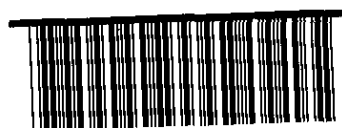


**Financial Statements
at March 31, 2000
and Management Report
Advantest (Europe) GmbH
Munich**



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Advantest (Europe) GmbH, Munich
Balance sheet at March 31, 2000

Assets

	3/31/2000		3/31/1999
	DM	DM	DM
A. Fixed assets			
I. Intangible assets			
EDP-software	1,028,901.68		1,066,463.56
II. Tangible assets			
1. Leasehold improvements	399,130.17		147,089.19
2. Other equipment, operational and office equipment	9,514,996.52		6,590,619.52
	<u>9,914,126.69</u>		<u>6,737,708.71</u>
		10,943,028.37	<u>7,804,172.27</u>
B. Current assets			
I. Inventories			
1. Merchandise	6,556,924.88		14,664,071.43
2. Advance payments	0.00		252,198.99
	<u>6,556,924.88</u>		<u>14,916,270.42</u>
II. Accounts receivable and other assets			
1. Trade accounts receivable	134,028,173.89		31,415,425.37
2. Amounts due from affiliated companies – thereof due from shareholder DM 2,230,861.78 (p.y. DM 0.00) –	15,639,645.87		139,510.96
3. Other assets	529,910.93		252,515.67
	<u>150,197,730.69</u>		<u>31,807,452.00</u>
III. Cash in hand and at banks	<u>20,481,738.36</u>		<u>81,394,881.39</u>
		177,236,393.93	<u>128,118,603.81</u>
C. Prepaid expenses and deferred charges		615,119.89	179,610.84
		<u>188,794,542.19</u>	<u>136,102,386.92</u>

A. Shareholders' equity

II. Capital reserve

10,000,000.00

5,590,790.85

15,590,790.85

1. Accrued pensions

69,888.00

0.00

2. Accrued taxes

26,967,082.61

33,746,405.16

3. Other accrued expenses

11,870,299.12

17.208.260.27

11,870,299.12

38,907,269.73

17,208,260.27

50,954,665.43

1. Trade accounts payable

4,374,790.59

3,569,290.09

2. Amounts due to affiliated

126,755,082.26

65,383,838.81

companies

-thereof due to shareholder

DM 50,374,960.55 (p.y. DM 37,699,888.47)–

3. Other liabilities

3,166,608.76

603,801.74

-thereof taxes

DM 297,627.93 (p.y. DM 218,735.34)–

-thereof social security

DM 246,379.14 (p.y. DM 238,977.56)–

134,296,481.61

69,556,930.64

188,794,542.19

136,102,386.92

Advantest (Europe) GmbH, Munich

Statement of income for the year ended March 31, 2000

	1999/2000		1998/99
	DM	DM	DM
1. Net sales	242,085,176.91		184,688,777.67
2. Other operating income	<u>27,423,026.54</u>		<u>17,245,413.72</u>
		269,508,203.45	<u>201,934,191.39</u>
3. Cost of materials			
a) Merchandise	-177,512,567.30		-116,153,967.39
b) Purchased services	<u>-6,335,289.20</u>		<u>-2,832,249.74</u>
		-183,847,856.50	<u>-118,986,217.13</u>
4. Personnel expenses			
a) Wages and salaries	-11,058,258.28		-11,683,894.42
b) Social security, pension cost and other benefit expenses	-2,087,932.83		-1,943,247.42
-thereof for pensions			
DM 480,099.92 (p.y. DM 345,170.19)-			
		-13,146,191.11	<u>-13,627,141.84</u>
5. Depreciation and amortization on intangible and tangible fixed assets		-4,115,311.64	-3,586,326.72
6. Other operating income		<u>-23,533,820.05</u>	<u>-20,548,476.89</u>
		<u>-40,795,322.80</u>	<u>-37,761,945.45</u>
7. Other interest and similar income	962,909.69		2,231,088.71
-thereof from affiliated companies			
DM 0.00 (i.V.j. DM 0.00)-			
8. Interest and similar expenses	-697.58		-703.26
-thereof to affiliated companies			
DM 0.00 (p.y. DM 0.00)-			
		962,212.11	<u>2,230,385.45</u>
9. Result from ordinary operations		45,827,236.26	47,416,414.26
10. Taxes on income		-56,389.56	0.00
11. Other taxes		-20,273.45	0.00
12. Profit transferred according to profit pooling agreement		<u>-45,750,573.25</u>	<u>-47,416,414.26</u>
13. Net income = Retained earnings		<u>0.00</u>	<u>0.00</u>

Advantest (Europe) GmbH, Munich

Notes to the financial statements at March 31, 2000

General information and accounting and valuation methods

1. General information

The financial statements of Advantest (Europe) GmbH, Munich, at March 31, 2000 have been prepared in accordance with the accounting regulations included in the "HGB" [German Commercial Code] and the GmbH-Law. The statement of income follows the "type of expenditure" format.

2. Accounting and valuation methods

The accounting and valuation methods are unchanged compared to the previous year.

Intangible assets are shown at cost, less straight-line scheduled amortization. A useful life of three years is generally applied.

Property, plant and equipment is shown at cost, less scheduled depreciation. Depreciation on moveable assets follows the declining balance method, and also, in part, the straight-line method. Extraordinary depreciation is made to state property at such lower value as is appropriate at the balance sheet date. Minor value assets are expensed in full in the year acquired.

Sales and related cost for demo equipment which was included in fixed assets are shown as sales and cost of materials.

Merchandise is shown at cost, taking into account its usability as at the balance sheet date. Cost represents the invoiced amounts for each individual item, plus appropriate mark-ups for freight and customs duties.

Accounts receivable and other current assets are shown at face value. Risks are reflected by allowances for doubtful accounts.

Deferred tax assets are not accounted for.

Accrued expenses take into account all foreseeable risks and uncertain obligations.

Liabilities are shown at the repayment amounts.

Accounts receivable and payable in foreign currencies are valued applying the exchange rates at the transaction dates. Losses arising from movements in exchange rates are recorded against current income.

Notes to the balance sheet

1. Fixed assets

	Cost			
	4/1/1999	Additions	Disposals	3/31/2000
	DM	DM	DM	DM
Intangible assets				
EDP-software	2,527,494.50	510,662.21	477,979.98	2,560,176.73
Property, plant and equipment				
1. Leasehold improvements	678,489.60	355,442.24	0.00	1,033,931.84
2. Other equipment, operational and office equipment	16,577,289.84	7,639,475.48	5,954,094.80	18,262,670.52
3. Minor value assets	0.00	81,190.78	81,190.78	0.00
	<u>17,255,779.44</u>	<u>8,076,108.50</u>	<u>6,035,285.58</u>	<u>19,296,602.36</u>
	<u>19,783,273.94</u>	<u>8,586,770.71</u>	<u>6,513,265.56</u>	<u>21,856,779.09</u>

Depreciation and amortization				Net book value	
4/1/1999	Additions	Disposals	3/31/2000	3/31/2000	3/31/1999
DM	DM	DM	DM	DM	DM
1,461,030.94	545,137.37	474,893.26	1,531,275.05	1,028,901.68	1,066,463.56
531,400.41	103,401.26	0.00	634,801.67	399,130.17	147,089.19
9,986,670.32	3,385,582.23	4,624,578.55	8,747,674.00	9,514,996.52	6,590,619.52
0.00	81,190.78	81,190.78	0.00	0.00	0.00
10,518,070.73	3,570,174.27	4,705,769.33	9,382,475.67	9,914,126.69	6,737,708.71
11,979,101.67	4,115,311.64	5,180,662.59	10,913,750.72	10,943,028.37	7,804,172.27

2. Accounts receivable and other assets

As in prior year, accounts receivable and other assets are due within one year.

3. Other accrued expenses

The other accrued expenses mainly consist of warranty expenses, credit notes to be issued, contract completion costs as well as unrecorded liabilities and personnel costs.

4. Liabilities

As in previous year, all the liabilities are due within one year. No collateral has been provided.

Notes to the statement of income

1. Net sales

The Company generated its sales exclusively through the sale of test systems for electronic products and related services. Total sales are analysed by type of revenue and geographical market as follows:

	Trading stocks	Service revenues	Total
	TDM	TDM	TDM
Foreign countries	217,501	5,482	222,983
Germany	<u>18,337</u>	<u>765</u>	<u>19,102</u>
	<u>235,838</u>	<u>6,247</u>	<u>242,085</u>

2. Income and expenses relating to other accounting periods

Other operating income mainly includes income from the release of accrued expenses of TDM 10,805 and the release of the allowance for doubtful receivables of TDM 1,087. Other operating expenses include losses from the scrapping of fixed assets in the amount of TDM 169.

3. Profit pooling

Based on the profit pooling agreement the profit of TDM 45,751 was transferred to Advantest Europe Corporation (Holding) GmbH, Munich.

Other information

1. Consolidated financial statements

The financial statements of Advantest (Europe) GmbH are included in the consolidated financial statements of Advantest Europe Corporation (Holding) GmbH, Munich, as well as the ultimate parent company Advantest Corporation, Tokyo, Japan, which are published at the registered office of the ultimate parent company.

2. Agreement with affiliated company

A control and profit pooling agreement has been concluded with Advantest Europe Corporation (Holding) GmbH, Munich, as the controlling company.

3. Members of the management board and remuneration

The general managers during 1999/2000, each of whom was entitled to represent the Company alone, were Messrs.

Josef Schrätzenstaller, Pfaffenhofen, (from April 1, 2000),

Hiroji Agata, Tokyo, Japan, (from April 1, 2000),

Gerhard Kessler, Munich, (until March 31, 2000),

Toshio Maruyama, Zama-Shi, Japan, (until March 31, 2000).

The disclosure of the remuneration of the management was omitted in accordance with section 286 par. 4 HGB.

4. Average number of employees during the year

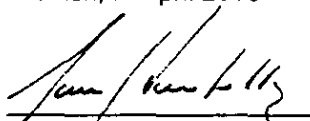
The average number of employees in the fiscal year 1999/2000 amounted to 82.

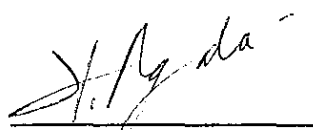
5. Other financial commitments

Commitments in respect of rental and leasing agreements are due in fiscal:

	TDM
2000/2001	2,110
2001/2002	1,932
2002/2003	1,546
2003/2004	<u>1,391</u>
	<u>6,979</u>

Munich, in April 2000


Josef Schrätzenstaller


Hiroji Agata

**Advantest (Europe) GmbH, Munich
Management Report as of 31 March 2000**

Economic situation

After 1998 was marked by the worldwide downward trend of the semiconductor industry, the world economy became more dynamic during the year 1999 with a growth rate of around 3%. After the memory chips prices dropped during the last two years, the semiconductor sector in particular showed considerable growth. In future the European components' manufacturers intend to invest in new manufacturing capacities in order to comply with the demand for microchips on a high price level.

Business development

The company is integrated as the European sales and marketing subsidiary into the Advantest group, headed by Advantest Corporation in Tokyo, Japan. Advantest Corporation is the worldwide leader of test systems for memory chips. The company takes up a growing position in the segment of the modern logic chips for telecommunication applications and the car industry. To support the customers locally, the company has branch offices in Italy and U.K.

During the last financial year the company was able to increase sales by 31.1% from TDM 57,396 to TDM 242,085. Due to this rise in sales with exceptionally high deliveries to the customers in March 2000, the order input still amounted to TDM 21,169 on March 31, 2000.

The company expects a further sales increase to TDM 262,000 in financial year 2000. If the European semiconductor industry realises its ambitious plans of further capacities' extension, Advantest Europe will be able to record additional turnover.

Other operating income

The other operating income amounting to TDM 27,423 was clearly higher than last year and resulted from foreign currency exchange rate gains and accrued expenses' dissolution.

Investments

The investments for fixed assets and intangible assets amounting to a total of TDM 8,587 were still on a high level.

Profit and profit use

The profit before tax amounting to TDM 45,750 was slightly under the previous year's result and has been transferred to Advantest Europe Corporation (Holding) GmbH according to the existing profit and loss transfer agreement.

Euro conversion

The change over from DM to Euro took place at the cut-off date 1 April 2000. As a consequence the complete accounting will be done in Euro from the fiscal year 2000 on.

Risk management report

As a European operating company Advantest (Europe) GmbH is exposed to a huge number of risks. Acting as an entrepreneur always means taking advantage of chances as well as recognising and controlling the risks connected with them. Risk Management is therefore inevitably an important element of all business decisions and processes. To avoid possible risks that may arise from varied taxation, patent, competition and environmental considerations and laws, all our decisions and business processes are based on a wide legal consultation with our own experts as well as with selected external council.

Advantest builds up the necessary accrued expenses, in case that legal considerations resulting from new laws or changed precedents cause risks that stem from previous events and situations.

Possible currency risks are taken to a high extent by the Japanese mother company, as Advantest (Europe) GmbH purchases test systems from Japan in mostly one and the same currency as sells them to European customers.

Against possible claims and liability risks Advantest has insurance policies, which guarantee the reduction or exclusion of possible financial consequences from risks that could arise. The insurances' scope is regularly checked and adjusted if necessary. Although there is no guarantee that the insurance's sums cover all conceivable risks, it can be assumed that claims will not have any consequences on the corporation's liquidity, financial and profit situation that would jeopardise the company existence.

Strategic alignment and outlook

After the Advantest group in Europe has been successfully restructured, the operating units can now concentrate on the new market challenges. In order to provide the customers with an improved local service in the field Device-Interface-Technologies a new company named Advantest Test Engineering Solutions GmbH with the focus on these activities was founded by the group on 1 April 2000. Furthermore, products are developed and manufactured locally at this company.

According to the information and surveys we have, the semiconductor branch plans considerable investments in new manufacturing capacities during the next two years. Advantest (Europe) GmbH is prepared for this development and expands personnel resources with qualified employees in order to meet the constantly increasing customers' demands.

Auditors' report

We have audited the annual financial statements, including the accounting records and the management report, of Advantest (Europe) GmbH for the year ended March 31, 2000. The maintenance of the accounting records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's management board. Our responsibility is to express an opinion on the annual financial statements, the accounting records, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit in such a way that material misstatements affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German accounting principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.



In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of Advantest (Europe) GmbH in accordance with German accounting principles for proper accounting. Taken as a whole, the management report provides a suitable understanding of the company's position and suitably presents the risks of future development."

Munich
April 20, 2000

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schumacher
Wirtschaftsprüfer

Fürholzer
Wirtschaftsprüfer



Our renewed comments will be required, should the financial statements be published or issued in a form not complying with the version on which we have issued our auditors' report (including their translation into other languages), if our auditors' report is quoted in this connection or reference is made to our audit; Please refer in particular to § 328 HGB.