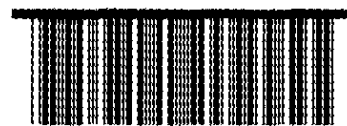




SF 543

**(Translation)
Financial Statements
at March 31, 2004
and Management Report
Advantest (Europe) GmbH
Munich**



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COMPANIES HOUSE 23/12/04

Advantest (Europe) GmbH, Munich

Balance sheet at March 31, 2004

Assets

	3/31/2004		3/31/2003
	EUR	EUR	EUR
A. Non current assets			
I. Intangible assets			
Software/Licenses	<u>171,040.41</u>		<u>308,777.89</u>
II. Tangible assets			
1. Land, rights similar to land and buildings, including buildings on third party land	2,572,315.69		2,619,861.61
2. Leasehold improvements	114,010.33		139,612.06
3. Other equipment, office furniture and equipment	<u>2,206,212.83</u>		<u>3,298,592.63</u>
	<u>4,892,538.85</u>		<u>6,058,066.30</u>
III. Financial assets			
Shares in affiliated companies	<u>0.00</u>		<u>766,955.59</u>
		5,063,579.26	<u>7,133,799.78</u>
B. Current assets			
I. Inventories			
Systems, Spare parts	<u>4,782,430.29</u>		<u>939,648.57</u>
II. Accounts receivable and other assets			
1. Trade accounts receivable	43,322,776.08		25,252,139.55
2. Amounts due from affiliated companies	436,045.56		199,840.26
--thereof due from shareholders			
EUR 288,313.17 (p.y. EUR 78,902.98)--			
3. Other assets	<u>1,026,916.45</u>		<u>994,743.16</u>
	<u>44,785,738.09</u>		<u>26,446,722.97</u>
III. Cash in hand and at banks	<u>41,931,127.29</u>		<u>30,195,318.29</u>
		91,499,295.67	<u>57,581,689.83</u>
C. Prepaid expenses		<u>255,287.13</u>	<u>153,731.62</u>
		<u>96,818,162.06</u>	<u>64,869,221.23</u>

**Shareholders' equity and
Liabilities**

	<u>3/31/2004</u>		<u>3/31/2003</u>
	EUR	EUR	EUR
A. Shareholders' equity			
I. Subscribed capital	10,792,650.00		10,792,650.00
II. Retained earnings	34,162,297.05		26,762,952.07
III. Net income	<u>8,987,218.46</u>		<u>7,399,344.98</u>
		53,942,165.51	<u>44,954,947.05</u>
 B. Accruals			
1. Accrued pensions	328,772.00		303,890.00
2. Accrued taxes	5,822,261.82		4,803,932.66
3. Other accruals	<u>6,947,015.63</u>		<u>5,036,175.55</u>
		13,098,049.45	<u>10,143,998.21</u>
 C. Liabilities			
1. Trade accounts payable	728,111.72		1,677,897.22
2. Amounts due to affiliated companies	28,595,582.72		7,599,661.26
--thereof due to shareholders			
EUR 24,885,022.26 (p.y. EUR 6,803,869.14)			
3. Other liabilities	454,252.66		492,717.49
--thereof taxes			
EUR 131,114.28 (p.y. EUR 135,509.69)–			
--thereof social security			
EUR 150,597.31 (p.y. EUR 154,648.03)–			
		29,777,947.10	<u>9,770,275.97</u>
		<u>96,818,162.06</u>	<u>64,869,221.23</u>

Advantest (Europe) GmbH, Munich

Statement of income for the year ended March 31, 2004

	2003/04	Prior year
	EUR	EUR
1. Sales	115,308,389.82	101,777,248.61
2. Other operating income	<u>4,140,347.42</u>	<u>4,157,163.52</u>
	119,448,737.24	105,934,412.13
3. Cost of materials		
a) Cost of merchandise	-81,635,968.12	-69,343,812.02
b) Purchased services	<u>-2,319,137.96</u>	<u>-2,657,715.69</u>
	-83,955,106.08	-72,001,527.71
4. Personnel expenses		
a) Wages and salaries	-7,778,218.04	-7,811,946.29
b) Social security, pension cost and other benefit expenses	-1,563,271.45	-1,504,044.53
--thereof for pensions		
EUR 247,471.48 (p.y. EUR 228,698.81)--		
	<u>-9,341,489.49</u>	<u>-9,315,990.82</u>
5. Depreciation and amortization on intangible and tangible fixed assets	-1,537,089.92	-2,106,452.93
6. Other operating expenses	<u>-9,158,961.79</u>	<u>-10,889,871.65</u>
	15,456,089.96	11,620,569.02
7. Other interest and similar income	644,074.63	459,333.52
--thereof from affiliated companies		
EUR 0.00 (p.y. EUR 0.00)--		
8. Interest and similar expenses	-306,587.37	-3,850.61
--thereof to affiliated companies		
EUR 0.00 (p.y. EUR 0.00)--		
	<u>337,487.26</u>	<u>455,482.91</u>
9. Results from ordinary operations	15,793,577.22	12,076,051.93
10. Extraordinary result	0.00	2,349.52
11. Taxes on income	-6,799,147.97	-4,643,084.83
12. Other assets	<u>-7,210.79</u>	<u>-35,971.64</u>
13. Net income	<u>8,987,218.46</u>	<u>7,399,344.98</u>

Advantest (Europe) GmbH, Munich

Notes to the financial statements 2003/04

General information and accounting and valuation methods

1. General information

The financial statements of Advantest (Europe) GmbH, Munich, at March 31, 2004 have been prepared in accordance with the accounting regulations included in the "HGB" [German Commercial Code] and the GmbH-Law.

The company meets the criteria of a large corporation in accordance with section 267 par. 3 HGB. The total amount of the remunerations of general management was not disclosed in accordance with section 286 par. 4 HGB. The presentation of the balance sheet under section 266 HGB as well as the statement of income which follows the type of expenditure format under section 275 par. 2 HGB was retained.

2. Accounting and valuation methods

The accounting and valuation methods are basically 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.

Tangible assets is shown at cost, less scheduled depreciation. Depreciation on moveable assets follows the declining balance method, and also, in part, the straight-line method. Since January 1, 2001, additions are solely depreciated using the straight-line method. Buildings are depreciated over a period of 40 years applying the straight-line method. Extraordinary depreciation is made to tangible assets 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 non current assets are shown as sales and cost of materials.

Inventories are shown at cost, taking into account 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 assets are shown at face value. Risks are reflected by allowances for doubtful accounts.

Since March 31, 2002 other assets contain a deferred tax asset amounting to the future expected consumption for excessive tax expenses of the fiscal year and earlier fiscal years.

Accrued pensions are calculated in accordance with section 6a EstG ["German Income Tax Law"] at fair value as determined by tax law.

All other accrued expenses take into account all foreseeable risks and uncertain obligations.

Liabilities are shown at the repayment amounts.

As in prior years, accounts receivable and payable denominated in foreign currencies have been valued with the rate at the transaction date. Losses from currency fluctuations have been considered in the income statement. The translation of foreign currency balances was made using the rates applicable at balance sheet date.

Currency balances denominated in JPY are covered by currency forward transactions. According to the limited hedging relationship hedge accounting was not applied.

Notes to the balance sheet

1. Non current assets

	Cost			
	4.1.2003	Additions	Disposals	3/31/2004
	EUR	EUR	EUR	EUR
Intangible assets				
1. Software	1,692,623.01	36,440.53	0.00	1,729,063.54
2. Licenses	223,487.90	36,458.65	0.00	259,946.55
	<u>1,916,110.91</u>	<u>72,899.18</u>	<u>0.00</u>	<u>1,989,010.09</u>
Tangible assets				
1. Land, rights similar to land and buildings including buildings on third party land	6,088,133.43	0.00	0.00	6,088,133.43
2. Leasehold improvements	659,907.53	0.00	0.00	659,907.53
3. Other equipment, office furniture and equipment	10,174,817.41	462,797.44	1,957,763.02	8,679,851.83
4. Minor value assets	0.00	9,092.06	9,092.06	0.00
	<u>16,922,858.37</u>	<u>471,889.50</u>	<u>1,966,855.08</u>	<u>15,427,892.79</u>
Financial assets				
Shares in affiliated companies	766,955.59	0.00	766,955.59	0.00
	<u>19,605,924.87</u>	<u>544,788.68</u>	<u>2,733,810.67</u>	<u>17,416,902.88</u>

Depreciation and amortization				Net book value	
4/1/2003	Additions	Disposals	3/31/2004	3/31/2004	3/31/2003
EUR	EUR	EUR	EUR	EUR	EUR
1,451,265.16	147,126.71	0.00	1,598,391.87	130,671.67	241,357.85
156,067.86	63,509.95	0.00	219,577.81	40,368.74	67,420.04
<u>1,607,333.02</u>	<u>210,636.66</u>	<u>0.00</u>	<u>1,817,969.68</u>	<u>171,040.41</u>	<u>308,777.89</u>
3,468,271.82	47,545.92	0.00	3,515,817.74	2,572,315.69	2,619,861.61
520,295.47	25,601.73	0.00	545,897.20	114,010.33	139,612.06
6,876,224.78	1,244,213.55	1,646,799.33	6,473,639.00	2,206,212.83	3,298,592.63
0.00	9,092.06	9,092.06	0.00	0.00	0.00
<u>10,864,792.07</u>	<u>1,326,453.26</u>	<u>1,655,891.39</u>	<u>10,535,353.94</u>	<u>4,892,538.85</u>	<u>6,058,066.30</u>
0.00	0.00	0.00	0.00	0.00	766,955.59
<u>12,472,125.09</u>	<u>1,537,089.92</u>	<u>1,655,891.39</u>	<u>12,353,323.62</u>	<u>5,063,579.26</u>	<u>7,133,799.78</u>

2. Financial assets

The shares in Advantest Europe R & D S.A.R.L. amounting to TEUR 767 have been sold within the group to Advantest RF Technology Corporation, Japan, with agreement as of April 28, 2003 effective April 1, 2003.

3. Accounts receivable and other assets

Accounts receivable and other assets are due within one year except for an amount of TEUR 267 relating to reinsurance coverage and the deferred tax asset.

Other assets include a deferred tax asset amounting to TEUR 397 primarily related to excessive tax expenses for contingent losses for vacant office space and from the valuation of the currency forward transactions open at balance sheet date. The consumption of the excessive past tax expenses will be expected until January 2006 at the latest.

4. Other accruals

Other accruals mainly consist of warranty expenses, personnel obligations, contract completion cost, contingent losses, outstanding invoices and legal consulting services as well as interest expenses and value added tax payments for prior periods.

5. Liabilities

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

6. Contingent Liabilities

None.

7. Derivative financial instruments

Currency forward transactions are used to cover currency balances denominated in JPY.

	<u>3/31/2004</u>	<u>3/31/2003</u>
	TEUR	TEUR
Nominal values	43,005	0
Market values	42,192	0

Accruals for contingent losses from open positions as of March 31, 2004 were recognised in the amount of TEUR 813.

The forward terms range between one and five months.

The nominal values refer to the total forward volume related to the volume of sales and purchases. The market values refer to surrender values for the forward transactions open at balance sheet date. These are determined on the basis of quoted prices. Inverse developments in value from the sales and purchases are not recognised.

Notes to the statement of income

1. Net sales

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

	Trade revenue	Service revenue	Total
	TEUR	TEUR	TEUR
Foreign countries	101,685	2,371	104,056
Germany	<u>8,749</u>	<u>2,503</u>	<u>11,252</u>
	<u>110,434</u>	<u>4,874</u>	<u>115,308</u>

2. Income and expenses relating to other accounting periods

Other operating income mainly includes income relating to prior periods from disposal of financial assets (TEUR 135), the release of accrued expenses (TEUR 498) as well as others (TEUR 124). Other operating expenses mainly include expenses relating to prior periods from the write-off of receivables amounting to TEUR 57 as well as other prior period expenses amounting to TEUR 175.

The interest expenses contain TEUR 305 for prior years.

Taxes on income contain tax income relating to prior periods of TEUR 253 and tax expenses in the amount of TEUR 294.

3. Non-scheduled depreciation

Non-scheduled depreciation for the current period did not occur (p.y. TEUR 80).

Other information

1. Consolidated financial statements

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

2. Members of the management board and remuneration

The general managers during 2003/04, each of whom was entitled to represent the Company alone, were Messrs.

Josef Schräzenstaller, Pfaffenhofen

Hiroji Agata, Tokyo, Japan

3. Number of employees

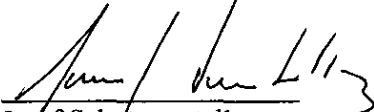
The average number of employees in the fiscal year amounted to 112.

4. Other financial commitments

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

	TEUR
2004/2005	1,126
2005/2006	784
2006/2007	<u>78</u>
	<u><u>1,988</u></u>

Munich, in April 2004


Josef Schräzenstaller


Hiroji Agata

Advantest (Europe) GmbH
Management Report as per 31 March 2004

Economic Environment

After the stagnation in the semiconductor market that was clearly noticeable in the preceding fiscal year, a clear improvement of the overall situation in the following business year can be expected.

This applies to both the semiconductor components sector and in particular the equipment industry. For the entire group, on a consolidated basis, that positive development is considered to be in the order of approximately 106% of growth in orders received as well as 78 % of growth in sales.

This development has shown positive impact on Advantest (Europe) GmbH. In the orders received, an improvement of ca. 31 % was achieved compared with the preceding year. In the sales volume, an increase of 13.3%, from TEUR 101,777 to TEUR 115,308 was realized.

The three key accounts of Advantest (Europe) GmbH, Infineon, STMicroelectronics and Philips made investments in a variety of segments: standard DRAM, Flash Memory, LCD display drivers, Logic & Mixed Signal products and various others.

The background of this development is found in strong market demand in the area of consumer products as well as in mobile communication and computer applications. After 2 years of stagnation, both technology- and capacity-driven new investments were made.

Especially Infineon was addressing the segment of NAND & NOR Flash Memories, which is considered to show considerable market potential in years to come.

At STMicroelectronics, the strong position of Advantest (Europe) GmbH in the field of Flash Back End Test was further secured and the segments of Flash Front End Test and Logic Handler business were won as new activities.

The activities in the Burn-In area that were started in the prior fiscal Year have contributed to the overall result in FY 03/04. This will continue into the next fiscal year.

It shall be mentioned that strategical important results were also achieved in the area of acquisition of new customers. Although these results are of minor volumes, they hold out prospects of interesting potential in the medium term. This refers to the companies Dialog Semiconductor as well as Austria Micro Systems.

Business Development

Also during fiscal year 2003/04, the company continued to pursue its course of consolidation and managed to further reduce the operating expenses.

The Gross margin slightly decreased compared with the preceding year. This is to be attributed first of all to volume-related price reductions and to increased purchasing costs caused by fluctuations in exchange rates.

Sales again developed very positively. This was mainly caused by the recovery and stimulation of the semiconductor market as well as by winning of new customers.

Earning Position

The Company's sales revenue increased by 13.3 % from TEUR 101,777 to TEUR 115,308. As of 31 March 2004, the orders on hand amount to EUR 20.6 million.

The TEUR 4,140 shown as other operating income (preceding year TEUR 4,157) mainly refer to exchange rate profits in an amount of TEUR 2,221 (preceding year TEUR 2,239) and to reversal of provisions in an amount of TEUR 498 (preceding year TEUR 268),

The Other operating expenses of TEUR 9,159 (preceding year TEUR 10,890) are mainly composed of exchange losses in the amount of TEUR 3,109 (preceding year TEUR 3,654), travel expenses in the amount of TEUR 1,319 (preceding year TEUR 1,331), additional payroll expenses in the amount of TEUR 378 (preceding year TEUR 843), space rental costs in the amount of TEUR 1,101 (preceding year TEUR 1,159) and other expenses.

The net interest result amounts to TEUR 337 (previous year TEUR 455). The interest income to an amount of TEUR 644 is opposed to interest expenses for previous years to an amount of TEUR 305.

The earnings after tax to an amount of TEUR 8,987 are considerably above the level of the preceding year of TEUR 7,399. The tax expenditure includes tax income for preceding years to an amount of TEUR 253 (preceding year TEUR 624) as well as tax expenses to an amount of TEUR 294 (preceding year TEUR 161) referring to prior years.

Position of Assets and Liabilities

The investments in fixed asset items totaled to TEUR 545. With effect of 01 April 2003, the investment in Advantest Europe R&D S.A.R.L. was sold within the group at a profit.

Due to increased deliveries at the end of the year, the existing account receivables considerably increased in comparison with the preceding year. The inventories include goods in transit to an amount of TEUR 3,633.

The increase in other provisions to an amount of TEUR 1,018 mainly results from provisions added during the fiscal year for contingent losses in connection with forward exchange transactions that were open at closing date as well as from interest on the subsequent payment of taxes for preceding years.

The increase in accounts due to affiliated companies to an amount of TEUR 20,996 mainly results from systems deliveries close to the end of the Fiscal Year.

The net income for the previous year was added to the retained earnings brought forward. Thus, the equity ratio amounts to 55.8%.

Financial Position

During the fiscal year of 2003/04, the company achieved a positive cash flow at an amount of TEUR 11,072.

Due to intensive receivable management, cost savings and increased sales, the financial position of the company has further improved.

Investment and financing activities produced a net cash outflow of TEUR 664.

Branch Offices

The company has established branch offices in the United Kingdom, in Italy, France, Ireland and Israel. The branch office in Israel was put in place to first of all render services to Intel Israel (Haifa and Kyriat Gat). The registration of another branch office in Portugal is currently being prepared.

Risk report

As an enterprise operating independently on the market, Advantest (Europe) GmbH is exposed to a large number of risks. Thus, risk management necessarily forms an integral part of all decisions and business processes.

In order to face any possible risks that may result from the manifold tax, competition, patent and environmental regulations and laws, the company bases its decisions and the design of its business processes on a comprehensive legal consulting by both, internal specialists and approved external professionals. For guaranteeing an internal control of business transactions, the management has defined appropriate approval procedures and signature regulations.

For avoiding any exchange risks, system purchases and sales are generally transacted in the same currency.

Currency risk results from different due dates of accounts receivable and accounts payable. The company faces that risk by means of an active debt, currency and cash management. Open exchange items in JPY are hedged by respective forward transactions. Especially the strong volatility of the JPY in relation to the EUR led to not inconsiderable exchange losses.

The parent company supports Advantest (Europe) GmbH by granting maturity-matched payment terms as well as by a reasonable transfer price policy.

The company carries insurance of sufficient scope to protect against possible cases of loss or damage and liability risks. The insurance protection is reviewed and where necessary adjusted on a regular basis.

The company is operating on a market with a relatively limited number of customers. In order to avoid dependence from a single account, Advantest (Europe) GmbH constantly strives to extend its customer as well as its market share in other groups of products.

Strategy and Outlook

For the coming fiscal year, we expect a further recovery of the semiconductor market and semiconductor equipment market. Increasing demands in the above-mentioned business areas as well as technology-related new investments (transition from 200 to 300 mm wafers and transfer from 130 to 90 nm process technologies) are forming the main factors.

For Advantest (Europe) GmbH, this development will lead to further increase in the orders received and in sales in the coming fiscal year.

Mentionable is also the increasing focus of European customers on regions such as China, Taiwan and Malaysia because already almost 50 % of the sales transacted by Advantest (Europe) GmbH are generated in these regions. In the future, that development will require an even closer and more intensive cooperation with the other Advantest affiliated companies in the above-mentioned regions.

The key-account structure that has been established for years has proven to be very well workable with regard to the requirements resulting from the increasing internationalization and will continue to be the platform of global cooperation both within Advantest and with our global customers.

Auditors' report

We have audited the annual financial statements, together with the bookkeeping system, and the management report of Advantest (Europe) GmbH for the business year from April 1, 2003 to March 31, 2004. The maintenance of the books and 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. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting 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 accounting-related 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 principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Munich, April 19, 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(signed)

Schumacher
Wirtschaftsprüfer

(signed)

Peth
Wirtschaftsprüfer

In case of publication or transmission of the financial statements and/or the management report in a version different to the version confirmed by us (including translations into other languages), in so far as our audit opinion is quoted or our review referred to, a new statement is to be obtained from us. Please refer to § 328 HGB.