non-recovery of their carrying amounts. When the carrying amount exceeds the future recoverable amount, the Company recognizes the difference between the fair value and the carrying amount as an impairment loss.

8. Allowances

(1) Allowances for doubtful accounts

Advantest recognizes allowance for doubtful accounts to ensure that trade accounts receivable are not overstated due to uncollectibility, which represents Advantest’s best estimate of the amount of probable credits losses in Advantest’s existing trade accounts receivable

(2) Accrued warranty expenses

To provide for future repairs during warranty periods, estimated repair expenses over the warranty period are accrued based on the historical ratio of actual repair expenses to corresponding sales.

(3) Accrued pension and severance cost

In accordance with SFAS No. 87, "Employers' Accounting for Pensions", pension and severance cost are accrued based on the projected benefit obligations and the fair value of plan assets at the balance sheet date. If the accumulated benefit obligation (i.e., obligations deducting an effect of future compensation levels from projected benefit obligations) exceeds the fair value of plan assets, a minimum pension liability equal to this difference is reflected in the consolidated balance sheets by recognizing an additional minimum pension liability. Unrecognized prior service cost and unrecognized actuarial loss are amortized by the straight-line method over the average remaining service periods of employees.

9. Translation of foreign financial statements

Foreign currency financial statements have been translated in accordance with SFAS No. 52, "Foreign Currency Translation". Under SFAS No. 52, the balance sheet accounts of non-Japanese subsidiaries, which are denominated in currencies other than the Japanese yen, are translated at rates of exchange prevailing at the end of the year. Revenue and expense accounts are translated at average rates of exchange in effect during the year. Resulting translation adjustments are included as a separate component of other comprehensive income (loss.)

Additional Information

1. On October 1, 2004, Advantest and a certain of its consolidated domestic subsidiaries received approval from the Minister of Health and Labour to return the substitutional portion of its Advantest's Employees' Pension Fund plans for the prior employees' services under the transfer of its Employees' Pension Fund plans to the defined benefit corporate pension plan. On February 24, 2005, Advantest and the said consolidated domestic subsidiaries then paid the amount pertinent to the return (minimum liability reserve) to the national treasury. Temporary profit arising from the return of the substitutional portion is included in "selling, general, and administrative expenses," and the effect of such return on operating income and net income for the current consolidated fiscal year is ¥3,317 million and ¥1,981 million respectively.
2. On December 16, 2004, the Financial Accounting Standards Board (FASB) issued the FASB Statement No. 123 (revised 2004), "Share-based Payment", which is a revision of the Statement of the FASB Statement No. 123 *Accounting for Stock-based Compensation*. SFAS No. 123R requires employee stock options and rights to purchase shares under stock option plans to be accounted for under the fair value method and eliminates the ability to account for these instruments under the intrinsic value method prescribed by APB Statement No. 25 (Accounting Principle Boards Statement No. 25 *Accounting for Shares Issued to Employees*) and allowed under the original provisions of statement No. 123. SFAS No. 123R shall apply to the fiscal periods for publicly traded companies beginning after June 15, 2005. However, Advantest has decided to implement the early application of SFAS No. 123 revised to the current term in accordance with the Modified Retrospective Method. As a result, the reported operating income and net income have been reduced by ¥2,290 million.

Balance Sheets (Unconsolidated)

(As of March 31, 2005)

(Unit: million yen)

	FY2004	FY2003 (reference)		FY2004	FY2003 (reference)
Assets			Liabilities		
Current assets	166,050	203,388	Current liabilities	69,495	56,504
Cash and deposits	68,676	64,469	Trade accounts payable	22,642	38,444
Trade notes receivable	12,418	4,978	Current installments of bonds	20,000	4,500
Accounts receivable	43,564	67,042	Other accounts payable	2,037	1,173
Finished goods	4,371	8,154	Accrued expenses	10,230	6,647
Raw materials	3,627	6,134	Income tax payable	4,116	32
Work in progress	14,520	21,258	Allowance for product warranty	4,345	1,771
Supplies	67	42	Other current liabilities	6,123	3,935
Deferred tax assets	10,032	21,776	Noncurrent liabilities	9,539	31,651
Other current assets	8,771	9,541	Bonds	-	20,000
Allowance for doubtful accounts	(0)	(10)	Long-term borrowings	40	82
Noncurrent assets	72,058	73,658	Allowance for retirement benefits	7,100	9,386
Property, plant and equipment	39,778	40,054	Allowance for officers' retirement benefits	1,509	1,261
Buildings and improvements	15,372	16,183	Other current liabilities	888	920
Structures	945	1,043	Total liabilities	79,034	88,155
Machinery and equipment	3,301	3,252	Stockholders' equity		
Vehicles and delivery equipment	22	0	Common stock	32,362	32,362
Tools and furniture	1,920	1,338	Capital surplus	32,973	32,973
Land	18,141	18,141	Additional paid-in capital	32,973	32,973
Construction in progress	74	94	Retained earnings	158,563	135,672
Intangible fixed assets	1,437	1,884	Legal reserve	3,083	3,083
Software and others	1,437	1,884	Voluntary reserve	126,942	119,942
Investments and other assets	30,842	31,718	[Reserve for losses in foreign investments]	[27,062]	[27,062]
Investment securities	7,430	6,713	[General reserve]	[99,880]	[92,880]
Investments in affiliated companies	16,390	16,347	Unappropriated earnings at the end of the year	28,538	12,647
Long-term loans receivable	1,072	1,408	Net unrealized holding gains on available-for-sale securities	1,294	793
Deferred tax assets	4,137	5,707	Treasury stock	(66,119)	(12,910)
Other non-current assets	1,811	1,542	Total stockholders' equity	159,074	188,891
Total assets	238,109	277,047	Total liabilities and stockholder's equity	238,109	277,047

(Notes) Amounts of less than one million are truncated.

1. Short-term receivables from affiliates: ¥28,406 million

 Long-term receivables from affiliates: ¥1,050 million

2. Short-term payables to affiliates: ¥12,422 million

3. Outstanding loan guarantees: ¥5 million

4. Accumulated depreciation on property, plant and equipment (including accumulated impairment losses) ¥57,468 million

5. Assets pledged as collateral
Property, plant, and equipment ¥392 million

6. In addition to property, plant and equipment recognized in the balance sheet, the Company uses some computer equipment under lease agreement.

7. Increased net assets amount prescribed in Article 124, Item 3 of the Enforcement Regulations of the Commercial Code: ¥1,294 million

Statements of Income (unconsolidated)

(April 1, 2004 through
March 31, 2005)

(unit: million yen)

			FY2004	FY2003 (reference)
		Ordinary profit and loss	Operating profit and loss	Operating income
Net sales	203,315			150,558
Operating expenses				
Cost of sales	107,067			86,008
Selling, general, and administrative expenses	54,337		40,772	
Operating income	41,910		23,776	
Non-operating profit and loss	Non-operating income			
	Interest and dividend income		1,940	1,614
	Other		2,681	2,452
	Non-operating expenses			
	Interest expenses	439	466	
Other	2,728	3,344		
Ordinary income	43,365	24,033		
Extraordinary profit and loss	Extraordinary gain			
	Return of substitutional portion of Employees Pension Fund	2,503	-	
	Extraordinary loss			
	Impairment loss	-	2,996	
Net income before income taxes			45,868	21,036
Income taxes – current			4,141	86
Income taxes – deferred			13,305	8,993
Net income			28,421	11,957
Retained earnings brought forward			3,020	2,180
Interim dividends			2,457	1,473
Loss from disposition of treasury stock			446	16
Unappropriated earnings at the end of the year			28,538	12,647

(Notes) Amounts of less than one million are truncated.

1. Transactions with affiliated companies	
Sales	¥105,138 million
Purchases	¥49,202 million
Non-operating transactions	¥4,413 million
2. Net income per share	¥288.68
Net income as reported on statement of income	¥28,421 million
Net income allocated to common stock	¥28,218 million
Amount not allocated to common stock	
Bonuses to officers by appropriation of earnings	¥203 million
Average number of common shares outstanding during the fiscal year	97,750,345 shares

Significant Accounting Policies

1. Valuation of securities
 - (1) Investments in subsidiaries

Stated at cost using the moving average method
 - (2) Other securities
 - (a) Securities with fair value

Stated at fair value based on market prices at the end of the relevant period (unrealized holding gains and losses are accounted for as a component of stockholders' equity; cost of other securities sold is determined using the moving average method).
 - (b) Securities not practicable to estimate fair value

Stated at cost using the moving average method
2. Valuation of inventories
 - (1) Finished goods

Stated at cost using the periodic average method
 - (2) Raw materials

Stated at lower of cost or market using the periodic average method
 - (3) Work in progress

Stated at cost using the periodic average method
 - (4) Supplies

Stated at cost using the specific identification method
3. Depreciation and amortization of non-current assets
 - (1) Depreciation of plant and equipment

Based on the declining balance method

However, buildings (except attached improvements) acquired on or after April 1, 1998 are depreciated using the straight-line method.
 - (2) Amortization of intangible fixed assets

Based on the straight-line method

However, software for internal use is amortized using the straight-line method over its estimated useful life of 5 years.
4. Allowances
 - (1) Allowance for doubtful accounts

To prepare for credit losses on accounts receivable and loans, etc., an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on a historical write-off ratio and for bad receivables based on a case-by-case determination of collectibility.
 - (2) Allowance for product warranty

To reasonably account for repair costs covered under product warranty in the respective periods in which they arise, the allowance for a given year is provided in an amount determined based on the ratio of repair costs in that year to net sales in the preceding year.
 - (3) Allowance for retirement benefits

To provide for employee retirement benefits, an allowance is provided in an amount determined based on the estimated retirement benefit obligations and pension assets at the end of the fiscal year.

Past service liabilities are amortized on a straight-line basis over a fixed number of years (17 years) during the average remaining years of service of employees.

Any actuarial gains and losses are amortized on a straight-line basis over a fixed number of years (17 years) during the average remaining years of service of employees, and the amount is recorded in the fiscal year subsequent to its occurrence.
 - (4) Allowance for officers' retirement benefits

To provide for officers' retirement benefits, an allowance is provided for the aggregate amount payable at the end of the period pursuant to the Company's rules on officers' retirement benefits. This allowance is stipulated under Article 43 of the Commercial Code Regulations.

5. Accounting for lease transactions

Finance lease transactions not involving a transfer of title to the lessee are accounted for in the same way as usual operating lease transactions.

6. Accounting for consumption taxes

Consumption taxes are accounted using the net-of-tax method.

Additional Information

On October 1, 2004, Advantest received approval from the Minister of Health and Labor to return the substitutional portion of its Advantest's Employees' Pension Fund plans for the prior employees' services under the transfer of its Employees' Pension Fund plans to the defined benefit corporate pension plan. On February 24, 2005, Advantest paid the amount pertinent to the return (minimum liability reserve) to the national treasury. Temporary profit arising from the return of the substitutional portion is included in "extraordinary gain" and the effect of such return on income before income taxes and net income for the current consolidated fiscal year is ¥2,503 million and ¥1,494 million respectively.

Proposed Appropriation of Retained Earnings

(unit: yen)

Item	Amount
Unappropriated earnings at the end of the year	28,538,243,896
Earnings will be appropriated as follows:	
Dividends	2,310,590,375
¥25 per share	
Directors' bonus	180,000,000
Corporate Auditors' bonus	23,000,000
General reserve	22,000,000,000
Earnings to be carried forward	4,024,653,521

(Note) On December 1, 2004, the Company paid interim dividends of ¥25 per share (or ¥2,457,584,825 in total) to its shareholders of record as of September 30, 2004.

Copy of Independent Auditor's Report (Consolidated)

Independent Auditor's Report

May 17, 2005

To the Board of Directors of Advantest Corporation:

Shin Nihon & Co.

Shigenori Hanada ○
Engagement Partner
Certified Public Account

Hiromichi Saito ○
Engagement Partner
Certified Public Account

Kiyotada Osada ○
Engagement Partner
Certified Public Account

We have audited the consolidated financial statements of Advantest Corporation for its 63rd fiscal year (April 1, 2004 through March 31, 2005), including the consolidated balance sheets and consolidated statements of income, for the purpose of reporting under the provisions of Article 19-2, Paragraph 3 of the "Law Concerning Exceptions to the Commercial Code Relating to Audit, etc. of Stock Corporations." The management of the Company was responsible for the preparation of these consolidated financial statements, and our responsibility shall be limited to the expression of an independent opinion regarding the consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. These auditing standards require reasonable assurance that the consolidated financial statements do not contain any untrue representations of material fact. The audit was conducted based on an audit by testing. In addition to a review of the consolidated financial statements as a whole, the audit included an evaluation of the accounting policies adopted by the management, the application thereof, and the estimates prepared by the management. We believe that we have obtained a reasonable basis to form our opinion as a result of the audit. The auditing procedures also include procedures considered necessary for the subsidiaries and consolidated subsidiaries of Advantest Corporation.

In our opinion, the consolidated financial statements properly present the financial position and the results of operations of the company group consisting of Advantest Corporation and its consolidated subsidiaries in conformity with applicable laws and regulations and the Articles of Incorporation of Advantest Corporation.

We have no specific interest in the Company required to be stated by the provisions of the Certified Public Accountant Law.

Copy of Board of Corporate Auditors' Audit Report (Consolidated)

Audit Report Concerning Consolidated Financial Statements

This Audit Report was prepared by the Board of Corporate Auditors based on reports from each Corporate Auditor with respect to the methods and results of audit concerning the performance by each Board Director of his respective duty during the 63rd fiscal year (April 1, 2004 through March 31, 2005) of Advantest Corporation. We hereby report as follows.

1. Methods of Audit

Pursuant to the audit policies and plans established by the Board of Corporate Auditors, each Corporate Auditor has sought the reports and explanations on the consolidated financial statements, as well as reports on the accounting of the subsidiaries of the Company from directors and the like and the independent auditor, and inspected the state of business and assets of the Company.

2. Results of Audit

- (1) The methods and results of audit performed by Shin Nihon & Co., the independent auditor of the Company, are appropriate.
- (2) As a result of the audit, no issues with respect to the consolidated financial statements have been deemed to require special mention or disclosure.

May 20, 2005

Board of Corporate Auditors of Advantest Corporation

Noboru Yamaguchi _____ ○
Standing Corporate Auditor

Tadahiko Hirano _____ ○
Standing Corporate Auditor

Takashi Takaya _____ ○
Corporate Auditor

Kuniaki Suzuki _____ ○
Corporate Auditor

(Note) Takashi Takaya and Kuniaki Suzuki are outside corporate auditors appointed pursuant to Article 18, Paragraph 1 of the "Law Concerning Exceptions to the Commercial Code Relating to Audit, etc. of Stock Corporations" .

Copy of Independent Auditor's Report

Independent Auditor's Report

May 17, 2005

To the Board of Directors of Advantest Corporation:

Shin Nihon & Co.

Shigenori Hanada ○
Engagement Partner
Certified Public Accountant

Kiyotada Osada ○
Engagement Partner
Certified Public Accountant

We have audited the financial statements, which included the balance sheets, statements of income, the business report (limited to accounting matters), the proposed appropriation of retained earnings and the supporting schedules (limited to accounting matters), of Advantest Corporation for its 63rd fiscal year (April 1, 2004 through March 31, 2005) for the purpose of reporting under the provisions of Article 2, Paragraph 1 of the "Law Concerning Exceptions to the Commercial Code Relating to Audit, etc. of Stock Corporations." With respect to the aforementioned business report and the supporting schedules, our audit was limited to those matters based on the accounting records of the Company. The management of the Company was responsible for the preparation of these financial statements and the supporting schedules, and our responsibility shall be limited to the expression of an independent opinion regarding the financial statements and the supporting schedules.

We conducted our audit in accordance with auditing standards generally accepted in Japan. The auditing standards require reasonable assurance that the financial statements and the supporting schedules do not contain any untrue representations of material fact. The audit was conducted based on an audit by testing, and included a review of the financial statements and the supporting schedules as a whole and an evaluation of the accounting policies adopted by the management, the application thereof, and the estimates prepared by the management. We believe that we have obtained a reasonable basis to form our opinion as a result of the audit. The auditing procedures also include those considered necessary for its subsidiaries.

As results of audit, our opinion is as follows;

- (1) the balance sheets and statements of income present properly the financial position and the results of operations of the Company in conformity with applicable laws and regulations and the Articles of Incorporation of the Company.
- (2) the business report, as far as the accounting sections are concerned, presents properly the current status of the Company in conformity with applicable laws and regulations and the Articles of Incorporation of the Company.
- (3) the proposed appropriation of retained earnings has been prepared in conformity with applicable laws and regulations and the Articles of Incorporation of the Company.
- (4) the supporting schedules, as far as the accounting sections are concerned, have been prepared in conformity with the provisions of the Commercial Code.

We have no specific interest in the Company required to be stated by the provisions of the Certified Public Accountant Law.

Copy of Board of Corporate Auditors' Audit Report

Audit Report

This Audit Report was prepared by the Board of Corporate Auditors based on reports from each Corporate Auditor with respect to the methods and results of audit concerning the performance by each Director of his respective duty during the 63rd fiscal year (April 1, 2004 through March 31, 2005) of Advantest Corporation. We hereby report as follows.

1. Methods of Audit

Pursuant to the audit policies established by the Board of Corporate Auditors, each Corporate Auditor has attended meetings of the Board of Directors and other important meetings, posed questions to Directors or Auditing group, etc., on the state of business, reviewed important approval-granting documents, inspected the state of business and assets at the Head Office and other important branch offices, and reviewed the financial statements and the supporting schedules upon report from independent auditors. The Corporate Auditors have also sought reports from subsidiaries of the Company on their state of business, and performed on-site inspection of the state of business and assets of important subsidiaries whenever necessary.

In the case of any engagements in competing transactions by a Director, transactions involving any conflicts of interests between the Company and a Director, offering of advantage by the Company for no consideration, transactions at unusual terms with a subsidiary or shareholder, or the acquisition or disposition of treasury stock, the Corporate Auditors have, in addition to the method of audit described above, requested reports from the Directors and inspected such transactions in detail if necessary.

2. Results of Audit

- (1) The methods and results of audit performed by Shin Nihon & Co., the independent auditor of the Company, are appropriate.
- (2) The business report of the Company accurately presents the financial conditions of the Company in conformity with applicable laws and regulations and the Articles of Incorporation of the Company.
- (3) In consideration of the financial position of the Company and other matters, the proposed appropriation of retained earnings plan presents fairly all matters required to be presented, and no irregularity was found that need to be pointed out.
- (4) The supporting schedules present fairly all matters required to be presented, and no material irregularity requiring disclosure was found.
- (5) No irregularity or violation of applicable laws or regulations or the Articles of Incorporation of the Company was found with respect to the activities of the Directors, including activities related to subsidiaries of the Company.

In addition, no breach of fiduciary duty by Directors was found with respect to engagements in competing transactions by a Director, transactions involving any conflict of interest between the Company and a Director, offering of advantage by the Company for no consideration, transactions at unusual terms with subsidiaries or shareholders, or the acquisition or disposition of treasury stock.

May 20, 2005

Board of Corporate Auditors of Advantest Corporation

Noboru Yamaguchi _____ ○
Standing Corporate Auditor

Tadahiko Hirano _____ ○
Standing Corporate Auditor

Takashi Takaya _____ ○
Corporate Auditor

Kuniaki Suzuki _____ ○
Corporate Auditor

(Note) Takashi Takaya and Kuniaki Suzuki are outside corporate auditors appointed pursuant to Article 18, Paragraph 1 of the "Law Concerning Exceptions to the Commercial Code Relating to Audit, etc. of Stock Corporations."

Memorandum to Shareholders

Balance sheet date: March 31 of each year

Ordinary general meeting of shareholders: June of each year

Decision on shareholders of record qualified to receive dividends:
March 31 of each year and September 30 when interim dividends are paid.

Newspaper for public notice:
The Nihon Keizai Shimbun
Public notice for business results are posted on the Advantest website.
(<http://www.advantest.co.jp/investors/>)

Transfer agent: Main Office, Tokyo Securities Transfer Agent Co., Ltd.

Place for share transfer business:
Togin Bld. 3F, 4-2 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005
Toll free number: (0120)49-7009
Telephone: (03)3212-4611

Share transfer agent:
Tokyo Securities Transfer Agent Co., Ltd. and its sales offices and other share transfer agents

*Notice on each share transfer agent

Tokyo Securities Transfer Agent Co., Ltd. would like to announce that, effective as of May 23, 2005, the main office of Chuo Mitsui Trust and Banking Company and its branches nationwide were designated as agents for the share transfer business. Accordingly, they are now implementing share transfer businesses. Also please note that the agent businesses at the main office of Mizuho Investors Securities and its branches nationwide will be completed on November 30, 2005.

Number of shares comprising one unit: 100 shares

Notice: Demand for sales of fractional shares and demand for purchase of fractional sales

The share transfer agents mentioned above accept demands for sales and purchases of fractional shares. The handling of any demand for a purchase of fractional shares will be suspended for the 12 business days prior to March 31 and the 12 business days prior to September 30, up to March 31 and September 30, respectively. In addition, Tokyo Securities Transfer Agent Co., Ltd. may suspend the handling of demands for the purchase of fractional shares for a certain period designated by the company.

Registration of lost share certificates:

Those who have lost share certificates may fulfill the procedures concerning the lost share certificates at the share transfer agents mentioned above. When such procedures are complete, the symbol and number of lost share certificates are registered on the lost share certificate registration book, which will in turn be available for public inspection. Should there be no objection to such registration or obliteration of registered lost share certificates for a period of one year, those who have lost share certificates may receive the delivery of new share certificates. The fees charged for the registration will be a basic fee of ¥10,000 and an additional fee of ¥500 per lost certificate.

*For inquiries on details, please contact the above share transfer agents.