ADVANTEST CORP
Form 6-K
December 27, 2002

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of December, 2002

Advantest Corporation
(Translation of Registrant's Name Into English)

Shinjuku-NS Building
4-1 Nishi-Shinjuku 2-chome
Shinjuku-ku
Tokyo 163-0880
Japan
(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F X Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes ___ No X

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):__________)

Materials Contained in this Report:

(1) Executive summary of the registrant's Japanese-language Interim Securities Report, which was submitted to the Chief of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on December 26, 2002. (All financial information for the current interim period was prepared in accordance with

generally accepted accounting principles in the U.S.; however, financial information for the previous fiscal year and interim period were prepared in accordance with generally accepted accounting principles in Japan.)

(2) English-language translation of the registrant's Interim Consolidated Financial Statements for the six-month period ended September 30, 2002, which was filed with the Chief of the Kanto Local Finance Bureau as part of the registrant's Interim Securities Report. (All financial information for the current interim period was prepared in accordance with generally accepted accounting principles in the U.S.; however, financial information for the previous fiscal year and interim period were prepared in accordance with generally accepted accounting principles in Japan.)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Advantest Corporation

By: /s/ Hitoshi Owada
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Name: Hitoshi Owada
Title: Managing Director and
Senior Vice President,
Administration and Finance Division

Date: December 27, 2002

EXHIBIT I

Japanese Interim Securities Report for the fiscal half-year from April 1, 2002 through September 30, 2002, as submitted to the Chief of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on December 26, 2002, consisting of 73 pages (excluding cover and table of contents), which included the following information:

Part I Company Information

1. Corporate Overview
   - o Significant financial indices
   - o Description of business
   - o Information on subsidiaries and affiliates
   - o Employee information

2. Business Information
   - o Summary of business results
   - o Production, orders and sales
   - o Management initiatives
   - o Material agreements (none)
   - o Research and development

3. Capital Assets
   - o Changes in capital assets (none)
   - o Plans for the acquisition and retirement of capital assets

4. Company Data
   - o Share data
     - - Total number of shares, etc.
     - - Stock options, etc.
     - - Total number of outstanding shares, amount of capital, etc.
     - - Significant shareholders
     - - Shares with voting rights
   - o Movements in share price
   - o Changes in directors

5. Accounting Information
   - o Audited consolidated interim financial statements and notes
   - o Audited unconsolidated interim financial statements and notes

6. Other Filings of the Company

Part II Information on Guarantors (none)

EXHIBIT II

(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

## 1 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### (1) Interim Consolidated Financial Statements (FY2001 Interim and FY2001)

(i) Interim Consolidated Balance Sheets (In millions of yen)

| | FY2001 interim (As of September 30, 2001) | | FY2001 Consolidated balance sheet summary (As of March 31, 2002) | |
|---|---|---|---|---|
| | Amount | Percentage | Amount | Percentage |
| (Assets) | | % | | % |
| I Current assets | | | | |
| 1. Cash and deposits | 101,086 | | 105,932 | |
| 2. Trade notes and accounts receivable *3 | 57,517 | | 33,729 | |
| 3. Inventories | 81,798 | | 52,887 | |

| | | | | | |
|---|---|---|---|---|---|
| 4. Deferred tax assets | | 12,406 | | 16,178 | |
| 5. Other | | 2,593 | | 3,098 | |
| Allowance for doubtful accounts | | (215) | | (533) | |
| Total current assets | | 255,187 | 75.5 | 211,294 | 69.3 |
| II Noncurrent assets | | | | | |
| (1) Property, plant and equipment | *1*2 | | | | |
| 1. Buildings and structures | | 21,797 | | 22,700 | |
| 2. Machinery and delivery equipment | | 6,905 | | 6,734 | |
| 3. Tools and furniture | | 8,440 | | 8,791 | |
| 4. Land | | 18,524 | | 18,500 | |
| 5. Construction in progress | | 2,716 | | 1,491 | |
| Total property, plant and equipment | | 58,384 | 17.2 | 58,218 | 19.1 |
| (2) Intangible fixed assets | | 6,955 | 2.1 | 6,789 | 2.2 |
| (3) Investments and other assets | | | | | |
| 1. Investment in securities | | 8,848 | | 8,244 | |
| 2. Long-term loans | | 148 | | 138 | |
| 3. Deferred tax assets | | 5,922 | | 17,693 | |
| 4. Other | | 2,628 | | 2,696 | |
| Total investments and other assets | | 17,548 | 5.2 | 28,773 | 9.4 |
| Total noncurrent assets | | 82,888 | 24.5 | 93,780 | 30.7 |
| Total assets | | 338,076 | 100.0 | 305,075 | 100.0 |

1

(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(In millions of yen)

| | FY2001 interim (As of September 30, 2001) | | FY2001 Consolidated balance sheet summary (As of March 31, 2002) | |
|---|---|---|---|---|
| | Amount | Percentage | Amount | Percentage |
| (Liabilities) | | % | | % |

| | | | | | |
|---|---|---|---|---|---|
| I Current liabilities | | | | | |
| 1. Notes and accounts payable | | 10,759 | | 4,441 | |
| 2. Income tax payable | | 1,618 | | 678 | |
| 3. Deferred tax liabilities | | 39 | | 101 | |
| 4. Allowance for product warranty | | 5,529 | | 2,836 | |
| 5. Other | | 12,672 | | 15,064 | |
| Total current liabilities | | 30,620 | 9.1 | 23,122 | 7.6 |
| II Noncurrent liabilities | | | | | |
| 1. Bonds | | 26,700 | | 26,700 | |
| 2. Long-term borrowings | *2 | 189 | | 168 | |
| 3. Deferred tax liabilities | | 473 | | 445 | |
| 4. Allowance for retirement benefits | | 9,613 | | 9,322 | |
| 5. Allowance for officers' retirement benefits | | 976 | | 1,083 | |
| 6. Consolidation adjustments | | 25 | | 15 | |
| 7. Other | | 1,118 | | 1,103 | |
| Total noncurrent liabilities | | 39,096 | 11.5 | 38,838 | 12.7 |
| Total liabilities | | 69,716 | 20.6 | 61,960 | 20.3 |
| (Minority interests) | | | | | |
| Minority interests | | 256 | 0.1 | 273 | 0.1 |
| (Stockholders' equity) | | | | | |
| I Common stock | | 32,362 | 9.6 | 32,362 | 10.6 |
| II Additional paid-in capital | | 32,973 | 9.7 | 32,973 | 10.8 |
| III Consolidated retained earnings | | 210,476 | 62.3 | 181,246 | 59.4 |
| IV Net unrealized holding gains on other securities | | 121 | 0.0 | 11 | 0.0 |
| V Translation adjustments | | (5,409) | (1.6) | (1,318) | (0.4) |
| VI Treasury stock | | (2,421) | (0.7) | (2,434) | (0.8) |
| Total stockholders' equity | | 268,103 | 79.3 | 242,841 | 79.6 |
| Total liabilities and stockholders' equity | | 338,076 | 100.0 | 305,075 | 100.0 |

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(ii) Interim Consolidated Statements of Income (In millions of yen)

| | | |
|---|---|---|
| | FY2001 interim | FY2001 Consolidated statement of i summary |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | (April 1, 2001 through September 30, 2001) | | [April 1, 2001 through March 31, 2002) | | |
| | | | Amount | Percentage | | Amount | Percenta |
| | | | | % | | | |
| I Net sales | | | 65,086 | 100.0 | | 95,244 | 100 |
| II Cost of sales | | | 31,668 | 48.7 | | 76,311 | 80 |
| Gross profit | | | 33,417 | 51.3 | | 18,932 | 19 |
| III Selling, general and administrative expenses | *1 | | 28,939 | 44.4 | | 55,485 | 58 |
| Operating income (loss) | | | 4,478 | 6.9 | | (36,552) | (38 |
| IV Non-operating income | | | | | | | |
| 1. Interest income | | 353 | | | 562 | | |
| 2. Dividends income | | 17 | | | 157 | | |
| 3. Amortization of consolidation adjustments | | 8 | | | 36 | | |
| 4. Miscellaneous income | *2 | 1,948 | 2,328 | 3.6 | 1,587 | 2,345 | 2 |
| V Non-operating expenses | | | | | | | |
| 1. Interest expenses | | 243 | | | 516 | | |
| 2. Equity in losses of affiliates | | 280 | | | 794 | | |
| 3. Miscellaneous expenses | *3 | 748 | 1,272 | 2.0 | 1,274 | 2,585 | 2 |
| Ordinary income (loss) | | | 5,534 | 8.5 | | (36,793) | (38 |
| Income (loss) before income taxes and minority interests in consolidated subsidiaries | | | 5,534 | 8.5 | | (36,793) | (38 |
| Income taxes | | 1,464 | | | 1,233 | | |
| Income taxes - deferred | | 225 | 1,689 | 2.6 | (15,158) | (13,924) | (14 |
| Less: minority interests in consolidated subsidiaries | | | 51 | 0.1 | | 80 | 0 |
| Net income (loss) | | | 3,793 | 5.8 | | (22,949) | (24 |



(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(iii) Interim Consolidated Statements of Retained Earnings (In millions of yen)

| | | |
|---|---|---|
| | FY2001 interim | FY2001 Consolidated statement of retained earnings |
| | (April 1, 2001 through | (April 1, 2001 through |

| | | September 30, 2001) | | March 31, 2002) | |
|---|---|---|---|---|---|
| | | Amount | | Amount | |
| I | Consolidated retained earnings at beginning of period | | 209,453 | | 209,453 |
| II | Decreases in consolidated retained earnings | | | | |
| | 1. Dividends | 2,485 | | 4,971 | |
| | 2. Bonuses to directors | 270 | | 270 | |
| | 3. Bonuses to corporate auditors | 15 | 2,770 | 15 | 5,256 |
| III | Net income (loss) | | 3,793 | | (22,949) |
| IV | Consolidated retained earnings at end of period | | 210,476 | | 181,246 |

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(iv) Interim Consolidated Statements of Cash Flows (In millions of yen)

| | FY2001 interim (April 1, 2001 through September 30, 2001) | FY2001 Consolidated statement of cash flow summary (April 1, 2001 through March 31, 2002) |
|---|---|---|
| | Amount | Amount |
| I Cash flows from operating activities | | |
| Income (loss) before income taxes and minority interests in consolidated subsidiaries | 5,534 | (36,793) |
| Depreciation and amortization | 4,832 | 10,919 |
| Amortization of consolidation adjustments | (8) | (18) |
| Increase (decrease) in allowance for doubtful accounts | (991) | (673) |
| Increase (decrease) in allowance for retirement benefits | 609 | 319 |
| Increase (decrease) in allowance for officers' retirement benefits | 25 | 132 |

| | | |
|---|---|---|
| Interest and dividend income | (370) | (719) |
| Interest expenses | 243 | 516 |
| Foreign exchange gain or loss | (546) | (810) |
| Gain (loss) on sale of investment securities | (22) | (22) |
| Gain (loss) on sale of property, plant and equipment | (3) | (147) |
| Loss on disposal of property, plant and equipment | 118 | 342 |
| Decrease (increase) in trade accounts receivable | 46,595 | 72,155 |
| Increase (decrease) in inventories | (373) | 29,143 |
| Increase (decrease) in trade accounts payable | (27,184) | (34,314) |
| Decrease (increase) in consumption taxes receivable | 284 | 262 |
| Bonuses to officers | (285) | (285) |
| Other | (4,114) | (3,771) |
| Subtotal | 24,344 | 36,236 |
| Interest and dividends received | 395 | 598 |
| Interest paid | (255) | (529) |
| Income taxes paid | (26,401) | (27,731) |
| Cash flows from operating activities | (1,917) | 8,574 |



(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(In millions of yen)

| | FY2001 interim (April 1, 2001 through September 30, 2001) | FY2001 Consolidated statement of cash flow summary (April 1, 2001 through March 31, 2002) |
|---|---|---|
| | Amount | Amount |

| | | |
|---|---|---|
| II Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (10,030) | (13,175) |
| Proceeds from sale of property, plant and equipment | 574 | 644 |
| Acquisition of intangible fixed assets | (1,344) | (2,373) |
| Acquisition of investment securities | (2,217) | (2,228) |
| Proceeds from sale of investment securities | 25 | 38 |
| Payments for loans | (3) | (4) |
| Proceeds from collection of loans | 49 | 59 |
| Acquisition of equity method affiliates | (1,425) | (1,425) |
| Other | 188 | (122) |
| Cash flows from investing activities | (14,183) | (18,586) |
| III Cash flows from financing activities | | |
| Repayments on long-term borrowings | (21) | (43) |
| Redemption of bonds | (4,300) | (4,300) |
| Proceeds from issuance of shares | 307 | 308 |
| Acquisition of treasury stock | (30) | (43) |
| Proceeds from sale of treasury stock | 30 | 31 |
| Dividends paid | (2,482) | (4,968) |
| Dividends paid to minority shareholders | (1) | (1) |
| Cash flows from financing activities | (6,497) | (9,015) |
| IV Net effect of exchange rate changes on cash and cash equivalents | 142 | 1,418 |
| V Net increase (decrease) in cash and cash equivalents | (22,455) | (17,609) |
| VI Cash and cash equivalents at beginning of period | 123,541 | 123,541 |
| VII Cash and cash equivalents at end of period | 101,086 | 105,932 |

(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

Significant Accounting Policies in the Preparation of Interim Consolidated Financial Statements

| FY2001 interim (April 1, 2001 through September 30, 2001) | FY2001 (April 1, 2001 throug March 31, 2002) |
|---|---|
| 1. Scope of Consolidation | 1. Scope of Consolidation |
| All 46 subsidiaries of the company are consolidated. | All 41 subsidiaries of the compa consolidated. |
| Of the consolidated subsidiaries, Advantest Academy, Advantest Taiwan Engineering Inc. and Advantest America Design Center, Inc. are new companies established during the interim period and became consolidated subsidiaries beginning from this consolidated interim period. | Of the consolidated subsidiaries Academy, Advantest Taiwan Engine Advantest America Design Center, companies established during the and became consolidated subsidia from this consolidated fiscal ye addition, Advantest Technologies Advantest Components Co., Ltd. a Circuit Testing GmbH terminated during this consolidated fiscal thus excluded from the scope of Advantest Europe Corporation (Ho Advantest (Europe) GmbH and Adva Engineering Solutions GmbH were Advantest (Europe) GmbH being th entity. |
| 2. Application of the Equity Method | 2. Application of the Equity Method |
| Number of affiliates accounted for under the equity method: 1 | Number of affiliates accounted equity method: 1 |
| Name of company: Japan Engineering Co., Ltd. | Name of company: Japan Engineering Co., Ltd. |
| Effective from this consolidated interim period, Japan Engineering Co., Ltd. was accounted for under the equity method as a result of an acquisition of its shares by the company during this interim period. | Effective from this consolidated Japan Engineering Co., Ltd. was a under the equity method as a resu acquisition of its shares by the this fiscal year. |
| 3.Interim Period of Consolidated Subsidiaries | 3.Fiscal Year of Consolidated Subsi |

| | |
|---|---|
| Of the consolidated subsidiaries, the interim period of Advantest (Suzhou) Co., Ltd. ends on June 30. In preparing these interim consolidated financial statements, the company used interim financial statements of the above subsidiary as of that date, and made necessary consolidation adjustments regarding significant transactions between that date and the last day of the consolidated interim period. | Of the consolidated subsidiaries year of Advantest (Suzhou) Co., L December 31. In preparing these financial statements, the company statements of the above subsidiar date, and made necessary consolid adjustments regarding significant between that date and the last da consolidated fiscal year. |
| 4. Certain Accounting Policies | 4. Certain Accounting Policies |
| (1) Valuation of Assets | (1) Valuation of Assets |
| (i) Securities | (i) Securities |
| Other Securities | Other Securities |
| Securities with fair value | Securities with fair value |
| Stated at fair value based on market prices at end of interim 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.) | Stated at fair value based prices at end of fiscal ye holding gains and losses a for as a component of stoc equity; cost of other secu determined using the movin method.) |
| Securities not practicable to fair value | Securities not practicable t |
| Stated at cost using the moving average method. | Same as described on the l |
| (ii) Derivatives | (ii) Derivatives |
| Stated at fair value. | Same as described on the lef |





| FY2001 interim (April 1, 2001 through September 30, 2001) | FY2001 (April 1, 2001 throug March 31, 2002) |
|---|---|
| (iii) Inventories | (iii) Inventories |
| Finished products | Same as described on the lef |

Principally stated at cost using the periodic average method.

Raw material

Principally stated at lower of cost or market using the periodic average method.

Work in progress

Stated at cost using the periodic average method.

Supplies

Stated at cost using the specific identification method.

| | |
|---|---|
| (2) Depreciation and Amortization | (2) Depreciation and Amortization |
| (i) Depreciation of property, plant and equipment | (i) Depreciation of property, plan |
| Principally computed using the declining balance method | Same as described on the left. |
| However, buildings (excluding attached improvements) acquired on or after April 1, 1998 are depreciated using the straight line method. | |
| (ii) Amortization of intangible fixed assets | (ii) Amortization of intangible f |
| Computed using the straight-line method. | Same as described on the left. |
| However, software (for internal use) is depreciated using the straight-line method over its estimated useful life of 5 years. | |
| (3) Significant Allowances | (3) Significant Allowances |
| (i) Allowance for doubtful accounts | (i) Allowance for doubtful account |
| To prepare for credit losses on accounts receivables and loans, etc., allowances equal to the estimated amount of uncollectible receivables is provided for general receivables based on historical write-off ratio, and bad receivables based on case-by-case determination of collectibility. | To prepare for credit losses receivables and loans, etc., a to the estimated amount of unc receivables is provided for ge receivables based on historica ratio, and bad receivables bas case-by-case determination of |
| (Change of accounting policy) | (Change of accounting policy) |
| Allowance for doubtful accounts for general receivables was determined in the past using percentages set by the company. After reviewing the status of the company's transactions, the company believes that the risk of credit losses for this category of receivables is low. It has therefore adopted the use of historical write-off ratio for the | Allowance for doubtful accoun receivables was determined in percentages set by the company reviewing the status of the co transactions, the company beli risk of credit losses for this receivables is low. It has th the use of historical write-of |

| | |
|---|---|
| determination of the amount of allowance for doubtful accounts to be provided. | determination of the amount of doubtful accounts to be provid |
| The impact of this change on the interim consolidated financial statements is insignificant. | The impact of this change on consolidated financial stateme insignificant. |
| The impact of this change on segment information is described in "Segment Information". | The impact of this change on information is described in "S Information". |
| (ii) Allowance for Product Warranty | (ii) Allowance for Product Warran |
| To reasonably account for repair costs covered under product warranty in the respective period from 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. | To reasonably account for rep covered under product warranty respective period from which t allowance for a given year is amount determined based on the repair costs in that year to n preceding fiscal year. |



(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

| FY2001 interim (April 1, 2001 through September 30, 2001) | FY2001 (April 1, 2001 throug March 31, 2002) |
|---|---|
| (iii)Allowance for Retirement Benefits | (iii)Allowance for Retirement Ben |
| To provide for retirement benefits for domestic employees, an allowance for retirement benefits is provided in the amount deemed to have accrued at the end of the consolidated interim period, determined based on the estimated retirement benefit obligations and pension assets at the end of the consolidated fiscal year. | To provide for retirement ben domestic employees, allowance benefits is determined based o retirement benefit obligations assets at the end of the conso year. |
| | Unrecognized past service lia amortized on a straight-line b average remaining service year |
| Any actuarial gains and losses are amortized on a straight line basis over fixed years (17 years) within the average remaining years of service of employees, and the amount is recorded in the consolidated fiscal year subsequent to its occurrence. | Any actuarial gains and losse on a straight line basis over years) within the average rema service of employees, and the recorded in the consolidated f subsequent to its occurrence. |

(iv) 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 consolidated interim period pursuant to the company's rules on officers' retirement benefits.

(iv) Allowance for Officers' Reti

To provide for officers' reti benefits, an allowance is prov aggregate amount payable at th consolidated fiscal year pursu company's rules on officers' r benefits.

(Change in presentation)

Interim consolidated balance sheets
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"Allowance for officers' retirement benefits" was previously included in "Other" under "Non-current liabilities", but is now presented as a separate item starting from this consolidated interim period.

Interim consolidated statements of cash flow
-------------------------------------------

"Increase (decrease) in allowance for officers' retirement benefits" was previously included in "Increase (decrease) in allowance for retirement benefits", but is now presented as a separate item starting from this consolidated interim period.

(4)Accounting for Lease Transactions

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

(4)Accounting for Lease Transaction

Same as described on the left.

(5)Accounting for Hedges

Not applicable.

(5)Accounting for Hedges

Same as described on the left.

(6)Accounting for Consolidated Overseas Subsidiaries

Consolidated overseas subsidiaries follow accounting principles generally accepted in the country of their domicile. There are no significant differences between accounting principles adopted by these consolidated overseas subsidiaries and those of the parent company.

(6)Accounting for Consolidated Over Subsidiaries

Same as described on the left

(7) Accounting of consumption taxes

Consumption tax and local consumption tax are accounted using the net-of-tax method.

(7) Accounting of consumption taxes

Same as described on the left.

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

| FY2001 interim (April 1, 2001 through September 30, 2001) | FY2001 (April 1, 2001 throug March 31, 2002) |
|---|---|
| 5. Definition of funds on interim consolidated statements of cash flows<br><br>Funds (cash and cash equivalents) on the interim consolidated statements of cash flows include cash on hand, immediately accessible bank deposits, and short-term investments with a maturity of under 3 months from the day of acquisition that are easily exchangeable into cash and that bear low fluctuation risks. | 5. Definition of funds on consolid of cash flows<br><br>Funds (cash and cash equivalen consolidated statements of cash cash on hand, immediately acces deposits, and short-term invest maturity of under 3 months from acquisition that are easily exc cash and that bear low fluctuat |

10

(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

Additional Information

| FY2001 interim (April 1, 2001 through September 30, 2001) | FY2001 (April 1, 2001 throug March 31, 2002) |
|---|---|
| (Accounting standards used by consolidated overseas subsidiaries)<br><br>Advantest's overseas sales subsidiaries had previously recognized sales upon shipment. Beginning in the second half of the previous fiscal year, sales is now recognized upon completion of installation. | ---- |

The impact of this change on the consolidated financial statements of the previous interim period is not material.

The impact of this change on segment information is described in "Segment Information".



(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

Notes to Interim Consolidated Financial Statements

(Interim consolidated balance sheets)

| FY2001 interim<br>(As of September 30, 2001) | FY2001<br>(As of March 31, 2002) |
|---|---|
| *1. Accumulated depreciation of property, plant and equipment<br><br>(Y)58,964 million | *1. Accumulated depreciation of property, plant and equipment<br><br>(Y)62,402 million |
| *2. Assets pledged as collateral<br>Buildings (Y)241 million<br>Land (Y)193 million<br>------------------<br>(Y)435 million<br>Total<br><br>Liabilities secured by the above<br><br>Long-term borrowings (Y)74 million | *2. Assets pledged as collateral<br>Buildings (Y)234 mil<br>Land (Y)193 mil<br>------------<br>Total (Y)428 mil<br><br>Liabilities secured by the above<br><br>Long-term borrowings (Y)67 mil |
| *3. The settlement of trade notes maturing on the last day of an interim period<br><br>The settlement of trade notes maturing on the last day of an interim period is accounted on the clearance day. As the last day of this interim period falls on a bank holiday, trade notes maturing on the last day of the interim period, in the following amount, were included in trade notes outstanding at the end of interim period.<br><br>Trade notes receivable (Y)248 million | *3. The settlement of trade notes maturing on the last day of a fiscal year<br><br>The settlement of trade notes maturing on the last day of a fiscal year is accounted on the clearance day. As the last day of this fiscal year falls on a bank holiday, trade notes maturing on the last day of the fiscal year, in the following amount, were included in trade notes outstanding at the end of fiscal year.<br><br>Trade notes receivable (Y)39 mil |
| 4. Liability for guarantees<br><br>The company committed loan guarantees | 4. Liability for guarantees<br><br>The company committed loan guarantees to |

| | |
|---|---|
| to the following persons:<br><br>Loan guarantee commitments<br><br>Yokohama Image Communication Techno Station, Ltd. (Y)129 million | the following persons:<br><br>Loan guarantee commitments<br><br>Yokohama Image Communication Techno Station, Ltd. (Y)108 mil |



(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(Interim Consolidated Statements of Income)

| FY2001 interim (April 1, 2001 through September 30, 2001) | FY2001 (April 1, 2001 through March 31, 2002) |
|---|---|
| *1. Selling, general and administrative expenses consist primarily of the following components in the following amounts:<br><br>Salaries (Y)3,861 million<br><br>Bonuses (Y)1,144 million<br><br>Depreciation and amortization (Y)1,384 million<br><br>Research and development expenses (Y)13,692 million<br><br>Provision for allowance for product warranties (Y)5,529 million | *1. Selling, general and administrative expenses consist primarily of the following components in the following amounts:<br><br>Salaries (Y)8,020 million<br><br>Bonuses (Y)1,723 million<br><br>Depreciation and amortization (Y)3,011 million<br><br>Research and development expenses (Y)26,739 million<br><br>Provision for allowance for product warranties (Y)2,836 million |
| *2. Significant components of miscellaneous income<br><br>Foreign exchange gain (Y)736 million<br><br>Reversal of allowance for doubtful accounts (Y)947 million | *2. Significant components of miscellaneous income<br><br>Reversal of allowance for doubtful accounts (Y)714 million |
| *3. Significant components of miscellaneous expenses<br><br>Loss on revaluation of investment securities (Y)552 million | *3. Significant components of miscellaneous expenses<br><br>Loss on revaluation of investment securities (Y)791 million |

(Interim Consolidate Statement of Cash Flows)

| FY2001 interim (April 1, 2001 through September 30, 2001) | | FY2001 (April 1, 2001 through March 31, 2002) | |
|---|---|---|---|
| Reconciliation of cash and cash equivalents on interim consolidated statements of cash flow and accounts on interim consolidated balance sheets at end of period | (As of September 30, 2001) | Reconciliation of cash and cash equivalents on interim consolidated statements of cash flow and accounts on consolidated balance sheets at end of period | (As of March 31, 20 |
| Cash and deposits | (Y)101,086 million | Cash and deposits | (Y)105,932 mill |
| Time deposits with terms above 3 months | - | Time deposits with terms above 3 months | - |
| Short-term investment securities | - | Short-term investment securities | - |
| Cash and cash equivalents | (Y)101,086 million | Cash and cash equivalents | (Y)105,932 mill |

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(Lease Transactions)

FY2001 interim (April 1, 2001 through September 30, 2001)

1. Leases entered into by Advantest group companies as lessee

   Leases other than those deemed to involve a transfer of title to the lessee

   (1) Equivalents of acquisition costs, accumulated depreciation and net book value

| | Tools and furniture | Other | Total |
|---|---|---|---|
| | (In millions) | | |
| Acquisition cost equivalent | (Y)1,362 | (Y)692 | (Y)2,054 |
| Accumulated depreciation | 961 | 463 | 1,425 |

FY2001 (April 1, 2001 through March 31, 2002)

1. Leases entered into by Advantest gr as lessee

   Leases other than those deemed to i transfer of title to the lessee

   (1) Equivalents of acquisition costs depreciation and net book value

| | Tools and furniture | O |
|---|---|---|
| | (In m | |
| Acquisition cost equivalent | (Y)1,060 | (Y) |
| Accumulated | 798 | |

| | | | | | |
|---|---|---|---|---|---|
| equivalent | | | | depreciation equivalent | |
| Net book value equivalent | 400 | 228 | 629 | Net book value equivalent | 261 |

(2) Outstanding future lease payments at end of interim period

| | |
|---|---|
| Due within one year | (Y)369 million |
| Due after one year | (Y)259 million |
| Total | (Y)629 million |

(Note) Acquisition cost equivalent and outstanding future lease payments at end of period were determined using the interest payment inclusive method because the outstanding future lease payments at end of period as a percentage of plant, equipment and property at end of period was small.

(3) Lease payments and depreciation expense equivalent

| | |
|---|---|
| Lease payments | (Y)247 million |
| Depreciation expense equivalent | (Y)247 million |

(4) Depreciation expense equivalent is calculated by applying the straight-line method with no residual value over the lease term.

(2) Outstanding future lease payment fiscal year

| | |
|---|---|
| Due within one year | (Y)267 |
| Due after one year | (Y)136 |
| Total | (Y)404 |

(Note) Acquisition cost equiv outstanding future lease pay of period were determined us interest payment inclusive m the outstanding future lease end of period as a percentag equipment and property at en was small.

(3) Lease payments and depreciation equivalent

| | |
|---|---|
| Lease payments | (Y)453 |
| Depreciation expense equivalent | (Y)453 |

(4) Depreciation expense equivalent by applying the straight-line me residual value over the lease te

Operating Leases

Outstanding future lease payments

| | | | |
|---|---|---|---|
| Due within one year | (Y)32 million | Due within one year | (Y)48 |
| Due after one year | (Y)34 million | Due after one year | (Y)40 |
| Total | (Y)66 million | Total | (Y)89 |

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

| FY2001 interim (April 1, 2001 through September 30, 2001) | FY2001 (April 1, 2001 through March 31, 2002) |
|---|---|

| | |
|---|---|
| 2. Leases entered into by Advantest group companies as lessor | 2. Leases entered into by Advantest gr companies as lessor |
| Operating Leases | Operating Leases |
| Outstanding future lease income | Outstanding future lease income |
| Due within one year (Y)928 million | Due within one year |
| Due after one year (Y)1,093 million | Due after one year |
| Total (Y)2,021 million | Total |

(Securities)
(FY2001 Interim) (As of September 30, 2001)

Securities
1. Other securities with fair value (I

| | FY2001 interim (As of September 30, 2001) | | |
|---|---|---|---|
| | Cost | Carrying amount on interim consolidated balance sheet | D |
| (1) Stocks | 2,292 | 2,534 | |
| (2) Bonds | - | - | |
| Government and municipal bonds, etc. | - | - | |
| Corporate bonds | - | - | |
| Other | - | - | |
| (3) Other | - | - | |
| Total | 2,292 | 2,534 | |

2. Securities not practicable to fair value (I

| | FY2001 interim (As of September 30 |
|---|---|
| | Carrying amount on interim consolidated |

Other securities
Unlisted stocks (excluding stocks traded over the counter)

(Note) Impairment of other securities is accounted for when the fair value drops below 50% of cost and is therefore deemed to have "dropped significantly".

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(FY2001) (As of March 31, 2002)

Securities

1. Other securities with fair value (I

| | FY2001 (As of March 31, 2002) | | |
|---|---|---|---|
| | Cost | Carrying amount on interim consolidated balance sheet | D |
| (1) Stocks | 1,704 | 1,780 | |
| (2) Bonds | - | - | |
| Government and municipal bonds, etc. | - | - | |
| Corporate bonds | - | - | |
| Other | - | - | |
| (3) Other | - | - | |
| Total | 1,704 | 1,780 | |

2. Securities not practicable to fair value (I

| | FY2001 (As of March 31, 2002 |
|---|---|
| | Carrying amount on interim consolidated |
| Other securities<br>Unlisted stocks (excluding stocks traded over the counter) | |

(Note) Impairment of other securities is accounted for when the fair value drops below 50% of cost and is therefore deemed to have "dropped significantly".

(Derivatives)

(FY2001 Interim) (As of September 30, 2001)

Contract amounts, fair value and gain (loss) on revaluation of derivative transactions

(In mil

| Type of derivative | Nature of transaction | Contract amount | Fair value |
|---|---|---|---|
| Foreign currencies | Forward exchange contracts | - | - |

(FY2001) (As of March 31, 2002)

Contract amounts, fair value and gain (loss) on revaluation of derivative transactions

(In mil

| Type of derivative | Nature of transaction | Contract amount | Fair value |
|---|---|---|---|
| Foreign currencies | Forward exchange contracts | 1,845 | 1,860 |

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(Segment Information)

(Business Segment Information) (

FY2001 interim

| | (April 1, 2001 through September 30, 2001) | | | |
|---|---|---|---|---|
| | Measuring instrument segment | Automatic test equipment segment | Total | Elimination and corporate |
| Net sales | | | | |
| (1) Sales to unaffiliated customers | 14,418 | 50,667 | 65,086 | --- |
| (2) Inter-segment | --- | --- | --- | --- |
| Total | 14,418 | 50,667 | 65,086 | --- |
| Operating expenses | 13,262 | 43,127 | 56,389 | 4,217 |
| Operating income | 1,156 | 7,539 | 8,696 | (4,217) |

(

| | FY2001 (April 1, 2001 through March 31, 2002) | | | |
|---|---|---|---|---|
| | Measuring instrument segment | Automatic test equipment segment | Total | Elimination and corporate |
| Net sales | | | | |
| (1) Sales to unaffiliated customers | 21,038 | 74,205 | 95,244 | --- |
| (2) Inter-segment | --- | --- | --- | --- |
| Total | 21,038 | 74,205 | 95,244 | --- |
| Operating expenses | 28,904 | 93,721 | 122,626 | 9,171 |
| Operating income (loss) | (7,866) | (19,515) | (27,381) | (9,171) |

Note 1: Division of segments

Business segments are organized by functional category of products.

Note 2: Unallocated corporate operating expenses included under "Elimination and corporate" were (Y)4,217 million in FY2001 interim and (Y)9,171 in FY2001. They consist primarily of expenses for basic research and costs of the administrative operations of the headquarters.

Note 3: Change of accounting policies

(FY2001 interim)

Allowance for doubtful accounts

As described in "Significant Accounting Policies in the Preparation of Interim Consolidated Financial Statements", the company changed its accounting policy for allowance for doubtful accounts effective from this consolidated interim period. Previously, allowance for doubtful accounts was provided for each category of receivables based on percentages set by the company for each such category of receivables. After the change, allowance for doubtful accounts for general receivables was determined using historical write-off ratio, while allowance for doubtful accounts for bad receivables was determined based on case-by-case evaluation of collectibility. The impact of this change on each of the business segments is insignificant.

Accounting for overseas consolidated subsidiaries

As described in "Additional Information", the company changed the revenue recognition standard for its overseas sales subsidiaries effective from the second half of the previous consolidated fiscal year. The impact of this change on each of the business segments is insignificant.



(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(FY2001)

Allowance for doubtful accounts

As described in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements", the company changed its accounting policy for allowance for doubtful accounts effective from this consolidated fiscal year. Previously, allowance for doubtful accounts was provided for each category of receivables based on percentages set by the company for each such category of receivables. After the change, allowance for doubtful accounts for general receivables was determined using historical write-off ratio, while allowance for doubtful accounts for bad receivables was determined based on case-by-case evaluation of collectibility. The impact of this change on each of the business segments is insignificant.

(Geographic Segment Information)

(

| | FY2001 interim (April 1, 2001 through September 30, 2001) | | | | | |
|---|---|---|---|---|---|---|
| | Japan | North | Europe | Asia | Total | Elimin |

| | | America | | | | an corpo |
|---|---|---|---|---|---|---|
| Net sales | | | | | | |
| (1) Sales to unaffiliated customers | 36,113 | 13,238 | 4,443 | 11,290 | 65,086 | |
| (2) Inter-segment | 18,666 | 1,420 | 502 | 1,719 | 22,308 | (22 |
| Total | 54,780 | 14,658 | 4,945 | 13,010 | 87,394 | (22 |
| Operating expenses | 50,302 | 14,249 | 4,904 | 10,632 | 80,089 | (19 |
| Operating income | 4,477 | 408 | 41 | 2,378 | 7,305 | (2 |

(

FY2001
(April 1, 2001 through
March 31, 2002)

| | Japan | North America | Europe | Asia | Total | Elimin an corpo |
|---|---|---|---|---|---|---|
| Net sales | | | | | | |
| (1) Sales to unaffiliated customers | 53,137 | 18,291 | 8,676 | 15,138 | 95,244 | |
| (2) Inter-segment | 27,173 | 2,751 | 902 | 2,917 | 33,744 | (33 |
| Total | 80,310 | 21,043 | 9,579 | 18,056 | 128,989 | (33 |
| Operating expenses | 112,450 | 20,998 | 9,421 | 15,869 | 158,740 | (26 |
| Operating income (loss) | (32,140) | 44 | 157 | 2,186 | (29,751) | (6 |

Note 1: Geographical segments are organized by physical proximity of countries or regions.

Note 2: Each of the geographical segments includes primarily the following countries or regions:

(1) North America.........U.S.

(2) Europe................Germany, France, etc.

(3) Asia..................South Korea, Taiwan, Singapore, etc.

Note 3: Unallocated corporate operating expenses included under "Elimination and corporate" were (Y)4,299 million in FY2001 interim and (Y)9,337 million in FY2001. They consist primarily of expenses for basic research and costs of the administrative operations of the headquarters.

(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

Note 4: Change of accounting policies

(FY2001 interim)

Allowance for doubtful accounts

As described in "Significant Accounting Policies in the Preparation of Interim Consolidated Financial Statements", the company changed its accounting policy for allowance for doubtful accounts effective from this consolidated interim period. Previously, allowance for doubtful accounts was provided for each category of receivables based on percentages set by the company for each such category of receivables. After the change, allowance for doubtful accounts for general receivables was determined using historical write-off ratio, while allowance for doubtful accounts for bad receivables was determined based on case-by-case evaluation of collectibility. The impact of this change on each of the geographical segments is insignificant.

Accounting for overseas consolidated subsidiaries

As described in "Additional Information", the company changed the revenue recognition standard for its overseas sales subsidiaries effective from the second half of the previous consolidated fiscal year. The impact of this change on each of the geographical segments is insignificant.

(FY2001)

Allowance for doubtful accounts

As described in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements", the company changed its accounting policy for allowance for doubtful accounts effective from this consolidated fiscal year. Previously, allowance for doubtful accounts was provided for each category of receivables based on percentages set by the company for each such category of receivables. After the change, allowance for doubtful accounts for general receivables was determined using historical write-off ratio, while allowance for doubtful accounts for bad receivables was determined based on case-by-case evaluation of collectibility. The impact of this change on each of the geographical segments is insignificant.

(Overseas Sales)

(I

| | FY2001 interim (April 1, 2001 through September 30, 2001) | | |
|---|---|---|---|
| | North | Europe | Asia |

| | | America | | |
|---|---|---|---|---|
| I | Overseas sales | 14,030 | 4,434 | 20,900 |
| II | Consolidated sales | | | |
| III | Overseas sales as a percentage of consolidated sales | 21.6% | 6.8% | 32.1% |

(I

| | | | FY2001 (April 1, 2001 through March 31, 2002) | |
|---|---|---|---|---|
| | | North America | Europe | Asia |
| I | Overseas sales | 19,143 | 8,284 | 30,068 |
| II | Consolidated sales | | | |
| III | Overseas sales as a percentage of consolidated sales | 20.1% | 8.7% | 31.6% |

Note 1: Geographical segments are organized by physical proximity of countries or regions.

Note 2: Each of the geographical segments includes primarily the following countries or regions:

(1) North America.........U.S., Canada

(2) Europe................Germany, France, Ireland, etc.

(3) Asia..................South Korea, Taiwan, Singapore, etc.

Note 3: Overseas sales are sales revenues in countries or regions outside Japan by the company or its consolidated subsidiaries.



(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

Note 4: Change of accounting policies

(FY2001 interim)

Accounting for consolidated overseas subsidiaries

As described in "Additional Information", the company changed the revenue recognition standard for its overseas sales subsidiaries effective from the second half of the previous consolidated fiscal year. The impact of this change on overseas sales is insignificant.

(Per Share Data)

| FY2001 interim (April 1, 2001 through September 30, 2001) | FY2001 (April 1, 2001 throug March 31, 2002) |
|---|---|
| Net assets per share<br>(Y)2,695.61<br>Basic interim net income per share<br>(Y)38.15<br>Diluted interim net income per share<br>(Y)38.11 | Net assets per share<br>(Y)2,441.65<br>Basic net loss per share<br>(Y)230.76<br>Diluted net income per share is no because net income for the fiscal negative. |

(Significant Subsequent Developments)

| FY2001 interim (April 1, 2001 through September 30, 2001) | FY2001 (April 1, 2001 throug March 31, 2002) |
|---|---|
| ---- | It was resolved at Advantest's gen shareholders' meeting held on June Advantest may, in accordance with the Commercial Code of Japan, purc 3,000,000 shares of its common sto price of (Y)35,000 million anytime of such meeting and the end of the shareholders' meeting for the next fiscal year. |

(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(2) Interim Consolidated Financial Statements (FY2002 Interim)

(i) Interim Consolidated Balance Sheet (In millions of yen)

| | FY2002 interim (As of September 30, 2002) | | |
|---|---|---|---|
| | Notes | Amount | Percentage |
| (Assets) | | | % |
| Cash and cash equivalents | | 89,480 | |
| Trade accounts receivable, less allowance for doubtful accounts of(Y)476 million | | 33,620 | |
| Inventories | | 46,588 | |
| Deferred tax assets | | 13,065 | |
| Other current assets | | 2,787 | |
| Total current assets | | 185,540 | 64.7 |
| Investment securities | *4, 6 | 7,882 | 2.7 |
| Property, plant and equipment, net | *3, 7, 9 | 57,750 | 20.2 |
| Deferred tax assets | | 26,709 | 9.3 |
| Intangible assets, at cost, less accumulated amortization | *7 | 6,292 | 2.2 |
| Other assets | | 2,471 | 0.9 |
| Total assets | | 286,644 | 100.0 |
| (Liabilities) | | | |
| Current installments of long-term debt | *6, 9 | 43 | |
| Current installments of obligations under capital leases | | 185 | |
| Trade accounts payable | | 8,146 | |

| | | | |
|---|---|---|---|
| Income taxes payable | | 699 | |
| Deferred tax liabilities | | 40 | |
| Accrued bonus | | 1,972 | |
| Accrued expenses | | 7,195 | |
| Accrued warranty expenses | | 1,778 | |
| Total current liabilities | | 20,058 | 6.9 |
| Long-term debt, excluding current installments | *6, 9 | 26,847 | 9.4 |
| Obligations under capital leases, excluding current installments | | 56 | 0.0 |
| Deferred tax liabilities | | 616 | 0.2 |
| Accrued pension and severance cost | | 14,577 | 5.1 |
| Other liabilities | | 2,196 | 0.8 |
| Total liabilities | | 64,350 | 22.4 |

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(In millions of yen)

| | | FY2002 interim (As of September 30, 2002) | |
|---|---|---|---|
| (Minority interests) | | | |
| Minority interests | | 234 | 0.1 |
| (Stockholders' equity) | | | |
| Common stock, Authorized 220,000,000 shares; issued 99,783,385 shares | | 32,363 | 11.3 |
| Capital surplus | | 32,973 | 11.5 |
| Retained earnings | | 173,737 | 60.6 |
| Accumulated other comprehensive income (loss) | *4, 10 | (3,898) | (1.3) |

| | | |
|---|---|---|
| Treasury stock, 1,527,656 shares | (13,115) | (4.6) |
| Total stockholders' equity | 222,060 | 77.5 |
| Total liabilities and stockholders' equity | 286,644 | 100.0 |

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(ii) Interim Consolidated Statement of Income (In millions

| | | FY2002 interim (April 1, 2002 through September 30, 2002) | | | |
|---|---|---|---|---|---|
| | Notes | Amount | | | Perc (|
| Net sales | | | 41,113 | | |
| Cost of sales | *2 (g)(h), 8 | | 22,959 | | |
| Gross profit | | | 18,154 | | |
| Research and development expenses | *2 (g)(h), 8 | | 11,586 | | |
| Selling, general and administrative expenses | *2 (g)(h)(j), 8 | | 13,523 | | |
| Operating income (loss) | | | (6,955) | | |
| Other income (expense): | | | | | |
| Interest and dividends income | | 228 | | | |
| Interest expense | | (247) | | | |
| Minority interests | | (41) | | | |
| Equity in earnings (losses) of affiliates | | 9 | | | |
| Other | | 346 | 295 | | |
| Interim income (loss) before income taxes | | | (6,660) | | |
| Income taxes | | | (2,891) | | |

| | |
|---|---|
| Interim net income (loss) | (3,769) |

| | Notes | FY2002 interim (April 1, 2002 through September 30, 2002) Amount |
|---|---|---|
| Interim net income (loss) per share: | *12 | |
| Basic | | (38.21) |
| Diluted | | (38.21) |



(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(iii) Interim Consolidated Statement of Stockholders' Equity (In millions of yen)

| | Notes | FY2002 interim (April 1, 2002 through September 30, 2002) Amount |
|---|---|---|
| Common stock: | | |
| Balance at beginning of period | | 32,363 |
| Balance at end of period | | 32,363 |
| Capital surplus: | | |
| Balance at beginning of period | | 32,973 |
| Balance at end of period | | 32,973 |

| | | |
|---|---|---|
| Retained earnings: | | |
| Balance at beginning of period | | 178,998 |
| Interim net income (loss) | | (3,769) |
| Cash dividends,(Y)20 per share | | (1,492) |
| Balance at end of period | | 173,737 |
| Accumulated other comprehensive income (loss): | *4, 10 | |
| Balance at beginning of period | | (1,184) |
| Other comprehensive income (loss), net of tax | | (2,714) |
| Balance at end of period | | (3,898) |
| Treasury stock: | | |
| Balance at beginning of period | | (2,434) |
| Treasury stock purchased | | (10,681) |
| Balance at end of period | | (13,115) |
| Total stockholders' equity | | 222,060 |
| Disclosure of comprehensive income (loss): | | |
| Interim net income (loss) | | (3,769) |
| Other comprehensive income (loss), net of tax | *10 | (2,714) |
| Total interim comprehensive income (loss) | | (6,483) |



(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(iv) Interim Consolidated Statement of Cash Flows (In millions of yen)

| | | FY2002 Interim (April 1, 2002 through September 30, 2002) |
|---|---|---|
| | Notes | Amount |

| | |
|---|---|
| Cash flows from operating activities: | |
| Interim net income (loss) | (3,769) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | |
| Depreciation and amortization | 5,582 |
| Provision for doubtful accounts | (57) |
| Loss (gain) on sale of non-marketable securities, net | 6 |
| Equity in losses (earnings) of affiliates | (9) |
| Loss (gain) on sale of property, plant and equipment | 4 |
| Deferred income taxes (increase) | (3,818) |
| Decrease (increase) in trade accounts receivable | (1,272) |
| Decrease (increase) in inventories | 5,928 |
| Increase (decrease) in trade accounts payable | 4,022 |
| Increase (decrease) in income taxes payable | 628 |
| Increase (decrease) in accrued expenses and bonus | (5,623) |
| Increase (decrease) in accrued warranty expenses | (1,058) |
| Other | 1,341 |
| Net cash provided by operating activities | 1,905 |
| Cash flows from investing activities: | |
| Proceeds from sale of non-marketable securities | 2 |
| Proceeds from sale of property, plant and equipment | 83 |
| Purchases of software | (383) |
| Capital expenditures | (4,276) |
| Other | (620) |
| Net cash used in investing activities | (5,194) |
| Cash flows from financing activities: | |
| Principal payments on long-term debt | (21) |
| Principal payments on obligations under capital leases | (152) |
| Payments to acquire treasury stock | (10,681) |

| | |
|---|---|
| Dividends paid | (1,492) |
| Net cash used in financing activities | (12,346) |
| Net effect of exchange rate changes on cash and cash equivalents | (817) |
| Net change in cash and cash equivalents | (16,452) |
| Cash and cash equivalents at beginning of period | 105,932 |
| Cash and cash equivalents at end of period | 89,480 |

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(In millions of yen)

| | FY2002 Interim (April 1, 2002 through September 30, 2002) | |
|---|---|---|
| | Notes | Amount |
| Supplemental Data | | |
| Cash paid during the interim period for: | | |
| Income taxes | | (118) |
| Interests | | 239 |

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

Notes to Consolidated Financial Statement

Note 1. Accounting principles, procedures and the presentation of interim consolidated financial statements

(a) Terminology, form and method of preparation of the interim consolidated financial statements

Advantest prepares these interim consolidated financial statements in accordance with the accounting principles, procedures, terminology, form and mode of preparation in the U.S. required in connection with the issuance of American Depository Shares (ARB, APB, SFAS, etc.).

(b) The preparation of interim consolidated financial statements and registration with the U.S. Securities and Exchange Commission

Advantest Corporation began listing on the New York Stock Exchange on September 17, 2001 (local time) through the issuance of American Depository Shares, and is registered with the U.S. Securities and Exchange Commission on Form 20-F (equivalent to the Annual Securities Report in Japan) for FY2001 and FY2002. In connection with the registration on Form 20-F, Advantest prepared consolidated financial statements for the fiscal years 2000, 2001 and 2002 in accordance with U.S. GAAP.

(c) Scope of consolidation and application of the equity method

| | | FY2002 Interim (As of September 30, 2002) | FY2001 (As of March 31, 2002) | Increase |
|---|---|---|---|---|
| | Domestic | 22 | 23 | |
| | Overseas | 19 | 18 | |
| Consolidated subsidiaries | | 41 | 41 | |
| Equity method affiliates | | 1 | 1 | |
| Total | | 42 | 42 | |

Changes in consolidated subsidiaries:

Newly included (1): Advantest America Measuring Solutions, Inc.
Excluded (1): Advantest Business Corporation

(d) Significant differences from the preparation of financial statements under Japanese GAAP

Of the accounting principles, procedures and mode of presentation adopted by Advantest Corporation and its consolidated subsidiaries (collectively "Advantest"), the followings are the significant differences from the preparation of financial statements using the accounting principles, procedure and mode of presentation under Japanese GAAP:

(i) Scope of consolidation and application of the equity method

The scope of consolidation and application of the equity method is determined based on percentage of voting rights. There was no difference than if the scope were determined using the control criteria or influence criteria.

(ii) Appropriation of earnings

Earnings appropriated for officers' bonuses are accounted for under selling, general and administrative expenses.

(iii) Accounting for lease transactions

Regarding significant lease transactions, plant, property and equipment and capital lease obligations are recognized if the lease is considered a capital lease under SFAS No. 13, "Accounting for Leases".

(iv) Allowance for compensated absences

In accordance with SFAS No. 43, "Accounting for Compensated Absences", an allowance is provided for the right of employees to receive compensated absences in the future.





(v) Accrued pension and severance cost

Accrued pension and severance cost is accounted for based on SFAS No. 87, "Employers' Accounting for Pensions". The transitional difference on adoption of this standard was retroactively recognized from the effective date of SFAS No. 87 and amortized over 15 years.

(vi) Goodwill

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", goodwill is no longer amortized, but instead is tested for impairment before impairment is recognized.

Note 2. Significant Accounting Policies

(a) Description of business

Advantest is engaged in the design, manufacture, and sale of automated test equipment for semiconductors. Advantest has a diverse product line that meets the needs of semiconductor manufacturers, as well as assembly and test services companies worldwide, for sophisticated systems that test the operation and performance of different types of semiconductors. Advantest equips its automated test equipment with sophisticated, yet easy-to-use, operating systems and testing software. Advantest supports its products and customers through a worldwide customer service network staffed by trained technical and maintenance personnel.

Advantest also designs, manufactures, and sells standard and customized measuring instruments that are used by the communications, electric equipment and systems industries. These instruments are used by Advantest's customers to improve time-to-market, lower costs of manufacturing and improve the quality of their products.

The Company was incorporated on December 2, 1954 under the name of Takeda Riken Industry Co., Ltd. as a limited liability, joint-stock company in Japan under the Commercial Code of Japan. Takeda Riken Industry Co., Ltd. changed its legal name to Advantest Corporation in 1985.

(b) Cash Equivalents

Cash equivalents consist of overnight deposits and certificates of deposit with an initial term of less than three months. For purposes of the statements of cash flows, Advantest considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(c) Inventories

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

(d) Investments in Affiliated Companies

Investments in affiliated companies owned 20% to 50%, where Advantest exercises significant influence, are accounted for on the equity method.

(e) Investment Securities

Investment securities at September 30, 2002 consist of equity securities. Advantest classifies its equity securities in one of two categories: trading or available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the near term. All equity securities not included in trading are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive income (loss) until realized. Realized gains and losses from sale of available-for-sale securities are determined on a specific-identification basis.

A decline in the fair value of any available-for-sale security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Dividend income is recognized when earned.

As of September 30, 2002, all equity securities held by Advantest are classified as available-for-sale.

(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(f) Derivative Financial Instruments

Derivative financial instruments are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133". SFAS No. 133, as amended, standardizes the accounting for derivative instruments, including certain derivative instruments embedded in other contracts. Under SFAS No. 133, as amended, entities are required to carry all derivative instruments in the consolidated balance sheets at fair value. The accounting for changes in the fair value (that is, gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding it. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposures to changes in fair values, cash flows, or foreign currencies. If the hedged exposure is a fair value exposure, the gain or loss on the derivative instrument is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of other comprehensive income (loss) and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness as well as the ineffective portion of the gain or loss are reported in earnings immediately. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

Advantest regularly enters into foreign exchange forward contracts to manage currency exposure, resulting from changes in foreign currency exchange rates, on trade accounts receivable. However, these contracts do not qualify for hedge accounting since they do not meet the hedging criteria contained in SFAS No. 133.

Foreign exchange forward contracts generally have maturities of less than two months. These contracts are used to reduce Advantest's risk associated with exchange rate movements, as gains and losses on these contracts are intended to offset exchange losses and gains on underlying exposures. Changes in fair value of foreign exchange forward contracts are recognized in earnings under the caption of other income (expense).

Advantest does not, as a matter of policy, enter into derivative transactions for the purpose of currency speculation.

(g) Property, Plant and Equipment

Property, plant and equipment is stated at cost. Equipment under capital leases is stated at the present value of minimum lease payments.

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 over estimated useful lives of the assets for foreign subsidiaries. Buildings are principally depreciated using the straight-line method over their estimated useful lives. Depreciation for machinery and equipment under capital leases is computed using the straight-line method over the lease term. The depreciation period ranges from 3 years to 50 years for buildings, 2 years to 10 years for machinery and equipment, and 2 years to 20 years for furniture and fixtures.

Depreciation expense was (Y)4,344 million during this interim period.

(h) Intangible Assets and Other Assets

Intangible assets principally consist of licenses, goodwill and computer software for internal-use, including computer software under capital leases. Other assets consist of investments, security deposits and prepaid expenses, of which no one individual item was material to the consolidated financial statements of Advantest.

Certain costs incurred to purchase or develop software for internal-use during the application development stage are capitalized. With respect to internal-use software costs, Advantest expenses costs incurred during the preliminary project stage which includes costs for making strategic decisions about the project, determining performance and system requirements, and vendor demonstration costs. Advantest also expenses costs incurred for internal-use software in the post-implementation stage such as training and maintenance costs. Costs incurred to establish the technological feasibility of software products to be sold as part of the automated test equipment are recorded as research and development costs in the consolidated statements of income. Costs incurred subsequent to establishing technological





feasibility with respect to such software have also been expensed by Advantest as such costs have been insignificant.

The cost of software is amortized straight-line over the estimated useful life, which is generally five years. The cost of computer software under capital leases is amortized straight-line over the lease term. Amortization expense was (Y)1,179 million during this interim period.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 required the use of the purchase method of accounting for business combinations and established certain criteria for the recognition of intangible assets separately from goodwill. Under SFAS No. 142 goodwill in no longer amortized, but instead is tested for impairment at least annually. Intangible assets are amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Any recognized intangible assets determined to have an indefinite useful life will not be amortized, but instead is tested for impairment until its life is determined to be no longer indefinite.

SFAS No. 141 requires Advantest to evaluate its existing intangible assets and goodwill and to make any necessary reclassifications in order to conform to the new separation requirements at the date of adoption. Upon adoption of SFAS No. 142, Advantest is required to reassess the useful lives and residual values of all intangible assets and make any necessary amortization period adjustments by June 30, 2002. In connection with the transitional impairment evaluation, SFAS No. 142 will require Advantest to perform an assessment of whether there is an indication that goodwill is impaired as of April 1, 2002. To accomplish this, Advantest must (1) identify its reporting units, (2) determine the carrying amount of each reporting units by assigning the assets and liabilities, including the existing goodwill and intangible assets to those reporting units, and (3) determine the fair value of each reporting unit. Advantest has completed the first step of this transitional assessment by September 30, 2002. In the event that the carrying amount of such reporting unit exceeded fair value, Advantest would be required to proceed to the second step to measure the implied fair value of goodwill. However, no material impairment of goodwill was detected at the first step. Advantest does not expect the adoption of SFAS No. 141 and No. 142 to have a material impact on its consolidated financial statements.

(i) Revenue Recognition

Automated test equipment

Revenue from sales of automated test equipment which require installation work is recognized when the related installation work is completed and the equipment is accepted by the customer. Revenue from sales of parts for automated test equipment such as backup boards, which do not require installation work by Advantest, is recognized upon shipment if the terms of the sale are free on board ("FOB") shipping point or upon delivery if the terms are FOB destination.

Measuring instruments

Revenue from sales of measuring instruments which do not require installation work by Advantest is recognized upon shipment if the terms of the sale are FOB shipping point and upon delivery if the terms are FOB destination. Revenue from sales of measuring instruments which require installation work is recognized when the related installation work is completed and the instrument is accepted by the customer. Advantest utilizes distributors to market certain of its measuring instruments which do not require installation work. Advantest recognizes revenues from sales of measuring instruments to distributors upon shipment or delivery of instruments to the distributors.

Service fee

Revenue from fixed-price, long-term service contracts is recognized on the straight-line basis over the contract term.

Operating lease

Revenue from operating leases is recognized mainly on the straight-line basis over the lease term.

(j) Shipping and Handling Costs

Shipping and handling costs totaled (Y)398 million during this interim period, and are included in selling, general and administrative expenses in the consolidated statements of income.





(k) Accrued Warranty Expenses

Advantest's products are generally subject to warranty, and Advantest provides an allowance for such estimated costs when product revenue is recognized. To prepare 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.

(l) Research and Development

Research and development costs are expensed as incurred.

(m) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Stock-Based Compensation

Advantest applies the intrinsic value-based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations, in accounting for its stock-based compensation plans. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price.

(o) Accrued Pension and Severance Cost

The Company and certain of its subsidiaries have retirement and severance defined benefit plans covering substantially all of their employees. The benefits are based on years of service and the employee's compensation and vest after one year of service. Prior service cost that results from amendments to the plan is amortized over the average remaining service period of the employees expected to receive benefits. Unrecognized net gain and loss is amortized over the average remaining service life of employees expected to receive benefits.

(p) Use of Estimates

Management of Advantest has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(q) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

Advantest accounts for long-lived assets in accordance with the provisions of SFAS No. 144. SFAS No. 144 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(r) Interim net Income (Loss) per Share

Interim basic net income (loss) per share is calculated by dividing interim net income (loss) by the weighted average number of shares outstanding during the interim period. Interim diluted net income per share is calculated by dividing interim net income by the sum of the weighted average number of shares plus additional shares that would have been outstanding if potential dilutive shares had been issued for granted stock options and warrants.

(s) Segment Information

Advantest discloses information regarding segments in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 131 establishes standards for





reporting of financial information about operating segments in annual financial statements. In addition, Advantest also discloses geographic segment information regarding the net sales and operating income (loss) of the company and its subsidiaries in consideration of the disclosure requirements under the Securities Exchange Law of Japan.

(t) 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 end of period. Revenue and expense accounts are translated at average rates of exchange in effect during the period. Resulting translation adjustments are included as a separate component of other comprehensive income (loss).

(u) Foreign Currency Transactions

Assets and liabilities denominated in foreign currencies are translated at the applicable current rates on the balance sheet date. All revenue and expenses associated with foreign currencies are converted at the rates of exchange prevailing when such transactions occur. The resulting exchange gains or losses are reflected in other income (expense) in the accompanying consolidated statements of income.

(v) New Accounting Standards

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived assets, except for certain obligations of lessees. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. Advantest is required to adopt the provisions of SFAS No. 143 on April 1, 2003. Currently, the effect on Advantest's consolidated financial statements of adopting SFAS No. 143 has not been determined.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 addresses financial accounting and reporting associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring". The principal difference between SFAS No. 146 and EITF Issue 94-3 relates to the recognition of liability for costs associated with an exit or disposal activity. SFAS No. 146 requires a liability be recognized only when its falls within the definition of liability under the basic principles of the FASB. In addition, SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured at fair value. Advantest is required to adopt the provisions of SFAS No. 146 for exit or disposal activities initiated after January 1, 2003. Currently, the effect on Advantest's consolidated financial statements of adopting SFAS No. 146 has not been determined.

Note 3. Property, Plant and Equipment

Property, plant and equipment is composed of the following:

| | Yen (Millions) |
|---|---|
| | September 30, 2002 |
| Land | 18,480 |

| | |
|---|---|
| Buildings | 50,882 |
| Machinery and equipment | 25,757 |
| Furniture and fixtures | 27,308 |
| Construction in progress | 1,097 |
| | 123,524 |
| Less accumulated depreciation | (65,774) |
| | 57,750 |

Note 4. Investment Securities

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

Marketable securities consist of equity securities with an aggregate fair value of (Y)1,939 million, gross unrealized gains, which are determined based on the specific-identification method, of (Y)298 million, gross unrealized losses of (Y)265 million, and acquisition cost of (Y)1,906 million as of September 30, 2002. Gross realized losses were (Y)148 million for the interim period.

Advantest maintains long-term investment securities, included in marketable securities and other investments, issued by nonpublic companies, which are recorded at cost. In addition, the fair values of such securities were not readily determinable.

Note 5. Derivative Financial Instruments

Derivative financial instruments are utilized by Advantest primarily to reduce foreign currency exchange risk. Advantest does not hold or issue financial instruments for trading purposes. Advantest generally does not require or place collateral for these financial instruments.

Derivative financial instruments contain an element of risk in the event the counterparties are unable to meet the terms of the agreements. However, Advantest minimizes risk exposure by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines. Management of Advantest does not expect any counterparty to default on its obligations and, therefore, does not expect to incur any losses due to counterparty default on its obligations.

At September 30, 2002, Advantest had foreign exchange forward contracts to receive Japanese yen for U.S. dollars. The notional amounts of these contracts were (Y)714 million at September 30, 2002. The fair values of these contracts at September 30, 2002 are shown in note 6 to the consolidated financial statements. These contracts do not qualify for hedge accounting since they do not meet the hedging criteria contained in SFAS No. 133. Changes in the fair values are recognized in earnings under the caption of other income (expense).

Note 6. Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of Advantest's financial instruments at September 30, 2002. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

| | Yen (Millions) | |
|---|---|---|
| | September 30, 2002 | |
| | Carrying Amount | Fair Value |
| Financial assets: | | |
| Investment securities for which it is: | | |
| Practicable to estimate fair value | 1,939 | 1,939 |
| Not practicable to estimate fair value | 5,347 | 5,347 |
| Financial liabilities: | | |
| Foreign exchange forward contracts | 20 | 20 |
| Long-term debt including current installments | 26,890 | 27,532 |

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade accounts receivable, other current assets, trade accounts payable, and accrued expenses (nonderivatives): The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities: The fair values of equity investments are based on quoted market prices at the reporting date for those investments. It was not practicable to estimate the fair value of nonpublic companies; those investments are carried at their original cost.





Long-term debt: The fair value of Advantest's long-term debt is estimated by discounting the future cash flows of each instrument at rates currently offered to Advantest for similar debt instruments of comparable maturities by financial institutions.

Note 7. Leases - Lessor

Advantest provides leases that enable its customers to acquire automated test equipment. All leases are classified as operating leases. Lease terms range from 1 year to 5 years, and certain of the lease agreements are cancelable. The gross amount of machinery and equipment and the related accumulated depreciation on operating leases as of September 30, 2002 were as follows:

| | Yen (Millions) |
|---|---|
| | September 30, 2002 |
| Machinery and equipment | 6,851 |
| Less accumulated depreciation | (2,370) |
| | 4,481 |

Future minimum rental income from equipment on noncancelable operating leases as of September 30, 2002 is as follows:

| 1 year ending September 30, | Yen (Millions) |
|---|---|
| 2003 | 1,120 |
| 2004 | 415 |
| 2005 | 79 |
| 2006 | 6 |
| 2007 | 1 |
| Total future minimum rental income | 1,621 |

Note 8. Leases - Lessee

Advantest has several noncancelable operating leases, primarily for computer and office equipment that expire over the next 6 years. Rent expense, including rental payments for cancelable leases, for the interim period was (Y)790 million.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2002 are as follows:

| 1 year ending September 30, | Yen (Millions) |
|---|---|
| 2003 | 387 |
| 2004 | 305 |
| 2005 | 281 |
| 2006 | 251 |
| 2007 | 243 |
| Later years | 54 |
| Total minimum lease payments | 1,521 |

Note 9. Assets Pledged as Collateral and Secured Liabilities

As of September 30, 2002, property, plant and equipment in the carrying amount of (Y)421 million was pledged as collateral for certain debt obligations in the amount of (Y)60 million.



(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

Note 10. Other Comprehensive Income (Loss)

The accumulated balances for each classification of other comprehensive income (loss) are as follows:

| | Yen (Millions) | | |
|---|---|---|---|
| | Foreign currency translation adjustments | Net unrealized gains on securities | Accu comp inco |
| Balance at March 31, 2002 | (1,196) | 12 | |
| Change during the interim period | (2,667) | (109) | |
| Reclassification adjustments for realized portion | - | 72 | |
| | (2,677) | (37) | |
| Balance at September 30, 2002 | (3,873) | (25) | |

The related tax effects allocated to each component of other comprehensive income (loss) are as follows:

| | Yen (Millions) | | |
|---|---|---|---|
| | Before-tax amount | Tax (expense) of benefit | Ne |
| FY2002 Interim: | | | |
| Foreign currency translation adjustments | (2,677) | - | |
| Net unrealized gains on securities | | | |
| Net unrealized gains arising during the interim period | (179) | 70 | |
| Less reclassification adjustments for net gains realized in earnings | 123 | (51) | |
| Net unrealized gains | (56) | 19 | |
| Other comprehensive income (loss) | (2,733) | 19 | |

(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

Note 11. Segment Information

(Operating Segment Information)

In accordance with SFAS No. 131, Advantest has two operating and reportable segments, which are the design, manufacturing, and marketing of automated test equipment and measuring instruments. These operating segments are determined based on the nature of the products and the markets. Automated test equipment is used to confirm that a semiconductor functions properly during the semiconductor manufacturing process at sites of manufactures of semiconductor or test houses. Automated test equipment consists of semiconductor test systems, test handlers or probers, semiconductor device interfaces and software. Test handlers or probers, semiconductor device interfaces and software are always with or incorporated in automated test equipment. Measuring instruments are used primarily by manufacturers of equipment and components and service providers of the fiber optic communications industry, the wireless communications industry and the electronics industry. Fundamental research and development activities and headquarters functions are represented by Corporate.

| | Yen (Millions) | | |
|---|---|---|---|
| | Automated test equipment | Measuring instruments | Corporate |
| FY2002 Interim | | | |
| Net sales to unaffiliated customers | 35,124 | 5,989 | - |
| Operating income (loss) | (256) | (3,075) | (3,624) |

(Notes) 1. Operating segments are organized by functional category of products

2. Main products of each segment:

| Operating segment | Main products |
|---|---|
| Automated test equipment | SoC test systems, DFT test systems, memory test systems, flash memory test systems, RFIC test systems, image sensor test systems, LCD driver test systems, dynamic test handlers, device interface units, electronic beam lithography equipment. |
| | Digital multimeters, digital thermometers, voltage/current |

| | |
|---|---|
| Measuring instruments | generators, electrometers, spectrum analyzers, network analyzers, signal generators, wireless equipment testers, power meters, EMC testers, optical power meters, optical spectrum analyzers, coherent OTDR, optical wavelength meters, laser diode test systems, optical network analyzers, optical chirp test sets, polarization scramblers, error rate test systems, audio/video testers, measuring instrument peripherals. |

3. Adjustments to operating income (loss) in Corporate principally represent corporate general and administrative expenses and research and development expenses related to fundamental research activities that are not allocated to operating segments.



(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

(Geographic Segment Information)

Net sales to unaffiliated customers for the interim period is as follows:

| | Yen (Millions) FY2002 interim |
|---|---|
| Japan | 17,485 |
| North America | 4,045 |
| Europe | 3,870 |
| Asia | 15,713 |
| Total | 41,113 |

(Notes) 1. Net sales from unaffiliated customers are based on customer's location.

2. Each of the segments include primarily the following countries or regions:

(1) North America.........U.S., Canada

(2) Europe................Germany, France, Ireland, etc.

(3) Asia..................South Korea, Taiwan, Singapore, etc.

The following table sets forth the net sales and operating income in FY2002 interim, classified by location of office from which product was shipped. This information is provided as supplement information in addition to the requirements of SFAS No. 131 in consideration of the disclosure requirements under the Securities Exchange Law of Japan.

(

| | FY2002 interim (April 1, 2002 through September 30, 2002) | | | | | |
|---|---|---|---|---|---|---|
| | Japan | North America | Europe | Asia | Total | Elimin an corpo |
| Net sales | | | | | | |
| (1) Sales to unaffiliated customers | 23,669 | 6,501 | 4,473 | 6,470 | 41,113 | |
| (2) Inter-segment | 11,177 | 1,305 | 203 | 1,363 | 14,048 | (14, |
| Total | 34,846 | 7,806 | 4,676 | 7,833 | 55,161 | (14, |
| Operating expenses | 39,890 | 8,206 | 4,456 | 6,818 | 59,370 | (11, |
| Operating income (loss) | (5,044) | (400) | 220 | 1,015 | (4,209) | (2, |

(Notes) 1. Geographical segments are organized by physical proximity of countries or regions.

2. Each of the geographical segments includes primarily the following countries or regions:

(1) North America.........U.S.

(2) Europe................Germany, France, etc.

(3) Asia..................South Korea, Taiwan, Singapore, etc.

3. General corporate operating expenses included under "Elimination and corporate" were (Y)3,683 million in FY2002 interim. They consist primarily of expenses for basic research and costs of the administrative operations of the headquarters.

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(All financial information for FY2002 interim was prepared in accordance with U.S. GAAP; however, financial information for FY2001 interim and FY2002 was prepared in accordance with Japanese GAAP.)

Note 12. Interim Basic and Diluted Net Income (Loss) per Share

The following table sets forth the computation of interim basic and diluted net income (loss) per share as of September 30, 2002:

FY2002 interim

| | |
|---|---|
| Numerator: | |
| Interim net income (loss) | (Y)(3,769) million |
| Denominator: | |
| Basic weighted average shares | 98,638,828 shares |
| Dilutive effect of exercise of stock options and warrants | - shares |
| Diluted weighted average shares | 98,638,828 shares |
| Interim basic net income (loss) per share | (Y)(38.21) |
| Interim diluted net income (loss) per share | (Y)(38.21) |

(3) Other Information

Not applicable.