

(The following is an unofficial English translation of the Report for the 65th Fiscal Year of Advantest Corporation (the "Company"). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.)

Report for the 65th Fiscal Year
(April 1, 2006 through March 31, 2007)

Advantest Corporation

Contents

Message to Shareholders 3

(Attachments to the Convocation Notice of the 65th Ordinary General Meeting of Shareholders)

Business Report 4

Consolidated Balance Sheets 20

Consolidated Statements of Income 21

Consolidated Statements of Stockholders' Equity 22

Notes to Consolidated Financial Statements 23

Balance Sheets 26

Statements of Income 27

Statements of Changes in Stockholders' Equity 28

Notes to Non-Consolidated Financial Statements 29

Copy of Independent Auditor's Audit Report (Consolidated) 33

Copy of Independent Auditor's Audit Report 34

Copy of Board of Corporate Auditors' Audit Report 35

(Reference) Memorandum to Shareholders 37

Message to Shareholders

To Our Shareholders

We are pleased to send you our “Report for the 65th Fiscal Year (from April 1, 2006 to March 31, 2007).”

Although there were some causes for concern in the global economy during the fiscal year 2006, such as the sharp rise of the oil price, increase in long-term interest rate and risk of the burst of the bubble in the housing industry in the United States, Europe enjoyed a steady economic recovery, and economy in China and other Asian countries over all remained strong.

The semiconductor industry remained mostly steady, supported by an increase in demand in flat-panel TVs and game devices, even though substantial decline in the price of flash memory semiconductors led some semiconductor manufacturers to restrict their capital expenditures. Furthermore, favorable factors for Advantest included increased investments by semiconductor manufacturers with respect to 300 mm wafer manufacturing capacity, as well as increased capital expenditures by DRAM semiconductor manufacturers from the second half of the fiscal year, in preparation for the launch of sales of computers equipped with a new operating system.

In light of this environment, Advantest made concentrated efforts to increase orders received and expand sales with a focus on providing quality products and services and comprehensive test solutions that meet various kinds of customer demands. Advantest continued to make efforts to implement a thorough inventory control based on the just-in-time production system, to improve the quality of products and to reduce costs.

As a result of the above, as compared to the previous fiscal year, orders received decreased by 6.4 % to ¥242.9 billion. Net sales decreased by 7.4 % to ¥235.0 billion, income before income taxes for the fiscal year decreased by 9.4 % to ¥61.1 billion, and net income for the fiscal year decreased by 14.1 % to ¥35.6 billion. Overseas sales as a percentage of total sales were 69.0 %, as compared with 68.0% in the previous fiscal year.

With respect to the dividend distribution to the shareholders, in order to respond to our shareholders' continued support, Advantest is currently planning to propose a resolution, at the 65th Ordinary General Meeting of Shareholders, for shareholders' approval to distribute a year end dividend of ¥32.50, an increase of ¥15 from its previous forecast of ¥17.50 per share. Since Advantest has paid an interim dividend of ¥35 on December 1, 2006, the total dividend per share for the fiscal year is expected to be ¥67.50.

While maintaining "Measurements" as our core competence, Advantest intends to improve its corporate value by establishing an operation and finance structure that responds timely to changes in the global market, and by aiming to increase market share by introducing fine products that will inspire the market demands of the next generation. In October 2005, the Advantest Group launched a group-wide initiative called "Activate 21" to promote reforms that emphasize cost and efficiency from a global perspective, which will continue until the end of FY 2008.

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

June, 2007

Toshio Maruyama
President and CEO

Business Report

(April 1, 2006 through March 31, 2007)

1. Current Conditions of the Advantest Group

(1) Business conditions during the fiscal year

(i) Operations and Results of Business

Overall

During the fiscal year, the Advantest Group's operating environment remained mostly steady, supported by an increase in demand in flat-panel TVs and game devices, even though substantial decline in the price of flash memory semiconductors led some semiconductor manufacturers to restrict their capital expenditures. Furthermore, favorable factors for the Advantest Group included increased investments by semiconductor manufacturers with respect to 300 mm wafer manufacturing capacity, as well as increased capital expenditures by DRAM semiconductor manufacturers from the second half of the fiscal year, in preparation for the launch of sales of computers equipped with a new operating system.

In light of this environment, the Advantest Group made concentrated efforts to increase orders received and expand sales with a focus on providing quality products and services and comprehensive test solutions that meet various kinds of customer demands. The Advantest Group continued to make efforts to implement a thorough inventory control based on the just-in-time production system, to improve the quality of products and to reduce costs.

As a result of the above, as compared to the previous fiscal year, orders received decreased by 6.4 % to ¥242.9 billion. Net sales decreased by 7.4 % to ¥235.0 billion, income before income taxes for the fiscal year decreased by 9.4 % to ¥61.1 billion, and net income for the fiscal year decreased by 14.1 % to ¥35.6 billion. Overseas sales as a percentage of total sales were 69.0 %, as compared with 68.0% in the previous fiscal year.

Business conditions by Business Segment

Semiconductor and Component Test System Segment

In this segment, although capital expenditures for non memory semiconductors, which were positive in the previous fiscal year, stagnated, capital expenditures for DRAM semiconductors has increased since the second half of the fiscal year, resulting in an overall steady growth.

In the memory test system market, the price of the DRAM semiconductors remained mostly stable throughout the fiscal year. Furthermore, investments in Korea and Taiwan with respect to DDR2-SDRAM semiconductors that are used in personal computers with a new operating system have rapidly increased since the second half of the fiscal year. Consequently, sales of test systems for high speed DRAM semiconductors remained positive. On the other hand, sales of test systems for flash memory semiconductors decreased from the second half of the fiscal year, due to the decline in capital expenditures of semiconductor manufacturers resulting from the substantial decrease in the price of flash memory semiconductors.

In the market of non-memory semiconductor test system, sales of test systems for semiconductors for digital consumer devices remained steady. However, sales of T2000, a test system for micro processing units (MPU), which was positive in the previous fiscal year, decreased due primarily to a decrease in capital expenditures of the Advantest Group's major customers. Similarly, sales of test systems for LCD driver IC, which was positive in the previous fiscal year, started to decrease as a result of the adjustment of liquid crystal display panel inventories.

As a result of the above, orders received was ¥175.1 billion (10.5% decrease in comparison to the previous fiscal year), sales was ¥167.8 billion (12.3% decrease) and operating income was ¥48.6 billion (15.5% decrease).

Mechatronics System Segment

Although sales of non-memory semiconductor test handlers decreased, sales of memory semiconductor test handlers remained positive throughout the fiscal year. In addition, sales of device interface products, especially those targeting memory semiconductors, were positive.

As a result of the above, orders received was ¥54.9 billion (10.8% increase in comparison to the previous fiscal year), sales was ¥52.0 billion (7.8% increase) and operating income was ¥13.6 billion (14.0% increase).

Services, Support and Others Segment

In this segment, orders input received was ¥18.0 billion (6.4 % decrease in comparison with the previous fiscal year), sales was ¥18.3 billion (3.9 % decrease) and operating income was ¥2.9 billion (25.5 % decrease).

Sales Breakdown by Business Segment (consolidated)

Fiscal Year Segment	FY2005 (the 64th)		FY2006 (the 65th)		Change from the previous period	
	Amount (in: million yen)	Percentage (%)	Amount (in: million yen)	Percentage (%)	Amount (in: million yen)	Percentage increase (decrease) (%)
Semiconductor and Component Test System	191,415	75.4	167,815	71.4	(23,600)	(12.3)
Mechatronics System	48,260	19.0	52,025	22.1	3,765	7.8
Services, Support and Others	19,062	7.5	18,312	7.8	(750)	(3.9)
Elimination and Corporate	(4,815)	(1.9)	(3,140)	(1.3)	1,675	-
Total	253,922	100.0	235,012	100.0	(18,910)	(7.4)
Overseas	172,782	68.0	162,178	69.0	(10,604)	(6.1)

(ii) Capital Expenditures

The Advantest Group invested a total of ¥8.3 billion in capital expenditures in fiscal 2006. Most of the investments were used to fund new product development, manufacturing streamlining, power saving, and to expand manufacturing capacity.

(iii) Financing

No significant financing activities took place in FY2006.

(2) Conditions of Assets, Profit and Loss

Conditions of Assets, Profit and Loss of the Advantest Group (consolidated)

	FY2003 (the 62nd)	FY2004 (the 63rd)	FY2005 (the 64th)	FY2006 (the 65th)
Net sales (in: million yen)	174,218	239,439	253,922	235,012
Net income (in: million yen)	17,329	38,078	41,374	35,556
Basic net income per share (in yen)	88.18	194.77	223.17	190.01
Net assets (in: million yen)	221,768	206,749	257,927	294,797
Total assets (in: million yen)	330,808	296,769	350,776	366,374

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

- 2: On October 1, 2006, a one to two stock split was made to shares of common stock. Each “Basic net income per share” is calculated on the assumption that this stock split was made at the beginning of each fiscal year.
- 3: The calculation of “Basic net income per share” was based on the average number of shares issued during the relevant fiscal year reduced by the average number of treasury shares held during the fiscal year.

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

(3) Significant Subsidiaries

Significant Subsidiaries

Name of Subsidiary	Common Stock	Percentage of Voting Rights	Principal Activities
Advantest Laboratories Ltd.	¥50 million	100%	Research and development of measuring and testing technologies
Advantest Customer Support Corporation	¥300 million	100%	Maintenance service for the Company's products
Advanmechatec Co., Ltd.	¥300 million	100%	Manufacturing of the Company's products
Advantest Manufacturing, Inc.	¥80 million	100%	Manufacturing of the Company's products
Advantest DI Corporation	¥50 million	100%	Manufacturing of the Company's products
Japan Engineering Co., Ltd.	¥305 million	100%	Development, manufacturing and sales of the Company's products
Advantest Finance Inc.	¥1,000 million	100%	Leasing of the Company's products
Advantest America, Inc.	42,000 thousand USD	100%	Sales of the Company's products
Advantest (Europe) GmbH	10,793 thousand Euros	100%	Sales of the Company's products
Advantest Taiwan Inc.	560,000 thousand New Taiwan Dollars	100%	Sales of the Company's products
Advantest (Singapore) Pte. Ltd.	15,300 thousand Singapore Dollars	100%	Sales of the Company's products
Advantest Korea Co., Ltd	5,484 million Won	100%	Support for sales of the Company's products
Advantest (Suzhou) Co., Ltd.	2,700 thousand USD	100%	Support for sales of the Company's products

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

(4) Challenges Ahead

While maintaining "Measurements" as our core competence, the Advantest Group intends to improve its corporate value by establishing an operation and finance structure that responds timely to changes in the global market, and by aiming to increase market share by introducing fine products that will inspire the market demands of the next generation. To achieve these objectives, the Advantest Group promotes to further strengthen its product development operations and improve production efficiency by focusing on certain businesses, while strengthening its overseas operations and support system in the U.S., Europe and Asia.

Furthermore, the Advantest Group seeks to increase the level of customer satisfaction by maximizing the functions of our test systems and by providing them with a solution to improve business efficiency for all types of businesses.

In October 2005, the Advantest Group launched a group-wide initiative called "Activate 21" to promote reforms that emphasize cost and efficiency from a global perspective, which will continue until the end of FY 2008.

(5) Primary Areas of Business

The Advantest Group manufactures and markets semiconductor and component test systems and products related to mechatronics systems (test handlers, device interface, etc.). In addition to manufacturing, the Advantest Group also carries out research and development activities and provides maintenance services and related services in the business category of “Services, Support and Others.”

(6) Significant Sales Offices and Factories

(i) Japan

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

(ii) Overseas

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

(7) Employees

Employees of the Advantest Group (as of March 31, 2007)

Number of Employees	Change from end of previous fiscal year
3,637 (641)	42 (136)

(Note) The numbers set forth above indicate the numbers of employees excluding part-time and non-regular employees. The numbers in brackets indicate the annual average number of such part-time and non-regular employees.

(8) Major Lenders
Not applicable.

(9) Other significant matters with respect to the current status of the Advantest Group
None.

2. Company Information

(1) Equity Stock (as of March 31, 2007)

(i) Total number of issuable shares	440,000,000 shares
(ii) Total number of issued shares	199,566,770 shares
(iii) Number of shareholders	38,374

(Note) The Company made a one to two stock split of shares of its common stock on October 1, 2006. Accordingly, the total number of issued shares increased 99,783,385 shares, and the number of issuable shares increased 220,000,000 shares, from 220,000,000 shares to 440,000,000 shares pursuant to the amendments to its articles of incorporation which were made in conjunction with the stock split.

(iv) Major Shareholders (Top 10 shareholders)

Name of Shareholder	Status of Ownership	
	Number of Shares (in: thousand shares)	Percentage of Ownership (%)
Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.)	20,142	10.73
The Master Trust Bank of Japan, Ltd. (trust account)	15,724	8.37
Japan Trustee Services Bank, Ltd. (trust account)	13,719	7.31
BNP Paribas Securities (Japan) Limited	5,801	3.09
Japan Trustee Services Bank, Ltd. (trust account 4)	5,332	2.84
CALYON DMA OTC	5,230	2.78
The Dai-ichi Mutual Life Insurance Company	3,449	1.83
Mizuho Corporate Bank, Ltd.	3,217	1.71
Trust & Custody Services Bank, Ltd. (investment trust account)	3,127	1.66
Fukoku Mutual Life Insurance Company	3,092	1.64

(Notes) 1. Percentage of Ownership is calculated without treasury shares (11,916,485 shares).

- Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.) holds the 20,142 thousand shares of common stock listed above as the trustee of a retirement benefit plan of Fujitsu Limited, and exercises its voting rights pursuant to instructions given by Fujitsu Limited.
- The Company has acknowledged that the substantial shareholding reports shall be filed pursuant to the "Disclosure of Substantial Shareholding" prescribed in the Securities and Exchange Law, and Nomura Securities Co., Ltd. and its two affiliates jointly held 10,387 thousand shares of the Company as of March 30, 2007 according to the substantial shareholding reports filed on April 6, 2007. However, the Company has not included the number of shares held by an unverified number of beneficial owners in the table above.

(Reference) [INSERT PIE CHART HERE]

Financial Institutions and Securities Company	232 holders, 96,704 thousand shares (48.5%)
Non-Japanese Holders	515 holders, 66,788 thousand shares (33.5%)
Individuals and Others	37,216 holders, 20,042 thousand shares (10.0%)
Other Entities	411 holders, 16,031 thousand shares (8.0%)

(2) Stock Acquisition Rights

(i) Stock acquisition rights held by directors and corporate auditors (as of March 31, 2007)

	The resolution at the Board of Directors held on June 27, 2003	The resolution at the Board of Directors held on June 25, 2004	The resolution at the Board of Directors held on June 28, 2005	The resolution at the Board of Directors held on June 27, 2006
Date of issuance	June 27, 2003	July 1, 2004	July 4, 2005	July 12, 2006
Issuance Price	¥ 0	¥ 0	¥ 0	¥295,014 per unit
Holding status of stock acquisition rights by directors and corporate auditors	400 units (3 persons)	1,540 units (8 persons)	1,680 units (11 persons)	1,800 units (13 persons)
Directors (Excluding outside directors)	400 units (3 persons)	1,480 units (6 persons)	1,560 units (7 persons)	1,580 units (7 persons)
Outside directors	-	-	30 units (1 person)	100 units (2 persons)
Corporate auditors	-	60 units (2 persons)	90 units (3 persons)	120 units (4 persons)
Class and aggregate number of shares to be issued or delivered upon exercise	80,000 shares of common stock (each stock acquisition right is exercisable for 200 shares)	308,000 shares of common stock (each stock acquisition right is exercisable for 200 shares)	336,000 shares of common stock (each stock acquisition right is exercisable for 200 shares)	360,000 shares of common stock (each stock acquisition right is exercisable for 200 shares)
Exercise price to be paid upon exercise	¥ 2,580 per share	¥ 3,732 per share	¥ 4,300 per share	¥ 5,880 per share
Exercise period	April 1, 2004 to March 31, 2008	April 1, 2005 to March 31, 2009	April 1, 2006 to March 31, 2010	April 1, 2007 to March 31, 2011
Terms of exercise	<p>(i) A person who holds the stock acquisition rights (the “rights holder”) may not exercise his/her rights if:</p> <p>(a) the rights holder becomes a person who does not hold any position as a director, corporate auditor, executive officer, employee, advisor or non-regular employee of the Company or of any of its domestic or foreign subsidiaries before the expiration of the exercise period, unless the Company otherwise deems it appropriate to allow him/her to exercise his/her stock acquisition rights and notifies him/her to that effect;</p> <p>(b) the rights holder dies.</p> <p>(2) The stock acquisition rights may not be inherited.</p>			The stock acquisition rights may not be inherited.
Reasons for the Company’s acquisition of the stock acquisition rights	<p>(a) The Company may acquire, for no consideration, any stock acquisition right in the event that the general meeting of the shareholders resolves to approve (i) any merger agreement pursuant to which the Company shall cease to exist, or (ii) any share exchange agreement or share transfer pursuant to which the Company shall become a wholly owned subsidiary of another company.</p> <p>(b) The Company may acquire, for no consideration, all or part of the stock acquisition rights owned by a rights holder to the extent that such stock acquisition rights are not exercisable due to the rights holder’s failure to satisfy any of the conditions to exercise stock acquisition rights.</p>			The Company shall automatically acquire the stock acquisition rights, for no consideration, if: (a) the general meeting of shareholders resolves to approve (if approval by the shareholders’ meeting is not required, then the Board of Directors may approve) (i) any merger agreement pursuant

		<p>to which the Company shall dissolve, (ii) any agreement or a plan pursuant to which the Company shall split all or part of its business or (iii) any stock-for-stock exchange agreement or stock-transfer plan pursuant to which the Company shall become a wholly-owned subsidiary of another company;</p> <p>(b) the rights holder becomes a person who does not hold any position as a director, corporate auditor, executive officer, employee, advisor or non-regular employee of the Company or of any of its domestic or foreign subsidiaries before the expiration of the exercise period, unless the Company otherwise deems it appropriate to allow him/her to exercise his/her stock acquisition rights and notifies him/her to that effect;</p> <p>(c) the rights holder dies.</p>
Restriction on the transfer of the stock acquisition rights	Approval by the Board of Directors is required to transfer the stock acquisition rights, except where the Company is the transferee with respect to such transfer.	

(ii) Stock acquisition rights granted to employees of the Company and directors and employees of the Company's subsidiaries during FY2006

	The resolution at the Board of Directors held on June 27, 2006	The resolution at the Board of Directors held on November 29, 2006
Date of issuance	July 12, 2006	December 1, 2006
Issuance price	¥0	¥0
Conditions of granting	6,090 units (202 persons)	40 units (3 persons)
Employees of the Company	4,240 units (97 persons)	-
Directors of the Company's subsidiaries	530 units (16 persons)	-
Employees of the Company's subsidiaries	1,320 units (89 persons)	40 units (3 persons)
Class and aggregate number of shares to be issued or delivered upon exercise	1,218,000 shares of common stock (each stock acquisition right is exercisable for 200 shares)	8,000 shares of common stock (each stock acquisition right is exercisable for 200 shares)
Exercise price to be paid upon exercise	¥5,880 per share	¥6,218 per share
Exercise period	April 1, 2007 to March 31, 2011	
Terms of exercise	The stock acquisition rights may not be inherited.	
Reasons for the Company's acquisition of the stock acquisition rights	The Company shall automatically acquire the stock acquisition rights, for no consideration, if: (a) the general meeting of shareholders resolves to approve (if approval by the shareholders' meeting is not legally required, then the Board of Directors may approve) (i) any merger agreement pursuant to which the Company shall dissolve, (ii) any agreement or a plan pursuant to which the Company shall split all or part of its business or (iii) any stock-for-stock exchange agreement or stock-transfer plan pursuant to which the Company shall become a wholly-owned subsidiary of another company; (b) the rights holder becomes a person who does not hold any position as a director, corporate auditor, executive officer, employee, advisor or non-regular employee of the Company or of any of its domestic or foreign subsidiaries before the expiration of the exercise period, unless the Company otherwise deems it appropriate to allow him/her to exercise his/her stock acquisition rights and notifies him/her to that effect; (c) the rights holder dies.	
Restriction on the transfer of the stock acquisition rights	Approval by the Board of Directors is required to transfer the stock acquisition rights, except where the Company is the transferee with respect to such transfer.	

(3) Directors and Corporate Auditors

(i) Directors and Corporate Auditors (as of March 31, 2007)

Title	Name	Assignment in the Company and representatives of other organizations, etc.
Chairman of the Board	Shimpei Takeshita	Chairman of Japan Electric Measuring Instruments Manufacturers' Association
Representative Board Director	Toshio Maruyama*	
Director and Senior Executive Advisor	Hiroshi Oura	Director of Fujitsu Limited Director of Yamato Holdings Co., Ltd.
Director	Naoyuki Akikusa	Representative Board Director and Chairman of Fujitsu Limited Chairman of Japan Electronics and Information Technology Industries Association
Director	Yasushige Hagio	Attorney-at-Law, Seiwa Patent Office and Law
Director	Junji Nishiura*	
Director	Hiroji Agata*	
Director	Takashi Tokuno*	
Director	Hitoshi Owada*	
Standing Corporate Auditor	Noboru Yamaguchi	
Standing Corporate Auditor	Tadahiko Hirano	
Corporate Auditor	Takashi Takaya	Standing Corporate Auditor of Fujitsu Limited
Corporate Auditor	Megumi Yamamuro	Attorney-at-Law, CAST Itoga Law P.C. Professor, The University of Tokyo Graduate School of Law and Politics

- (Notes)
- Messrs. Naoyuki Akikusa and Yasushige Hagio are outside directors.
 - Messrs. Takashi Takaya and Megumi Yamamuro are outside corporate auditors.
 - Mr. Takashi Takaya, corporate auditor, has substantial accounting experience in listed companies and considerable knowledge of financial and accounting matters.
 - There has been no significant change in assignment in the Company and representative positions of other organizations, etc. of directors and corporate auditors after March 31, 2007.
 - The Company has in place an Executive Officers System and * indicates a director who also serves as an Executive Officer.
 - The positions of Executive Officers are currently held as follows:

Title	Name	Assignment in the Company and representatives of other organizations, etc.
President and CEO	Toshio Maruyama	
Senior Executive Officer	Junji Nishiura	Technology and Production
Senior Executive Officer	Hiroji Agata	Sales and Marketing
Senior Executive Officer	Takashi Tokuno	Product
Managing Executive Officer	Hitoshi Owada	Corporate Affairs
Managing Executive Officer	Yuri Morita	Senior Vice President, Corporate Affairs Group
Managing Executive Officer	Jiro Katoh	Senior Vice President, Technology Development Group
Managing Executive Officer	Takao Tadokoro	Senior Vice President, Sales and Marketing Group
Managing Executive Officer	Hiroyasu Sawai	Senior Vice President, SE Group
Managing Executive Officer	Hiroshi Tsukahara	Senior Vice President, the 1st Test System Business Group
Executive Officer	Masao Shimizu	Senior Vice President, DI Business Group
Executive Officer	Masao Araki	President and Representative Board Director of Advantest Customer Support Corporation
Executive Officer	Yuichi Kurita	Senior Vice President, Corporate Planning Group
Executive Officer	Yoshiro Yagi	Vice President, Sales and Marketing Group
Executive Officer	Hideaki Imada	Senior Vice President, the 2nd Test System Business Group
Executive Officer	Shinichiro Umeda	Senior Vice President, Software Development Group

Executive Officer	Akira Hatakeyama	President and Representative Board Director of Advantest Manufacturing, Inc.
Executive Officer	Yasuhiro Kawata	General Manager, 2nd SoC Tester Business Division, the 1st Test System Business Group
Executive Officer	Takashi Sugiura	Senior Vice President, FA Business Group
Executive Officer	Shinichiro Kuroe	Vice President, Sales and Marketing Group
Executive Officer	Takashi Sekino	Vice President, Technology Development Group
Executive Officer	Hiroshi Nakamura	Vice President, Corporate Affairs Group
Executive Officer	Yoshiaki Yoshida	Representative Board Director of Advantest Finance Inc.

7: Changes in assignment in the Company and representative positions of other organizations, etc. of Executive Officers after March 31, 2007 are as follows:

Effective May 1, 2007

Title	Name	Assignment in the Company and representatives of other organizations, etc.
Managing Executive Officer	Jiro Katoh	Senior Vice President, Production Support Group
Executive Officer	Yasuhiro Kawata	Senior Vice President, Cost Planning Group
Executive Officer	Takashi Sekino	Senior Vice President, Technology Development Group

(ii) The aggregate amount of compensation paid to directors and corporate auditors

Category	Number subject to payment	Amount paid
Directors	9	¥527 million
Corporate Auditors	4	¥91 million
Total	13	¥618 million

- (Notes) 1. Amount paid set forth above includes bonuses to be paid to directors and corporate auditors pursuant to the resolution at the 65th ordinary general meeting of shareholders.
2. Of the amount paid set forth above, the aggregate amount of compensation paid to two outside directors and two outside auditors is ¥18 million.
3. Other than the above, an aggregate amount of ¥531 million, consisting of ¥496 million to its nine directors and ¥35 million to its four corporate auditors, was paid as the Company's stock option-related compensation (of the ¥531 million above, an aggregate amount of ¥47 million was paid to the two outside directors and two outside corporate auditors). The aggregate sum for the "Amount paid" set forth above and the Company's stock option-related compensation is ¥1,149 million, which consists of ¥1,023 million paid to its nine directors and ¥126 million paid to its four corporate auditors (of the ¥1,149 million, an aggregate amount of ¥65 million was paid to the two outside directors and two outside corporate auditors).

(iii) Matters pertaining to outside directors and outside corporate auditors

(a) Concurrent Posts held (as operating officers, outside directors or outside corporate auditors of other companies)

Name	Company name	Post
Naoyuki Akikusa (Outside director)	Fujitsu Limited FANUC LTD	Representative Board Director and Chairman Outside corporate auditor
Takashi Takaya (Outside corporate auditor)	Uchida Yoko Co., Ltd. Tsuzuki Denki Co., Ltd.	Outside corporate auditor Outside corporate auditor
Megumi Yamamuro (Outside corporate auditor)	Fujitsu Limited	Outside corporate auditor

(Note) Mr. Naoyuki Akikusa, director, also serves as the Representative Board Director and Chairman of Fujitsu Limited with which the Company engages in business transactions such as purchase and sale of each other's products.

(b) Principal activities

Name	Attendance	Participation at meetings of the Board of Directors
Naoyuki Akikusa (Outside director)	Meetings of Board of Directors: 7 out of 10 times	Mr. Akikusa expresses his opinions mainly from management perspectives and based on his knowledge of the industry.

Yasushige Hagio (Outside director)	Meetings of Board of Directors: 9 out of 10 times	Mr. Hagio expresses his opinions based mainly on his expertise as an attorney-at-law.
Takashi Takaya (Outside corporate auditor)	Meetings of Board of Directors: 13 out of 13 times Meetings of Board of Corporate Auditors: 13 out of 13 times	Mr. Takaya expresses his opinions mainly based on his knowledge of financial and accounting matters.
Megumi Yamamuro (Outside corporate auditor)	Meetings of Board of Directors: 10 out of 10 times Meetings of Board of Corporate Auditors: 10 out of 10 times	Mr.. Yamamuro expresses his opinions based mainly on his expertise as an attorney-at-law.

(c) Overview of the liability limitation agreement

The Company entered into an agreement limiting liabilities as defined in Article 423, Item 1 of the Company Law, with each of Messrs. Naoyuki Akikusa and Yasushige Hagio, outside directors, and Messrs. Takashi Takaya and Megumi Yamamuro, outside corporate auditors. The upper limit of liability based on this agreement is the minimum liability as provided in the relevant laws and ordinances.

(4) Accounting Auditor

(i) Name of accounting auditor

Ernst & Young ShinNihon

(ii) Remuneration

	Amount
Remuneration to the accounting auditor for this fiscal year	¥244 million
Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the accounting auditor	¥246 million

(Notes) 1. Under the agreement between the Company and the accounting auditor, as the Company has not drawn any distinction between the remuneration for the audit services pursuant to the Company Law and the Securities and Exchange Law of Japan and the remuneration for the audit services pursuant to the U.S. Securities and Exchange Act, the amount set forth above represents the aggregate amount of these audit services.

2. The Company's significant overseas subsidiaries have been audited by auditors of the Ernst & Young Group.

(iii) Policies on dismissal or non-reappointment of the accounting auditor

In case the accounting auditor falls under any one of the items of Article 340, Paragraph 1 of the Company Law, the Board of Corporate Auditors shall dismiss the accounting auditor upon consent of all corporate auditors. In such case, a corporate auditor who is appointed by the Board of Corporate Auditors shall report the dismissal and its reasons at the first general meeting of shareholders convened after such dismissal.

In addition, other than the above, if it is deemed to be difficult for the accounting auditor to conduct an appropriate auditing due to the occurrence of events that impair its qualification or independence, the Board of Directors shall, upon consent of the Board of Corporate Auditors or based on a request by the Board of Corporate Auditors, propose the dismissal or non-reappointment of the accounting auditor as an agenda at a general meeting of shareholders.

(5) System to ensure the appropriateness of business

The Board of Directors resolved a system that ensures the appropriateness of its business as follows:

Basic Policy for Internal Control System

Holding “Technology Support on the Leading Edge” as our management philosophy, the Advantest Group promotes the “enhancement of corporate value” while fulfilling social responsibilities of the Company to all stakeholders including its customers, shareholders and employees, and increasing the transparency of its management. To this end, the Company shall make efforts to prepare a framework as defined in each article below, implement the establishment, development and management of the internal control system, and ensure the sound operations of the Company.

1. Framework to ensure the compliance with applicable laws and ordinances as well as the articles of incorporation by directors and employees in performing their duties
 - (i) It is the Company’s basic policy to promote corporate activities based on higher ethical standards, integrity and social justice.
 - (ii) To assure compliance with laws and ordinances as well as its articles of incorporation, and to ensure that actions are taken faithfully and ethically, the Company shall establish the “Code of Ethics for directors” for directors and executive officers, and the “Advantest Code of Conduct” for all officers and employees of the Advantest Group, and notify such directors, executive officers, officers and employees of these codes.
 - (iii) As a framework to realize full compliance with laws and ordinances, the Company shall establish the Corporate Ethics Committee that monitors the implementation of the Advantest Code of Conduct. In addition, to handle reports and consultation regarding questionable matters in light of the Advantest Code of Conduct, the Company shall establish the “Code of Conduct Helpline” a system in which a person who reports shall not be treated disadvantageously.
 - (iv) The Company shall establish the Corporate Social Responsibility Committee in order to fulfill its corporate social responsibilities, and ensure compliance with laws and ordinances by establishing subcommittees such as the Disclosure Committee, the Internal Control Committee and the Human Rights Protection Committee.
2. Framework regarding the retention and management of information in relation to the performance of duties by directors
 - (i) The Company shall properly retain and manage the following information regarding the exercise of duties by directors, pursuant to the internal rules that stipulate details such as the period of retention, person in charge of retention and method of retention.
 - Minutes of general meetings of shareholders and reference materials
 - Minutes of meetings of the Board of Directors and reference materials
 - Other important documents regarding the exercise of duties by directors
 - (ii) The Company shall establish the Information Security Committee that is responsible for protecting personal information and preventing confidential information from leaking.
3. Rules relating management risk of loss and other frameworks
 - (i) The Company believes risk management to be an important management issue, and therefore, it shall establish the Risk Management Group headed by the President as the general manager and organize a framework to deal with emergency situations.
 - (ii) With respect to emergency situations such as disasters, the Company shall create written emergency action guidelines and prepare by implementing education and training programs in a timely manner.
 - (iii) With respect to potential risks behind business activities, management environment and corporate assets, the Company shall identify and classify risk factors for each important business process, analyze the scale of risks, possibility of actual occurrence and frequency of such occurrence, etc., and create written policies and procedures regarding the

- appropriate response to and avoidance/ reduction of the risks, as one of the internal control activities.
- (iv) Material risks shall be controlled by the Internal Control Committee and be reported to the Board of Directors.
4. Framework to ensure the effective performance of duties by Directors
- (i) The Company shall introduce the Executive Officers System to promote the efficiency of the management by separating the management decision making function from the function of exercising duties.
- (ii) The Board of Directors, as the management decision making body, shall formulate the management policies and management strategies for the Advantest Group, and as a monitoring body of the management, the Board of Directors, including outside directors shall monitor and supervise the status of exercise of duties by executive officers while delegating broad authorities to the executive officers so that they can fulfill their duties promptly and efficiently.
- (iii) The directors shall approve the Group's management plans and business plans, receive reports on operation results based on monthly closing account, financial situation, status of the performance of duties by each department at the meeting of the Board of Directors held monthly, and review the appropriateness of such plans.
- (iv) The Internal Control Committee shall report the development and management of the internal control system, as deemed necessary, to the Board of Directors.
5. Framework to ensure the appropriateness of operations of the Company, and the group as a whole, including its parent company and subsidiaries
- (i) The Advantest Group shall establish and operate the same quality of internal control system for the Company and its group companies in order to conduct the consolidated group management placing an emphasis on business evaluation based on consolidated accounting.
- (ii) The internal control system of the Advantest Group is supported by each department of the Company that is responsible for each group company, and is established and operated as a unified system based on the policies of the group created by the Internal Control Committee. The status of each group company that is controlled by the Internal Control Committee shall be reported to the Board of Directors.
- (iii) Auditing Group of the Company supervises an internal audit to each group company.
6. Matters relating to employees that assist the Board of Corporate Auditors in the event that a request to retain such employees is made by the Board of Corporate Auditors
- (i) In the event that the Board of Corporate Auditors requests the placement of employees to assist with its duties, employees shall be placed as necessary.
- (ii) In the event that the Board of Corporate Auditors decides that it is capable of conducting an audit effectively without employees' assistance, such employees shall not be placed.
7. Matters relating to the independence of employees from directors in the preceding article
- (i) In placing employees to assist the Board of Corporate Auditors, the prior consent of the Board of Corporate Auditors acknowledging the independence of the employees from directors shall be obtained.
8. Framework for reporting by directors and employees to corporate auditors, and for other reports to the corporate auditors
- (i) The Company shall adopt a system that allows Corporate Auditors to attend important meetings such as the meeting of the Board of Managing Directors and to keep abreast important matters regarding the execution of operations.
- (ii) In the event that a report or consultation is made to the Code of Conduct Helpline with respect to corporate accounting, internal control or auditing, such report or consultation shall be directly reported to or consulted with corporate auditors.
9. Other frameworks to ensure the effective implementation of audit by corporate auditors

- (i) Corporate auditors shall share information held by the Auditing Group (an internal audit section of the Company) and ensure that there are opportunities to exchange opinions as deemed necessary.

(6) Policies on the distribution of surplus

Based on the premise that long-term and continued growth in corporate value is fundamental to the creation of shareholder value, the Company deems the consistent distribution of profits to be the most important management priority. Accordingly, the Company engages in active distribution of profits based on business performance.

With respect to the distribution of the surplus, the Company makes payout decisions after taking into consideration business performance, financial conditions, as well as the need for strategic investment for mid- to long-term business development. While aiming to make consistent distributions, because of the fluctuation of the market in which it operates, the Company makes dividend payouts following a target payout ratio of 20% or more.

Retained earnings are devoted to research and development, streamlining efforts, overseas expansion, investments in new businesses and resources for M&A activities, with an aim to strengthen the Company's business position and enhance its corporate value.

In order to maintain capital strategies responsive to changes in the operating environment, the Company plans to decide obtaining more treasury shares by taking into account factors such as stock price trend, capital efficiency and cash flow.

Consolidated Balance Sheets

(As of March 31, 2007)

(unit: million yen)

	FY2006	FY2005 (reference)		FY2006	FY2005 (reference)
Assets			Liabilities		
Current assets	294,808	275,633	Current liabilities	60,652	76,745
Cash and cash equivalents	196,395	157,925	Current portion of long-term debt	10	30
Trade accounts receivable, less allowance for doubtful accounts	54,264	69,567	Trade accounts payable	29,095	32,584
Inventories	31,976	29,911	Income taxes payable	9,370	19,970
Deferred tax assets	9,215	13,708	Accrued expenses	13,637	12,781
Other current assets	2,958	4,522	Accrued warranty expenses	4,135	4,776
Investment securities	11,370	12,273	Other current liabilities	4,405	6,604
Property, plant and equipment, net	49,650	50,793	Long-term debt, excluding current portion	-	10
Deferred tax assets	2,690	7,378	Accrued pension and severance cost	8,267	12,292
Intangible assets, at cost, less accumulated amortization	3,101	2,858	Other liabilities	2,658	3,802
Other assets	4,755	1,841	Total liabilities	71,577	92,849
			Stockholders' equity		
			Common stock	32,363	32,363
			Capital surplus	39,256	37,147
			Retained earnings	273,082	245,090
			Accumulated other comprehensive income (loss)	3,652	1,344
			Treasury stock	(53,556)	(58,017)
			Total stockholders' equity	294,797	257,927
Total assets	366,374	350,776	Total liabilities and stockholders' equity	366,374	350,776

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

Consolidated Statements of Income

(From April 1, 2006 to March 31, 2007)

(unit: million yen)

	FY2006	FY2005 (reference)
	Amount	Amount
Net sales	235,012	253,922
Cost of sales	108,718	121,429
Gross profit	126,294	132,493
Research and development expenses	29,509	26,927
Selling, general and administrative expenses	39,993	41,108
Operating income (loss)	56,792	64,458
Other income (expense):		
Interest and dividend income	3,026	1,760
Interest expense	(16)	(290)
Other	1,288	1,526
Income (loss) before income taxes	61,090	67,454
Income taxes	25,520	26,080
Equity in earnings (loss) of equity method affiliates	(14)	-
Net income (loss)	35,556	41,374

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

Consolidated Statements of Stockholders' Equity

(From April 1, 2006 to March 31, 2007)

(unit: million yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity
Balance of March 31, 2006	32,363	37,147	245,090	1,344	(58,017)	257,927
Comprehensive income						
Net income (loss)			35,556			35,556
Other comprehensive income (loss)						
Foreign currency translation adjustments				1,123		1,123
Net unrealized gains and losses on securities				(362)		(362)
Total comprehensive income for FY2006						36,317
Adjustment to initially apply SFAS 158				1,547		1,547
Cash dividends			(7,474)			(7,474)
Stock option compensation expense		2,566				2,566
Exercise of stock option		(457)			4,520	4,063
Treasury stock purchased					(68)	(68)
Treasury stock sold			(90)		9	(81)
Balance of March 31, 2007	32,363	39,256	273,082	3,652	(53,556)	294,797

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

Notes to the Consolidated Financial Statements

1. Notes to significant matters based on which the Consolidated Financial Statements were prepared
 - (1) Basis of Presentation

The consolidated statutory report including consolidated balance sheets and consolidated statements of income has been prepared on the basis of accounting principles generally accepted in the United States of America (“U.S. GAAP”), pursuant to the provisions of paragraph 1 of Article 148 of the Company Accounting Regulation (*kaisha keisan kisoku*). Pursuant to the provisions of the article, however, certain disclosures required on the basis of U.S. GAAP are omitted.
 - (2) Scope of consolidation

Consolidated subsidiaries

 - (a) The number of consolidated subsidiaries 40
 - (b) Names of major consolidated subsidiaries are omitted, as they are described in “1. Current Conditions of the Advantest Group, (3) Significant Subsidiaries” of the Business Report.
 - (3) Application of the equity method

The number and name of the equity method affiliate: one, e-Shuttle, Inc.
 - (4) Significant accounting policies
 - (i) Cash equivalents

Cash equivalents consist of deposits and negotiable certificates of deposit due to mature within 3 months.
 - (ii) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the average cost method.
 - (iii) Securities

The Company applies Statement of Financial Accounting Standards (SFAS) No. 115, “Accounting for Certain Investment in Debt and Equity Securities”.
Available-for-sale securities are recorded at fair value. Unrealized gains and losses on trading securities are included in earnings. Unrealized gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported in accumulated other comprehensive income (loss) until realized. Realized gain and losses are determined on the average cost method.
Other securities are accounted for using the acquisition cost method.
 - (iv) Depreciation of property, plant, and equipment

For the Company and its domestic subsidiaries, depreciation is computed principally using the declining-balance method, except for buildings which is depreciated using the straight-line method. For foreign subsidiaries, depreciation is computed using the straight-line method.
 - (v) Goodwill and other intangible assets

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

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

(vii) Allowances

Allowances for doubtful accounts

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

Accrued warranty expenses

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

Accrued pension and severance cost

In accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 158, "Employers' Accounting for Defined Benefit and Retirement Plans", in order to prepare for the employees' severance, severance and pension costs are accrued based on the projected benefit obligations and the fair value of plan assets at the balance sheet date. Unrecognized actuarial loss and unrecognized prior service cost are amortized by the straight-line method over the average remaining service periods of employees.

(Changes to accounting policies)

Beginning fiscal year 2006, the Company has adopted SFAS 158. The actuarial loss and prior service cost which used to be unrecognized pursuant to SFAS 87 are recognized on the consolidated balance sheet. With these changes, accrued severance and pension costs decreased ¥2,590 million and the aggregate amount of other accumulated comprehensive income (loss) after the income tax adjustment increased ¥1,547 million. There is no impact on the Company's profit and loss.

(viii) Translation of foreign financial statements

In accordance with SFAS 52, "Foreign Currency Translation", in financial statements of foreign subsidiaries utilizing local currencies as a functional currency, assets and liabilities are translated at rates of exchange prevailing at the end of the fiscal year, profits and expenses are translated at average rates of exchange in effect during the year, and foreign currency translation adjustments resulting from the above translation of items are included as other accumulated comprehensive income (loss).

2. Notes to Consolidated Balance Sheets

- (1) Allowance for doubtful accounts: ¥205 million
- (2) Accumulated depreciation on property, plant and equipment: ¥75,838 million
- (3) Outstanding loan guarantees: ¥108 million

3. Notes to Consolidated Statements of Stockholders' Equity

- (1) Total number of issued shares as of March 31, 2007
Common stock 199,566,770 shares

(2) Distribution of the surplus

(i) Amount of distribution

Resolution	Class of shares	Aggregate amount of distribution	Amount of distribution per share	Record date	Effective date
The resolution at the Ordinary General Meeting of Shareholders held on June 27, 2006	Common stock	¥4,200 million	¥45.0	March 31, 2006	June 28, 2006
The resolution at the meeting of the Board of Directors held on October 27, 2006	Common stock	¥3,274 million	¥35.0	September 30, 2006	December 1, 2006

(ii) Dividend with its record date in fiscal year 2006 and its effective date in fiscal year 2007

Resolution	Class of shares	Source of dividend	Total amount of distribution	Amount of distribution per share	Record date	Effective date
The resolution at the Ordinary General Meeting of Shareholders held on June 27, 2007	Common stock	Retained earnings	¥6,099 million	¥32.5	March 31, 2007	June 28, 2007

(3) Stock acquisition rights outstanding as of March 31, 2007

(Excluding stock acquisition rights for which the exercise period has not begun)

Pursuant to the resolution adopted at the Ordinary General Meeting of Shareholders of June 27, 2003

Common stock 450,000 shares

Pursuant to the resolution adopted at the Ordinary General Meeting of Shareholders of June 25, 2004

Common stock 940,000 shares

Pursuant to the resolution adopted at the Ordinary General Meeting of Shareholders of June 28, 2005

Common stock 1,323,980 shares

4. Notes to per share information

Net assets per share: ¥1,570.99

Basic net income per share: ¥190.01

5. Notes to significant subsequent events

The Company resolved at the meeting of its Board of Directors on April 25, 2007 to repurchase its shares in order to implement capital policies responsive to the Company's operating environment pursuant to the Articles of Incorporation in accordance with Article 459, Paragraph 1 of the Company Law under the terms set forth below.

Resolution at the meeting of Board of Directors regarding the repurchasing of the Company's shares

- (i) Class of shares to be repurchased Common stock
- (ii) Aggregate number of shares to be repurchased Up to 3.6 million shares
- (iii) Period for share repurchase From April 26, 2007 to June 20, 2007
- (iv) Aggregate price of shares to be repurchased Up to 20 billion yen
- (v) Method of repurchase Purchase on the market through the Tokyo Stock Exchange

6. Other notes

Amounts less than one million yen are rounded.

Balance Sheets (Non-Consolidated)

(As of March 31, 2007)

(Unit: million yen)

	FY2006	FY2005 (reference)		FY2006	FY2005 (reference)
Assets			Liabilities		
Current assets	213,182	199,872	Current liabilities	56,358	68,120
Cash and deposits	112,558	86,669	Trade accounts payable	26,407	30,476
Trade notes receivables	4,505	1,001	Other accounts payable	2,030	2,419
Accounts receivable	56,313	71,892	Accrued expenses	9,992	9,054
Finished goods	5,156	3,571	Income tax payable	8,082	16,315
Raw materials	2,954	4,774	Allowance for product warranty	4,192	4,877
Work in progress	15,997	13,085	Bonus accrual for directors	203	-
Supplies	165	177	Other current liabilities	5,451	4,977
Deferred tax assets	9,017	9,514	Noncurrent liabilities	8,533	9,191
Other current assets	7,497	9,187	Long-term borrowings	-	10
Allowance for doubtful accounts	(983)	-	Allowance for retirement benefits	6,255	6,970
Noncurrent assets	76,515	74,665	Allowance for officers' retirement	-	1,681
Property, plant and equipment	37,784	38,781	benefits		
Buildings	13,461	14,163	Other noncurrent liabilities	2,277	529
Structures	770	831	Total liabilities	64,891	77,311
Machinery and equipment	3,452	3,640	Stockholders' equity		
Vehicles and delivery equipment	16	24	Common stock	-	32,362
Tools and furniture	2,164	2,171	Capital surplus	-	32,973
Land	17,622	17,915	Additional paid-in capital	-	32,973
Construction in progress	297	33	Retained earnings	-	187,229
Intangible fixed assets	1,467	1,233	Legal reserve	-	3,083
Software	940	816	Voluntary reserve	-	148,942
Others	526	417	[Reserve for losses in foreign investments]	-	[27,062]
Investments and other assets	37,263	34,650	[General reserve]	-	[121,880]
Investment securities	11,336	12,228	Unappropriated earnings at end of year	-	35,204
Investments in affiliated companies	16,480	16,470	Net unrealized holding gains on other securities	-	2,677
Long-term loans receivable	1,084	1,078	Treasury stock	-	(58,017)
Deferred tax assets	4,791	3,482	Total stockholders' equity	-	197,226
Other noncurrent assets	3,570	1,391	Total liabilities and stockholder's equity	-	274,538
			Net assets		
			Stockholders' equity	220,152	-
			Common stock	32,362	-
			Capital surplus	32,973	-
			Additional paid-in capital	32,973	-
			Retained earnings	208,372	-
			Legal reserve	3,083	-
			Other retained earnings	205,289	-
			[Reserve for losses in foreign investments]	[27,062]	-
			[General reserve]	[146,880]	-
			[Retained earnings brought forward]	[31,347]	-
			Treasury stock	(53,555)	-
			Difference of appreciation and conversion	2,315	-
			Net unrealized gains on securities	2,315	-
			Stock acquisition rights	2,337	-
			Total net assets	224,805	-
Total assets	289,697	274,538	Total liabilities and net assets	289,697	-

(Notes) Amounts less than one million are truncated.

Statements of Income (Non-Consolidated)

(April 1, 2006 through
March 31, 2007)

(unit: million yen)

	FY2006	FY2005 (reference)
Net sales	197,753	217,688
Cost of sales	98,195	113,606
Gross profit	99,558	104,082
Selling, general, and administrative expenses	58,054	54,335
Operating income	41,503	49,746
Non-operating income		
Interest and dividend income	2,964	2,604
Other	2,475	3,828
Non-operating expenses		
Interest expenses	22	288
Other	3,283	2,013
Ordinary income	43,638	53,878
Net income before income taxes	43,638	53,878
Income taxes – current	14,769	18,364
Income taxes – deferred	(567)	239
Net income	29,436	35,273

(Notes) Amounts less than one million are truncated.

Statements of Changes in Stockholders' Equity

(From April 1, 2006 to March 31, 2007)

(unit: million yen)

	Stockholders' equity								Difference of appreciation and conversion	Stock acquisition rights	Total net assets
	Common stock	Capital surplus	Legal reserve	Retained earnings			Treasury stock	Total stockholders' equity	Net unrealized gains on securities		
				Additional paid-in capital	Other retained earnings						
					Reserve for losses in foreign investments	General reserve					
Balance of March 31, 2006	32,362	32,973	3,083	27,062	121,880	35,204	(58,017)	194,548	2,677	-	197,226
Changes in the term											
Transfer to voluntary reserve (Note 2)					25,000	(25,000)		-			-
Bonus of directors and corporate auditors (Note 3)						(203)		(203)			(203)
Dividends from surplus (Note 4)						(7,473)		(7,473)			(7,473)
Net income						29,436		29,436			29,436
Purchase of treasury stock							(67)	(67)			(67)
Disposal of treasury stock						(617)	4,529	3,912			3,912
Net changes of items other than stockholders' equity									(362)	2,337	1,975
Total changes in the term	-	-	-	-	25,000	(3,857)	4,461	25,604	(362)	2,337	27,579
Balance of March 31, 2007	32,362	32,973	3,083	27,062	146,880	31,347	(53,555)	220,152	2,315	2,337	224,805

- (Notes)
1. Amounts less than one million are truncated.
 2. Transfer to voluntary reserve was an appropriated earnings item for the ordinary general meeting of shareholders held in June, 2006.
 3. Bonus of directors and corporate auditors was an appropriated earnings item for the ordinary general meeting of shareholders held in June, 2006.
 4. 4,199 million yen out of dividends from surplus was an appropriated earnings item for the ordinary general meeting of shareholders held in June, 2006.

Notes to Non-Consolidated Financial Statements

1. Notes to significant accounting policies

(1) Valuation of securities

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

(2) Valuation of inventories

- (i) Finished goods
Stated at cost using the periodic average method
- (ii) Raw materials
Stated at lower of cost or market using the periodic average method
- (iii) Work in progress
Stated at cost using the periodic average method
- (iv) Supplies
Stated at cost using the specific identification method

(3) Depreciation and amortization of noncurrent assets

- (i) Depreciation of plant and equipment
Based on the declining balance method
However, buildings (except attached improvements) acquired on or after April 1, 1998 are depreciated using the straight-line method.
- (ii) Amortization of intangible fixed assets
Based on the straight-line method
However, software for internal use is amortized using the straight-line method over its estimated useful life of 5 years.

(4) Allowances

- (i) Allowance for doubtful accounts
To prepare for credit losses on accounts receivable and loans, etc., an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on a historical write-off ratio and for bad receivables based on a case-by-case determination of collectibility.
- (ii) Allowance for product warranty
To reasonably account for repair costs covered under product warranty in the respective periods in which they arise, the allowance for a given year is provided in an amount determined based on the ratio of repair costs in that year to net sales in the preceding year.
- (iii) Bonus accrual for directors
In preparation for the payment of bonuses to directors, of the total amount expected to be paid, an estimated amount for the fiscal year 2006 is reported.

(iv) Allowance for retirement benefits

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

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

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

(v) Allowance for officers' retirement benefits

To provide for officers' retirement benefits, an allowance used to be provided for the aggregate amount payable at the end of the period pursuant to the Company's rules on officers' retirement benefit. This allowance was terminated as of the closing of the ordinary general meeting of shareholders held on June 27, 2006. Accordingly, it was resolved at the same meeting that a termination payment of the retirement benefits would be paid to officers based on the period of their tenure until that time. 1,460 million yen of the officers' retirement benefits for the said payment period is included in "Other noncurrent liabilities".

(5) Accounting for lease transactions

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

(6) Accounting for consumption taxes

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

(Changes to accounting policies)

(1) Accounting standards for officers' bonus (*Yakuin Syouyo ni Kansuru Kaikei Kijyun*)

In fiscal year 2006, the Company adopted "Accounting standards for officers' bonus" (Corporate accounting standards (*Kigyuu Kaikei Kijyun*) No. 4, November 29, 2005). Accordingly, operating income, ordinary income, and net income before income taxes decreased 203 million yen, respectively.

(2) Accounting standards for the statement of net assets on balance sheets (*Taisyaku Taisyuu Hyou no Junshisan no Bu no Hyouji ni Kansuru Kaikei Kijyun*)

In fiscal year 2006, the Company adopted "Accounting standards for the statement of net assets on the balance sheet" (Corporate accounting standards No. 5, December 9, 2005) and "Application guidelines for accounting standards for the statement of net assets on the balance sheet" (Application guidelines for corporate accounting standards No. 8, December 9, 2005).

The amount equivalent to the total stockholders' equity to date is 222,468 million yen.

(3) Accounting standards for stock option (*Stock Option Tou ni Kansuru Kaikei Kijyun*)

In fiscal year 2006, the Company adopted "Accounting standards for stock option" (Corporate accounting standards No. 8, December 27, 2005) and "Application guidelines for accounting standards for stock option" (*Stock Option Tou ni Kansuru Kaikei Kijyun no Tekiyuu Shishin*) (Application guidelines for corporate accounting standards No. 11, May 31, 2006).

Accordingly, operating income, ordinary income, and net income before income taxes decreased 2,337 million yen, respectively.

2. Notes to balance sheets

- | | |
|--|-----------------|
| (1) Accumulated depreciation on property, plant and equipment (including accumulated impairment losses): | ¥57,479 million |
| (2) Short-term receivables from affiliates: | ¥32,064 million |
| Long-term receivables from affiliates: | ¥1,050 million |
| Short-term payables to affiliates: | ¥11,466 million |

3. Notes to statements of income

Transactions with affiliated companies	
Sales:	¥77,228 million
Purchases:	¥54,458 million
Non-operating transactions:	¥5,182 million

4. Notes to Statements of Changes in Stockholders' Equity

Total number of treasury shares as of March 31, 2007	
Common stock	11,916,485 shares

5. Notes to accounting for income taxes

Breakdown by major causes of deferred tax assets and deferred tax liabilities

Deferred tax assets	(Unit: million yen)
Appraised value of inventories	2,757
Research and development expenses	1,701
Accrued warranty expenses	1,689
Accrued bonus	1,392
Excess allowance for retirement benefits	2,521
Long-term accounts payable	769
Accrued enterprise taxes	746
Valuation difference in other securities	5
Excess depreciation	1,883
Impairment loss	505
Other	<u>1,740</u>
Subtotal of deferred tax assets	15,712
Valuation allowance	<u>(334)</u>
Net deferred tax assets	15,377
Deferred tax liabilities	
Valuation difference in other securities	<u>(1,568)</u>
Net deferred tax assets	<u><u>13,809</u></u>

6. Notes to noncurrent assets used on a lease basis

In addition to property, plant and equipment recognized in the balance sheet, the Company uses some of its computer equipments under lease agreements.

7. Notes to transactions with related parties

- (1) Parent company and major corporate shareholders
Not applicable.
- (2) Officers and major individual investors
Not applicable.

(3) Subsidiaries

Company name	Address	Common stock	Principal Activities	Percentage of Voting Rights	Description of relationships		Details of transactions	Amount of transactions	Items	Balance at fiscal year end
					Position of the Company's officers in subsidiaries	Business relationship				
Advantest Finance Inc.	Chiyoda-ku, Tokyo	¥1,000 million	Leasing of test systems, etc.	100.0%	Yes	Leasing of the Company's products	Sales	¥3,139 million	Accounts receivable Short-term loans receivable	¥1,045 million ¥4,984 million
Advantest Taiwan Inc.	Chu-Pei, Hsin-Chu Hsien, Taiwan	560,000 thousand New Taiwan Dollars	Sale of test systems, etc.	100.0%	Yes	Sale of the Company's products	Sales	¥50,837 million	Accounts receivable	¥21,726 million

Terms and conditions of transactions and determination of policies thereof

1. With respect to sales, the price is determined by referring to the market price, among others.
2. With respect to loans, the rate is determined by taking the market interest rate into consideration.

8. Notes to per share information

Net assets per share: ¥1,185.55

Net income per share: ¥157.31

(Note) Pursuant to the resolution of the meeting of the Board of Directors held on July 26, 2006, the Company made a one to two stock split of shares of its common stock on October 1, 2006. Net income per share is calculated on the assumption that the stock split was made at the beginning of fiscal year 2006.

9. Notes to significant subsequent events

- (1) Following the revisions of dividend policies on foreign subsidiaries made during fiscal year 2006, Advantest (Singapore) Pte. Ltd. resolved at the meeting of its Board of Directors held on April 3, 2007, that it will pay \$210 million as dividend.

Accordingly, the Company received \$210 million as dividend on April 5, 2007, and it will report the approximately ¥24,641 million of dividend received as non-operating income.

- (2) The Company resolved at a meeting of its Board of Directors on April 25, 2007 to repurchase its shares in order to implement capital policies responsive to the Company's operating environment pursuant to the Articles of Incorporation in accordance with Article 459, Paragraph 1 of the Company Law under the terms set forth below.

Resolution at the meeting of Board of Directors regarding the repurchasing of the Company's shares

- | | |
|---|---|
| (i) Class of shares to be repurchased | Common stock |
| (ii) Aggregate number of shares to be repurchased | Up to 3.6 million shares |
| (iii) Period for share repurchase | From April 26, 2007 to June 20, 2007 |
| (iv) Aggregate price of shares to be repurchased | Up to 20 billion yen |
| (v) Method of repurchase | Purchase on the market through the Tokyo Stock Exchange |

10. Other notes

Amounts less than one million are truncated.

Copy of Independent Auditors' Audit Report (Consolidated)

Independent Auditors' Audit Report

May 16, 2007

To the Board of Directors of Advantest Corporation:

Ernst & Young ShinNihon

Kiyotada Osada ○
Engagement Partner
Certified Public Accountant

Tetsuya Naito ○
Engagement Partner
Certified Public Accountant

Makoto Usui ○
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements of Advantest Corporation (the "Company") for its 65th fiscal year (April 1, 2006 through March 31, 2007), including the consolidated balance sheets, consolidated statements of income, consolidated statements of stockholders' equity, and notes to consolidated financial statements, for the purpose of reporting under the provisions of Article 444, Paragraph 4 of the "Company Law." The management of the Company was responsible for the preparation of these consolidated financial statements, and our responsibility shall be limited to the expression of an independent opinion regarding the consolidated financial statements.

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

In our opinion, the consolidated financial statements properly present the financial position and the results of operations during the fiscal year, in all material respects, of the company group consisting of Advantest Corporation and its consolidated subsidiaries in conformity with accounting principles generally accepted in the United States of America (Please refer to "Notes to Consolidated Financial Statements," "1. Notes to basic significant matters regarding the preparation of consolidated financial statements (1)"), pursuant to the provisions of Article 148, Paragraph 1 of the Company Accounting Regulation.

Additional Information

As described in "Notes to Consolidated Financial Statements," "5. Note to significant subsequent events," the Company resolved at the meeting of the Board of Directors held on April 25, 2007 to repurchase its shares.

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

Copy of Independent Auditors' Audit Report

Independent Auditors' Audit Report

May 16, 2007

To the Board of Directors of Advantest Corporation:

Ernst & Young ShinNihon

Kiyotada Osada ○
Engagement Partner
Certified Public Accountant

Tetsuya Naito ○
Engagement Partner
Certified Public Accountant

Makoto Usui ○
Engagement Partner
Certified Public Accountant

We have audited the financial statements of Advantest Corporation (the "Company") for its 65th fiscal year (April 1, 2006 through March 31, 2007), which included the balance sheets, statements of income, statements of changes in stockholders' equity, notes to non-consolidated financial statements, and its supporting schedules, for the purpose of reporting under the provisions of Article 436, Paragraph 2, Section 1 of the "Company Law." The management of the Company was responsible for the preparation of these financial statements and its supporting schedules, and our responsibility shall be limited to the expression of an independent opinion regarding the financial statements and its supporting schedules.

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

In our opinion, the above financial statements and its supporting schedules properly present the financial position and the results of operations of the Company during the fiscal year, in all material respects, in conformity with accounting principles generally accepted in Japan.

Additional Information

As described in "Notes to Non-Consolidated Financial Statements," "9. Note to significant subsequent events," the Company resolved at the meeting of the Board of Directors held on April 25, 2007 to repurchase its treasury shares.

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

Audit Report

This Audit Report was prepared by the Board of Corporate Auditors of Advantest Corporation (the "Company") after deliberation, based on audit reports prepared by each Corporate Auditor with respect to the methods and results of audit concerning the performance of each Director of his/her respective duties during the 65th fiscal year (April 1, 2006 through March 31, 2007). We hereby report as follows.

1. Methods of Audit by Corporate Auditors and the Board of Corporate Auditors, and its contents

In addition to establishing audit policies and audit plans for the fiscal year, and receiving reports from each Corporate Auditor on the implementation status and results of the audit, the Board of Corporate Auditors received reports from Directors and Independent Auditors on the performance of their duties and requested further explanations as deemed necessary.

In compliance with the Rules on the Board of Corporate Auditors established by the Board of Corporate Auditors, pursuant to the audit policies and audit plans for the fiscal year, each Corporate Auditor communicated with Directors, the Audit Office and other employees in order to collect information, attended meetings of the Board of Directors and other important meetings, received reports from Directors and employees on the performance of their duties, requested further explanations as deemed necessary, reviewed important approval-granting documents, and inspected the state of business operations and assets at the head office and other important branch offices.

In addition, we monitored and reviewed the contents of resolutions of the meeting of the Board of Directors with respect to the development of a system as defined in Article 100, Paragraphs 1 and 3 of the Regulations for Enforcement of the Company Law, as well as the status of the system (Internal Control System) that has been developed based on such resolutions.

With respect to subsidiaries, we communicated with and exchanged information with Directors and employees of the subsidiaries and received business reports from subsidiaries as deemed necessary.

Based on the above methods, we reviewed the business report for the fiscal year and its supporting schedules.

In addition, we monitored and reviewed whether the Independent Auditors maintained their independent positions and conducted the audit properly, received reports from the Independent Auditors on the performance of their duties, and requested further explanations as deemed necessary. Furthermore, we were informed by the Independent Auditor that they are establishing a "System to ensure the appropriate performance of duties" (*Syokumu no Suikou ga Tekisetsu ni Okonawareru Koto o Kakuho Suru Tameno Taisei*) (Matters as defined in each Section of Article 159 of the Company Accounting Regulations pursuant to "Quality control standards of audit" (*Kansa ni Kansuru Hinshitsu Kanri Kijyun*)) (the Business Accounting Counsel, October 28, 2005), and requested their explanations as deemed necessary.

Based on the above methods, we reviewed the consolidated financial statements for the 65th fiscal year (the consolidated balance sheets, consolidated statements of income, consolidated statements of stockholders' equity, and notes to consolidated financial statements) and the financial statements (the balance sheets, statements of income, statements of changes in stockholders' equity, notes to non-consolidated financial statements) as well as its supporting schedules.

2. Results of Audit

(1) Results of audit of the business report and other documents

- (i) The business report and its supporting schedules of the Company accurately present the financial conditions of the Company in conformity with applicable laws and regulations and the Articles of Incorporation of the Company.

(ii) No irregularity or violation of applicable laws or regulations or the Articles of Incorporation of the Company was found with respect to the activities of the Directors.

(iii) The contents of the resolutions of the meeting of the Board of Directors with respect to the internal control system are appropriate. In addition, there are no matters to be pointed out regarding the performance of duties of Directors with respect to the internal control system.

(2) Results of audit of the consolidated financial statements

The methods and results of audit performed by Ernst & Young ShinNihon, the independent auditor of the Company, are appropriate.

(3) Results of audit of the financial statements and its supporting schedules.

The methods and results of audit performed by Ernst & Young ShinNihon, the independent auditor of the Company, are appropriate.

May 23, 2007

Board of Corporate Auditors of Advantest Corporation

Noboru Yamaguchi ○
Corporate Standing Auditor

Tadahiko Hirano ○
Corporate Standing Auditor

Takashi Takaya ○
Outside Corporate Auditor

Megumi Yamamuro ○
Outside Corporate Auditor

Memorandum to Shareholders

Fiscal Year: Starting from April 1 of each year and ending on March 31 of the following year

Ordinary general meeting of shareholders: June of each year

Date of Decision on shareholders of record qualified to receive dividends:

March 31 of each year and September 30 when interim dividends are paid.

Method for public notice:

Public notice will be posted on the Advantest website (<http://www.advantest.co.jp/investors/>).

However, in the case of accidents or other inevitable circumstances that prevent the Company from posting public notices on such Company's website, public notices are carried in the Nihon Keizai Shimbun.

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

Place for share transfer/registration business:

Togin Bld. 3F, 4-2 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005

Toll free number: (0120)49-7009

Telephone: (03)3212-4611

Agent for share transfer/registration business:

Main Office and Branch Offices in Japan, The Chuo Mitsui Trust and Banking Company, Limited

Number of shares comprising one unit: 100 shares

(Notice)

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

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

Registration of lost share certificates:

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

*For details, please contact the above share registration agent.