

**FY2006 Interim Consolidated Financial Results**  
**(Prepared in accordance with U.S. GAAP)**  
(Six months ended September 30, 2006)

October 27, 2006

Company name : **Advantest Corporation**  
(URL <http://www.advantest.co.jp/investors/>)

Stock exchanges on which shares are listed : Tokyo Stock Exchange

Stock code number : 6857

Location of head office : Tokyo Prefecture

Company representative : Toshio Maruyama, Representative Board Director, President and CEO

Contact person : Hiroshi Nakamura, Executive Officer,  
Vice President of the Corporate Affairs Group  
(03) 3214-7500

Date of Board meeting to approve the interim financial results : October 27, 2006

Adoption of U.S. GAAP : Yes

**1. Consolidated Results of FY2006 Interim (April 1, 2006 through September 30, 2006)**

(1) Consolidated Financial Results

	Net sales		Operating income		Income before income taxes	
	Million yen		Million yen		Million yen	
<b>FY2006 interim</b>	<b>120,492</b>	<b>12.5%</b>	<b>32,199</b>	<b>42.1%</b>	<b>33,951</b>	<b>38.6%</b>
FY2005 interim	107,099	(26.9%)	22,660	(49.3%)	24,502	(46.8%)
FY2005	253,922		64,458		67,454	

	Net income		Net income per share (basic)		Net income per share (diluted)	
	Million yen		Yen		Yen	
<b>FY2006 interim</b>	<b>22,204</b>	<b>51.9%</b>	<b>118.79</b>		<b>118.03</b>	
FY2005 interim	14,614	(47.5%)	79.03		78.75	
FY2005	41,374		223.17		221.98	

Note 1: There were no investments in affiliates that have been accounted for under the equity method in FY2006 interim, FY2005 interim and FY2005, respectively.

Note 2: Average number of shares outstanding on a consolidated basis was 186,911,714 shares during FY2006 interim, 184,916,458 shares during FY2005 interim and 185,389,026 shares during FY2005, respectively.  
( converted following the stock split with respect to each fiscal period indicated above)

Note 3: No change in accounting policies during FY2006 interim.

Note 4: The percentages shown in the above items including net sales and operating income are changes in comparison to the corresponding period of the previous fiscal year.

Note 5: On October 1, 2006, a one to two stock split was made to shares of the common stock in respect of shareholders recorded in the register as of September 30, 2006. Basic net income per share and net income per share (diluted) for all periods presented were calculated based on the number of issued and outstanding shares after such stock split.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-assets ratio	Net assets per share
	Million yen	Million yen	%	Yen
<b>FY2006 interim</b>	<b>347,089</b>	<b>278,673</b>	<b>80.3</b>	<b>1,489.45</b>
FY2005 interim	320,069	222,602	69.5	1,202.81
FY2005	350,776	257,927	73.5	1,381.85

Note 1: Outstanding number of shares on a consolidated basis at the end of each period was 187,097,962 in FY2006 interim, 185,068,164 in FY2005 interim and 186,653,298 shares in FY2005, respectively.

Note 2: On October 1, 2006, a one to two stock split was made to shares of the common stock in respect of shareholders recorded in the register as of September 30, 2006. Net assets per share for each period end date was calculated based on the number of issued and outstanding shares after such stock split.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
<b>FY2006 interim</b>	<b>12,191</b>	<b>(4,524)</b>	<b>(2,542)</b>	<b>163,635</b>
FY2005 interim	16,798	(2,818)	(1,531)	135,226
FY2005	59,480	(8,542)	(18,336)	157,925

(4) Scope of Consolidation and Equity Method

Number of consolidated subsidiaries: 40 companies

Number of unconsolidated subsidiaries: none

Number of affiliates accounted for under the equity method: none

(5) Changes in Scope of Consolidation and Equity Method

Consolidated subsidiaries

(Newly included) none

(Excluded) none

Affiliates accounted for under the equity method

(Newly included) none

(Excluded) none

**2. Projected Results for FY2006 (April 1, 2006 through March 31, 2007)**

	Net sales	Income before income taxes	Net income
	Million yen	Million yen	Million yen
<b>FY2006</b>	<b>255,000</b>	<b>68,000</b>	<b>43,000</b>

(Reference) Projected net income per share for the fiscal year: ¥229.83

Figures presented in this Earning Digest have been rounded to the nearest million yen.

For a discussion of the assumptions and other factors upon which these projections are based, please refer to “Prospects for the Fiscal Year” appearing elsewhere in the document.

**Cautionary Statement with Respect to Forward-Looking Statements**

This document contains “forward-looking statements” that are based on Advantest’s current expectations, estimates and projections. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause Advantest’s actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. These factors include: (i) changes in demand for the products and services produced and offered by Advantest’s customers, including semiconductors, communications services and electronic goods; (ii) circumstances relating to Advantest’s investment in technology, including its ability to timely develop products that meet the changing needs of semiconductor manufacturers and communications network equipment and components makers and service providers; (iii) significant changes in the competitive environment in the major markets where Advantest purchases materials, components and supplies for the production of its products or where its products are produced, distributed or sold; and (iv) changes in economic conditions, currency exchange rates or political stability in the major markets where Advantest procures materials, components and supplies for the production of its principal products or where its products are produced, distributed or sold. A discussion of these and other factors which may affect Advantest’s actual results, levels of activity, performance or achievements is contained in the “Operating and Financial Review and Prospects”, “Key Information — Risk Factors” and “Information on the Company” sections and elsewhere in Advantest’s annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission.

## 1. Management Policy

### Advantest's Basic Management Policy

Advantest believes that its philosophy of management is to support leading-edge technology at its forefront. Its basic management policy consists of the following elements: increasing corporate value, improving shareholder and customer satisfaction and achieving excellence.

### Business Strategy

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 also aims to further increase market share by introducing fine products that will inspire the market demands of the next generation. To achieve these objectives, Advantest is driven to further strengthen its product development operations and improve production efficiency by selectively focusing on certain businesses, while strengthening its overseas operations and support system in the U.S., Europe and Asia.

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

With respect to a company-wide initiative called "Activate 21" which Advantest launched on October 1, 2005, Advantest has implemented further reforms that emphasize cost and efficiency from a global perspective with the target of fiscal year 2008 for completion.

### Target Financial Index

Advantest applies the "AVA" (Advantest Value Added), a financial index incorporating the concept of EVA<sup>®</sup> (Economic Value Added) \*1, as a significant performance indicator, along with profit margin, ROE and cash flows, to measure its business performance. Specifically, Advantest will continue to set the minimum return-on-investment ratio ("hurdle rate") for evaluating AVA at 8% and a mid-term target at 12% or more with an aim to further increase corporate value and shareholder value.

\*1"EVA<sup>®</sup>" is a registered trademark of Stern Stewart & Co.

### Basic Policy on Distribution of Profits

Advantest believes that shareholder value is premised on the realization of long-term and continued growth in corporate value.

With respect to the distribution of profits, Advantest has adopted a policy of maintaining consistent dividend payouts after taking into consideration of business performance and financial condition.

Retained profits will be utilized for research and development, streamlining efforts, overseas expansion and investing in new businesses to enable the strengthening of its business position and creation of corporate value.

### Advantest's Views and Policies on Lowering its Investment Unit

As part of its capital policy, Advantest has long recognized the importance of increasing the market liquidity of its shares, promoting long-term and stable holding of its shares among investors and expanding its investor base. Accordingly, Advantest already reduced the minimum investment

unit from 1,000 shares to 100 shares in August, 1995. Furthermore, consistent with recent share prices, Advantest aims to further expand the investor base by establishing an environment that will make Advantest's shares more accessible to a broader range of potential shareholders by reducing the investment amount for one (trading) unit. Accordingly, Advantest implemented, on October 1, 2006, a one to two stock split for its shareholders listed or recorded in the final shareholders' register and beneficial shareholders' register as of September 30, 2006.

#### Matters Relating to Parent Companies

Advantest does not have a parent company as of the end of this fiscal year.

## 2. Business Results and Financial Condition

### (1) Business Results

#### Interim Fiscal Period Results

During this interim fiscal period, Advantest's operating environment was overall favorable, as stimulated by continuing steady sales of consumer digital products (such as portable audio players and flat-panel televisions) from the previous period. Partly due to a trend of inventory adjustment of liquid crystal panels and a reduction in capital expenditures by some semiconductor manufacturers, we did not achieve the interim results forecasted in our previous forecast. However, mainly due to increases in demand for semiconductors and increases in capital expenditures by semiconductor manufacturers for new production lines, our overall sales remained steady.

Under this environment, Advantest made efforts to increase orders input received and expand sales by introducing products that meet customers' demand and providing test solutions that are targeted at its customers. Advantest also continued to make efforts to improve productivity and cost reduction.

Accordingly, as compared to the previous interim fiscal period, orders input received decreased by 5.2 % to (Y) 115.2 billion, net sales increased by 12.5 % to (Y) 120.5 billion, net income before income taxes increased by 38.6 % to (Y) 34.0 billion, and net income for the interim fiscal period increased by 51.9 % to (Y) 22.2 billion. Overseas sales as a percentage of total sales were 60.0%, as compared with 67.7 % in the previous interim fiscal period.

#### <Condition of Business by Segment>

##### (Semiconductor and Component Test System Segment)

In this segment, overall sales was positive despite a trend of inventory adjustment of the liquid crystal panels used for personal computers and a reduction in capital expenditures by some semiconductor manufacturers. Such positive sales was primarily due to increased demand for new test systems resulting from a growth in sales of consumer digital products, among other things.

In the memory semiconductor test system market, because the price of DRAM semiconductors remained stable and manufacturers of DRAM semiconductors promoted capital expenditures for mass production of DDR2-DRAM semiconductors, demand for front-end test systems for DRAM semiconductors was overall positive in Japan, Taiwan and Korea, among other countries. However, the results of back-end test systems for DRAM semiconductors did not achieve our previous forecasts. In addition, sales of test systems for flash memory semiconductors remained steady, due to stable demand for portable audio players and digital cameras, among other things.

In the market of non-memory semiconductor test system, sales of SoC semiconductor test systems for devices used in consumer digital products and car-related products was primarily favorable in Japan. However, sales of test systems for non-memory semiconductors used in LCD driver IC was weak in the latter half of this interim fiscal period as a result of inventory adjustment of liquid crystal panels in Japan and in Taiwan. Furthermore, demand for the T2000, a test system compatible with OPENSTAR<sup>®\*2</sup>, which was very favorable in the previous fiscal year, was low due to slow down in the demand .

As a result of the above, orders input received was (Y) 82.0 billion (12.5 % decrease in comparison to the previous interim fiscal period), sales was (Y) 86.0 billion (6.4 % increase) and operating income was (Y) 26.5 billion (26.3 % increase).

#### (Mechatronics System Segment)

Sales of memory semiconductor test handlers was favorable, primarily due to positive sales of test handlers for flash memory semiconductors. Sales of non-memory semiconductor test handlers remained steady in connection with test handlers for SoC semiconductors used for consumer digital product devices. Sales of device interface products was also steady, due to an increase in demand for flash memory semiconductors and semiconductors for SoC.

As a result, orders input received was (Y) 25.5 billion (17.6 % increase in comparison with the previous interim fiscal period), sales was (Y) 26.7 billion (30.1 % increase) and operating income was (Y) 7.6 billion (64.5 % increase).

#### (Services, Support and Others Segment)

In this segment, orders input received was (Y) 9.4 billion (4.0 % increase in comparison with the previous interim fiscal period), sales was (Y) 9.7 billion (13.2 % increase) and operating income was (Y) 1.4 billion (27.6 % decrease).

\*2OPENSTAR<sup>®</sup>: The name of an open architecture standard published by the STC (Semiconductor Test Consortium, Inc.). OPENSTAR<sup>®</sup> is a registered trademark or a trademark of STC in the United States, Japan and other countries.

#### <Distribution of Profits>

As described above, sales in this interim fiscal period remained overall steady. Although there are potential uncertainties affecting its operating environment, Advantest decided, pursuant to its profit distribution policy described above, to distribute dividend for this interim fiscal period of (Y) 35 per share consistent with the previous forecast in respect of shares prior to the stock split.

#### (2) Financial Condition

Cash and cash equivalents held at September 30, 2006 were (Y)163.6 billion, an increase of (Y)5.7 billion from March 31, 2006.

Significant cash flows during this interim fiscal period and their causes are described below.

Net cash provided by operating activities was (Y) 12.2 billion. The main sources of cash were net income of (Y) 22.2 billion, depreciation and amortization of (Y) 3.8 billion, a decrease in trade accounts receivable of (Y) 2.2 billion and a decrease in inventories of (Y) 2.8 billion, which were partially offset by a decrease in trade accounts payable of (Y) 9.4 billion and a decrease in income taxes payable by (Y) 9.2 billion.

Net cash used in investing activities were an outflow of (Y)4.5 billion. This amount was primarily attributable to capital expenditures of (Y)4.1 billion, including capital expenditures related to equipment for leasing.

Net cash used in financing activities was an outflow of (Y) 2.5 billion. This amount was primarily attributable to dividend payments in the amount of (Y) 4.2 billion offset by proceeds from sale of treasury stock in the amount of (Y) 1.7 billion.

### (3)Prospects for the Fiscal Year

With respect to its operating environment in the fiscal year, Advantest expects a rapid increase in demand for DDR2-DRAM used in personal computers resulting from, among other things, the planned launch of a new operating system for personal computers in January 2007. Advantest also expects to see expanded volume and application of flash memory semiconductors used for mobile telephones, portable audio players and digital cameras. Furthermore, a continuous increase in demand is anticipated for semiconductors used for car-related products and digital consumer products (due to wider acceptance of flat-panel televisions by consumers). With such increase in demand, Advantest expects that demand for semiconductor manufacturing equipments will continue to increase going forward.

On the other hand, Advantest is concerned that restrained capital expenditures as a result of poor supply and demand balance, an issue unique to the semiconductor market, increased prices of raw materials such as oil, risks relating to exchange rates, and strengthened downward pressure on prices as a result of the above-mentioned factors may affect our results.

In order to respond to these conditions, Advantest plans to continue its efforts to increase orders input received and expand sales through the timely introduction of new products that meet customers' needs by strengthening marketing and development structure. To further strengthen its cost competitiveness, Advantest will make continued efforts to further improve profitability by reviewing its operational process company wide and improving manufacturing efficiency.

As described above, Advantest expects a growth in the second half of the fiscal year. However, because sales in respect of the semiconductor and component test system segment fell below our previous forecasts and we foresee that it would be difficult to recover such decrease in the second half of the fiscal year, we revised the business outlook described below.

(Consolidated)	(million yen)		
	Net Sales	Income before income taxes	Net Income
Previous forecast (A) (as of April 26, 2006)	265,000	72,000	44,000
Revised forecast (B)	255,000	68,000	43,000
Increase / decrease (B-A)	(10,000)	(4,000)	(1,000)

(Non-Consolidated) (Parent Company only)	(million yen)		
	Net Sales	Ordinary income	Net Income
Previous forecast (A) (as of April 26, 2006)	230,000	56,000	36,000
Revised forecast (B)	215,000	49,000	33,000
Increase / decrease (B-A)	(15,000)	(7,000)	(3,000)

#### <Profit Distribution Forecast>

Based on the prospects for the fiscal year and the profit distribution policy described above, Advantest expects to distribute an annual dividend of (Y) 17.5 per share, taking into account the stock split based on the record date of September 30, 2006. This amount is equivalent to an interim dividend of (Y) 35.0 per share that was referred to in our previous forecast.

#### (4) Risk Factors

Advantest considers the factors below, including, but not limited to, to be our business risks as of the date hereof, and such business risks are also referred to in our annual report filed with the Kanto Local Finance Bureau on June 28, 2006.

- Negative consequences resulting from the cyclicity of demand-supply balance in the semiconductor industry.
- Failure to meet our clients' technical requirements.
- Failure to compete effectively in our business operations.
- Enhanced price pressure in the market.
- Possibility to lose one or more of largest customers that currently account for a significant part of our net sales.
- Fluctuations in foreign exchange rates.
- Failure to respond to business opportunities due to our inability to increase production upon a sudden increase in demand for our products.
- Substantial dependence on a limited number of subcontractors.
- Catastrophic loss to our, our subcontractors' and suppliers' facilities and operations.
- Economic, political and other risks associated with international operations and sales.
- Cost increase due to more stringent regulatory requirements for chemicals.
- Unknowing infringement by us of the intellectual property rights of third parties and infringement by third parties of our intellectual property rights.
- Inability to hire key personnel.
- Decline by our independent registered public accounting firm to provide adequate attestation as required by Section 404 of the Sarbanes-Oxley Act.

**Interim Consolidated Financial Statements and other information**

## Interim Consolidated Balance Sheets

	Notes	FY2005 interim (As of September 30, 2005)		FY2006 interim (As of September 30, 2006)		Summarized balance sheet of FY2005 (As of March 31, 2006)	
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)
<b>(Assets)</b>							
Cash and cash equivalents		135,226		163,635		157,925	
Trade accounts receivable, less allowance for doubtful accounts	*1	59,038		67,336		69,567	
Inventories		34,471		27,040		29,911	
Deferred tax assets		15,329		12,471		13,708	
Other current assets		4,156		2,626		4,522	
Total current assets		248,220	77.6	273,108	78.7	275,633	78.6
Investment securities		7,687	2.4	11,423	3.3	12,273	3.5
Property, plant and equipment, net	*2 *3	51,423	16.1	50,002	14.4	50,793	14.5
Deferred tax assets		7,629	2.4	7,783	2.2	7,378	2.1
Intangible assets, at cost, less accumulated amortization		2,930	0.9	2,973	0.9	2,858	0.8
Other assets		2,180	0.6	1,800	0.5	1,841	0.5
Total assets		320,069	100.0	347,089	100.0	350,776	100.0

	Notes	FY2005 interim (As of September 30, 2005)		FY2006 interim (As of September 30, 2006)		Summarized balance sheet of FY2005 (As of March 31, 2006)	
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)
<b>(Liabilities)</b>							
Current portion of long-term debt		20,047		10		30	
Trade accounts payable		29,577		22,915		32,584	
Income taxes payable		9,110		10,831		19,970	
Accrued expenses		11,039		11,780		12,781	
Accrued warranty expenses		4,180		4,373		4,776	
Deferred revenue		4,654		620		2,979	
Other current liabilities		2,923		2,912		3,625	
<b>Total current liabilities</b>		<b>81,530</b>	<b>25.5</b>	<b>53,441</b>	<b>15.4</b>	<b>76,745</b>	<b>21.9</b>
Long-term debt, excluding current portion	*3	15	0.0	5	0.0	10	0.0
Accrued pension and severance cost		12,361	3.9	11,420	3.3	12,292	3.5
Other liabilities		3,561	1.1	3,550	1.0	3,802	1.1
<b>Total liabilities</b>		<b>97,467</b>	<b>30.5</b>	<b>68,416</b>	<b>19.7</b>	<b>92,849</b>	<b>26.5</b>
<b>(Stockholders' equity)</b>							
Common stock		32,363	10.1	32,363	9.3	32,363	9.2
Capital surplus		36,018	11.3	37,702	10.9	37,147	10.6
Retained earnings		222,213	69.4	262,875	75.7	245,090	69.9
Accumulated other comprehensive income (loss)	*4	(2,865)	(0.9)	1,757	0.5	1,344	0.3
Treasury stock		(65,127)	(20.4)	(56,024)	(16.1)	(58,017)	(16.5)
<b>Total stockholders' equity</b>		<b>222,602</b>	<b>69.5</b>	<b>278,673</b>	<b>80.3</b>	<b>257,927</b>	<b>73.5</b>
<b>Total liabilities and stockholders' equity</b>		<b>320,069</b>	<b>100.0</b>	<b>347,089</b>	<b>100.0</b>	<b>350,776</b>	<b>100.0</b>

(Notes)

	FY2005 interim (As of September 30, 2005)	FY2006 interim (As of September 30, 2006)	FY2005 (As of March 31, 2006)
	Amount (in million yen)	Amount (in million yen)	Amount (in million yen)
*1. Allowance for doubtful accounts	2,164	2,055	2,117
*2. Accumulated depreciation on property, plant and equipment	71,264	73,803	72,131
*3. Collateralized assets and secured obligations			
Property, plant and equipment	388	-	-
Obligations secured by the above	17	-	-
*4. Accumulated other comprehensive income (loss)			
Foreign currency translation adjustments	(4,393)	(565)	(1,378)
Net unrealized gain (loss) on available-for-sale securities	1,528	2,322	2,722
5. Net assets per share (in yen)	1,202.81	1,489.45	1,381.85

## Interim Consolidated Statements of Income

	FY2005 interim (April 1, 2005 through September 30, 2005)		FY2006 interim (April 1, 2006 through September 30, 2006)		Summarized statement of income of FY2005 (April 1, 2005 through March 31, 2006)	
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)
Net sales	107,099	100.0	120,492	100.0	253,922	100.0
Cost of sales	51,714	48.3	55,493	46.1	121,429	47.8
Gross profit	55,385	51.7	64,999	53.9	132,493	52.2
Research and development expenses	12,877	12.0	14,121	11.7	26,927	10.6
Selling, general and administrative expenses	19,848	18.5	18,679	15.5	41,108	16.2
Operating income (loss)	22,660	21.2	32,199	26.7	64,458	25.4
Other income (expense):						
Interest and dividend income	715		1,384		1,760	
Interest expense	(205)		(8)		(290)	
Other	1,332	1.842	376	1.752	1,526	2,996
Income (loss) before income taxes	24,502	22.9	33,951	28.2	67,454	26.6
Income taxes	9,888	9.3	11,747	9.8	26,080	10.3
Net income (loss)	14,614	13.6	22,204	18.4	41,374	16.3

	FY2005 interim (April 1, 2005 through September 30, 2005)	FY2006 interim (April 1, 2006 through September 30, 2006)	FY2005 (April 1, 2005 through March 31, 2006)
	Amount (in yen)	Amount (in yen)	Amount (in yen)
Net income per share			
Basic	79.03	118.79	223.17
Diluted	78.75	118.03	221.98

## Interim Consolidated Statements of Stockholders' Equity

	FY2005 interim (April 1, 2005 through September 30, 2005)	FY2006 interim (April 1, 2006 through September 30, 2006)	Statement of stockholders' equity of FY2005 (April 1, 2005 through March 31, 2006)
	Amount (in million yen)	Amount (in million yen)	Amount (in million yen)
Common stock :			
Balance at beginning of period	32,363	32,363	32,363
Balance at end of period	32,363	32,363	32,363
Capital surplus :			
Balance at beginning of period	35,263	37,147	35,263
Stock option compensation expense	755	648	1,884
Other decrease	-	(93)	-
Balance at end of period	36,018	37,702	37,147
Retained earnings :			
Balance at beginning of period	210,121	245,090	210,121
Net income (loss)	14,614	22,204	41,374
Cash dividends	(2,311)	(4,200)	(4,625)
Loss on disposal of treasury stock	(211)	(219)	(1,780)
Balance at end of period	222,213	262,875	245,090
Accumulated other comprehensive income (loss) :			
Balance at beginning of period	(4,878)	1,344	(4,878)
Other comprehensive income (loss), net of tax	2,013	413	6,222
Balance at end of period	(2,865)	1,757	1,344
Treasury stock :			
Balance at beginning of period	(66,120)	(58,017)	(66,120)
Treasury stock purchased	(14)	(18)	(55)
Exercise of stock options	1,006	2,004	8,157
Treasury stock sold	1	7	1
Balance at end of period	(65,127)	(56,024)	(58,017)
Total stockholders' equity	222,602	278,673	257,927
Disclosure of comprehensive income (loss):			
Net income (loss)	14,614	22,204	41,374
Other comprehensive income (loss), net of tax	2,013	413	6,222
Total comprehensive income (loss)	16,627	22,617	47,596

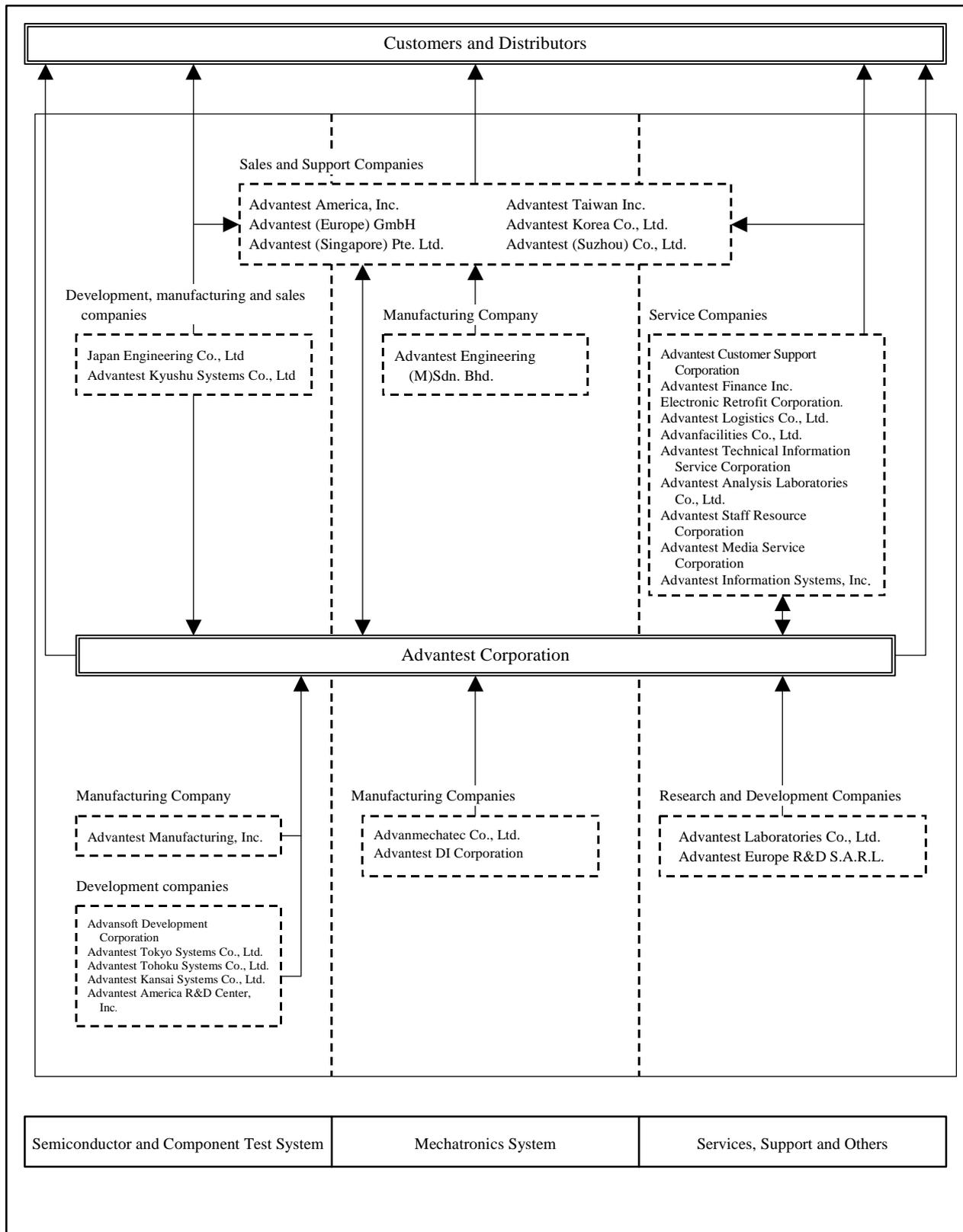
## Interim Consolidated Statements of Cash Flows

	FY2005 interim (April 1, 2005 through September 30, 2005)	FY2006 interim (April 1, 2006 through September 30, 2006)	Summarized statement of cash flows of FY2005 (April 1, 2005 through March 31, 2006)
	Amount (in million yen)	Amount (in million yen)	Amount (in million yen)
<b>I Cash flows from operating activities:</b>			
Net income (loss)	14,614	22,204	41,374
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	3,962	3,810	8,275
Deferred income taxes	(679)	915	1,005
Stock option compensation expense	755	648	1,884
Changes in assets and liabilities:			
Trade accounts receivable	(1,826)	2,180	(11,072)
Inventories	(4,670)	2,835	108
Trade accounts payable	5,805	(9,390)	7,627
Income taxes payable	1,792	(9,156)	12,506
Accrued expenses	(2,864)	(1,013)	(1,261)
Accrued warranty expenses	50	(403)	610
Deferred revenue	2,268	(2,329)	548
Accrued pension and severance cost	(243)	(873)	(329)
Other	(2,166)	2,763	(1,795)
Net cash provided by operating activities	16,798	12,191	59,480

	FY2005 interim (April 1, 2005 through September 30, 2005)	FY2006 interim (April 1, 2006 through September 30, 2006)	Summarized statement of cash flows of FY2005 (April 1, 2005 through March 31, 2006)
	Amount (in million yen)	Amount (in million yen)	Amount (in million yen)
<b>II Cash flows from investing activities:</b>			
Proceeds from sale of available-for-sale marketable securities	2,964	-	2,977
Purchases of marketable securities	-	-	(2,256)
Purchases of non-marketable securities	(1,900)	-	(1,900)
Proceeds from sale of property, plant and equipment	190	63	258
Purchases of intangible assets	(238)	(449)	(523)
Purchases of property, plant and equipment	(3,776)	(4,105)	(7,071)
Other	(58)	(33)	(27)
Net cash used in investing activities	(2,818)	(4,524)	(8,542)
<b>III Cash flows from financing activities:</b>			
Principal payments on long-term debt	(21)	(25)	(20,043)
Proceeds from sale of treasury stock	796	1,698	6,378
Payments to acquire treasury stock	(12)	(18)	(57)
Dividends paid	(2,307)	(4,193)	(4,622)
Other	13	(4)	8
Net cash used in financing activities	(1,531)	(2,542)	(18,336)
<b>IV Net effect of exchange rate changes on cash and cash equivalents</b>	1,791	585	4,337
<b>V Net change in cash and cash equivalents</b>	14,240	5,710	36,939
<b>VI Cash and cash equivalents at beginning of period</b>	120,986	157,925	120,986
<b>VII Cash and cash equivalents at end of period</b>	135,226	163,635	157,925

### Organization of the Advantest Group

The following diagram shows the business relationships among the major affiliated companies of the Advantest Group.



There are 11 other consolidated subsidiaries in addition to those mentioned in the above diagram.

Consolidated subsidiaries (23 domestic; 17 overseas; 40 total)

← : Main flow of products and services

Notes to the Interim Consolidated Financial Statements

(Note 1) Accounting Principles, Procedures and the Presentation of the 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 required in the United States of America in connection with its issuance of American Depository Shares as established under Accounting Research Bulletins ("ARB"), Accounting Principles Board ("APB") statements, Statements of Financial Accounting Standards ("SFAS") and other relevant sources (collectively "U.S. GAAP"). However, Advantest Corporation and its consolidated subsidiaries prepare their unconsolidated financial statements in accordance with accounting principles generally accepted in the country of their domicile. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to present them in conformity with accounting principles generally accepted in the United States of America.

(b) The Preparation of 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) by means of an 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) since FY2001. In connection with the registration on Form 20-F, Advantest prepares its consolidated financial statements in accordance with U.S. GAAP.

(c) Scope of Consolidation and Application of the Equity Method

Advantest's interim consolidated financial statements include financial statements of Advantest Corporation and its majority-owned subsidiaries. Advantest does not have any variable interest entities as provided in the U.S. Financial Accounting Standards Board's Interpretation No. 46 (Revised December 2003)- "Consolidation of Variable Interest Entities". Thus, Advantest does not include any such entity in its consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

The following table sets forth the number of consolidated subsidiaries and equity method affiliates of Advantest:

		FY 2006 Interim (As of September 30, 2006)	FY 2005 (As of March 31, 2006)	Increase (decrease)
	Domestic	23	23	0
	Overseas	17	17	0
	Consolidated subsidiaries	40	40	0
	Equity method affiliates	-	-	-
	Total	40	40	0

## (Note 2) Summary of Significant Accounting Policies and Practices

There was no change in accounting policies and practices.

## (Note 3) Investment Securities

Investment securities at September 30, 2005, September 30, 2006 and March 31, 2006 consist of marketable and non-marketable equity securities. Advantest classifies its marketable equity securities as available-for-sale. The acquisition cost, gross unrealized gains, gross unrealized losses and fair value at September 30, 2005, September 30, 2006 and March 31, 2006 were as follows:

	<u>Million Yen</u> <u>September 30, 2005</u>			
	<u>Acquisition</u> <u>cost</u>	<u>Gross</u> <u>unrealized</u> <u>Gains</u>	<u>Gross</u> <u>unrealized</u> <u>Losses</u>	<u>Fair value</u>
Noncurrent:				
Available-for-sale:				
Equity securities	1,784	2,560	-	4,344

	<u>Million Yen</u> <u>September 30, 2006</u>			
	<u>Acquisition</u> <u>cost</u>	<u>Gross</u> <u>unrealized</u> <u>Gains</u>	<u>Gross</u> <u>unrealized</u> <u>Losses</u>	<u>Fair value</u>
Noncurrent:				
Available-for-sale:				
Equity securities	4,315	3,885	5	8,195

	<u>Million Yen</u> <u>March 31, 2006</u>			
	<u>Acquisition</u> <u>cost</u>	<u>Gross</u> <u>unrealized</u> <u>Gains</u>	<u>Gross</u> <u>unrealized</u> <u>Losses</u>	<u>Fair value</u>
Noncurrent:				
Available-for-sale:				
Equity securities	4,424	4,559	8	8,975

Gross realized gains and losses on available-for-sales equity securities for the six months ended September 30, 2005, September 30, 2006 and for the year ended March 31, 2006 were as follows:

	<u>Million Yen</u>					
	<u>September 30, 2005</u>		<u>September 30, 2006</u>		<u>March 31, 2006</u>	
	<u>Gross</u> <u>realized</u> <u>Gains</u>	<u>Gross</u> <u>realized</u> <u>Losses</u>	<u>Gross</u> <u>realized</u> <u>Gains</u>	<u>Gross</u> <u>realized</u> <u>Losses</u>	<u>Gross</u> <u>realized</u> <u>Gains</u>	<u>Gross</u> <u>realized</u> <u>Losses</u>
Noncurrent:						
Available-for-sale:						
Equity securities	934	-	-	-	1,040	-

Gross realized gains and losses based on the averaged cost method are included in “other income (expense)” in the interim consolidated statements of income and consolidated statements of income, and “other” in net cash provided by operating activities in the interim consolidated statements of cash flows and the consolidated statements of cash flows.

Non-marketable investment securities are carried at cost. On a periodic basis, Advantest evaluates the investments for the possible impairment. If the fair value of the investment securities is estimated to have declined and such decline is judged to be other than temporary, Advantest recognizes the impairment of the investment and the carrying value is reduced to its fair value. The impairment is charged to earnings and a new cost basis for the security is established.

(Note 4) Basic and Diluted Net income (loss) per Share

Basic and diluted net income (loss) per share was computed as follows:

	<u>FY2004</u>	<u>FY2006 Interim</u>	<u>FY2005</u>
Numerator:			
Net income (Million yen)	<u>14,614</u>	<u>22,204</u>	<u>41,374</u>
Denominator			
Basic weighted average shares	184,916,458	186,911,714	185,389,026
Dilutive effect of exercise of stock option and warrants	<u>641,512</u>	<u>1,215,246</u>	<u>994,054</u>
Diluted weighted average shares	<u>185,557,970</u>	<u>188,126,960</u>	<u>186,383,080</u>

At September 30, 2005, September 30, 2006 and March 31, 2006, stock options and warrants representing, upon exercise, 14,000 shares, 1,582,000 shares and 4,000 shares, respectively, were outstanding but were not included in the computation for net income per share (diluted) because the foregoing did not have any dilutive effect.

(Note 5) Significant event after the balance sheet date

Pursuant to resolution by the Board of Directors dated July 26, 2006, Advantest has made, on October 1, 2006, a one to two stock split per share of the common stock applicable to shareholders recorded in the register as of September 30, 2006.

Share numbers and per share information contained in the Interim Consolidated Financial Statements (net assets per share, basic net income per share for this interim fiscal period, net income per share (diluted) per share for all fiscal periods presented) reflect such stock split.

		FY2005 interim (April 1, 2005 through September 30, 2005)		FY2006 interim (April 1, 2006 through September 30, 2006)		FY2005 (April 1, 2005 through March 31, 2006)	
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)
Semiconductor and Component Test System	Sales to unaffiliated customers	78,244	96.8	84,305	98.1	187,136	97.8
	Intersegment sales	2,588	3.2	1,669	1.9	4,279	2.2
	Net sales	80,832	100.0	85,974	100.0	191,415	100.0
	Operating expenses	59,829	74.0	59,438	69.1	133,898	70.0
	Operating income (loss)	21,003	26.0	26,536	30.9	57,517	30.0
Mechatronics System	Sales to unaffiliated customers	20,320	99.2	26,527	99.5	47,724	98.9
	Intersegment sales	161	0.8	128	0.5	536	1.1
	Net sales	20,481	100.0	26,655	100.0	48,260	100.0
	Operating expenses	15,890	77.6	19,101	71.7	36,294	75.2
	Operating income (loss)	4,591	22.4	7,554	28.3	11,966	24.8
Services, Support and Others	Sales to unaffiliated customers	8,535	100.0	9,660	100.0	19,062	100.0
	Intersegment sales	-	-	-	-	-	-
	Net sales	8,535	100.0	9,660	100.0	19,062	100.0
	Operating expenses	6,585	77.2	8,249	85.4	15,209	79.8
	Operating income (loss)	1,950	22.8	1,411	14.6	3,853	20.2
Elimination and Corporate	Sales to unaffiliated customers	-	-	-	-	-	-
	Intersegment sales	(2,749)	100.0	(1,797)	100.0	(4,815)	100.0
	Net sales	(2,749)	100.0	(1,797)	100.0	(4,815)	100.0
	Operating expenses	1,380	-	857	-	2,179	-
	Operating income (loss)	(4,129)	-	(2,654)	-	(6,994)	-
Consolidated	Sales to unaffiliated customers	107,099	100.0	120,492	100.0	253,922	100.0
	Intersegment sales	-	-	-	-	-	-
	Net sales	107,099	100.0	120,492	100.0	253,922	100.0
	Operating expenses	83,684	78.1	87,645	72.7	187,580	73.9
	Operating income (loss)	23,415	21.9	32,847	27.3	66,342	26.1

(Notes) 1 Adjustments to operating income (loss) included in Corporate mainly consist of research and development expenses for basic research activities, which are not allocated to corporate general administrative expenses and segment by business sector.

2 Stock option compensation expense of (Y)755 million, (Y)648 million and (Y)1,884 million in FY 2005 interim, FY 2006 interim and FY 2005, respectively are not included in operating income in the business segment information. Therefore, these operating income do not match with the operating income in the interim consolidated statements of income and the consolidated statements of income. Such exclusion was made since such items are not included in the performance review of each business segment by management.

## 2. Geographic Segment Information (Based on Location of Customers)

### Net sales to unaffiliated customers

		FY2005 interim (April 1, 2005 through September 30, 2005)		FY2006 interim (April 1, 2006 through September 30, 2006)		FY2005 (April 1, 2005 through March 31, 2006)	
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)
	Americas	11,452	10.7	6,136	5.1	25,516	10.0
	Europe	7,117	6.6	4,876	4.0	14,558	5.7
	Asia	53,923	50.4	61,274	50.9	132,708	52.3
	Total Overseas	72,492	67.7	72,286	60.0	172,782	68.0
	Japan	34,607	32.3	48,206	40.0	81,140	32.0
Consolidated		107,099	100.0	120,492	100.0	253,922	100.0

**Supplemental Information to the FY2006 Interim Earnings Digest**

\*All consolidated figures were prepared in accordance with U.S. GAAP.

## 1. Summary of FY2006 Interim Results (April 1, 2006 through September 30, 2006)

(Consolidated)

(Rounded to the nearest million yen)

	FY2005 interim	FY2006 interim	Percentage change (%)	FY2005
Net sales	107,099	120,492	12.5	253,922
Operating income (loss)	22,660	32,199	42.1	64,458
Income (loss) before income taxes	24,502	33,951	38.6	67,454
Net income (loss)	14,614	22,204	51.9	41,374
Total assets	320,069	347,089	8.4	350,776
Net assets	222,602	278,673	25.2	257,927
Net income (loss) per share (basic) (in yen)	79.03	118.79	50.3	223.17
Net income (loss) per share (diluted) (in yen)	78.75	118.03	49.9	221.98
Net assets per share (in yen)	1,202.81	1,489.45	23.8	1,381.85
Net interest expense	510	1,376	169.5	1,470
ROE(%)	-	-	-	17.8

(Note) On October 1, 2006, a one to two stock split was made to shares of the common stock in respect of shareholders recorded in the register as of September 30, 2006. Per share information (basic net income per share, net income per share (diluted) and net assets per share for all periods presented) reflect such stock split.

(Non-Consolidated) (Parent Company only, Japanese GAAP)

(Truncated after the million yen)

	FY2005 interim	FY2006 interim	Percentage change (%)	FY2005
Net sales	101,484	99,562	(1.9)	217,688
Operating income (loss)	21,161	21,465	1.4	49,746
Ordinary income (loss)	24,589	24,293	(1.2)	53,878
Net income (loss)	16,524	16,707	1.1	35,273
Total assets	255,783	266,206	4.1	274,538
Net assets	173,999	211,459	21.5	197,226
Net income (loss) per share (in yen)	178.72	178.78	0.0	378.34
Net assets per share (in yen)	1,880.38	2,253.49	19.8	2,111.11
Dividends per share (in yen)	25.00	35.00	40.0	70.00

## 2. Consolidated Net Sales by Business and Geographic Segment

(Rounded to the nearest million yen)

By Business Segment	FY2005 interim	FY2006 interim	Percentage change (%)	FY2005
Semiconductor and Component Test System	80,832	85,974	6.4	191,415
Mechatronics System	20,481	26,655	30.1	48,260
Services, Support and Others	8,535	9,660	13.2	19,062
Intercompany transactions elimination	(2,749)	(1,797)	-	(4,815)
Total net sales	107,099	120,492	12.5	253,922

By Geographic Segment	FY2005 interim	FY2006 interim	Percentage change (%)	FY2005
Japan	34,607	48,206	39.3	81,140
Americas	11,452	6,136	(46.4)	25,516
Europe	7,117	4,876	(31.5)	14,558
Asia	53,923	61,274	13.6	132,708
Total overseas	72,492	72,286	(0.3)	172,782

3. Consolidated Orders input received and Orders backlog by Business Segment (Rounded to the nearest million yen)

Orders input received	FY2005 interim	FY2006 interim	Percentage change (%)	FY2005
Semiconductor and Component Test System	93,732	82,048	(12.5)	195,585
Mechatronics System	21,652	25,462	17.6	49,491
Services, Support and Others	9,051	9,415	4.0	19,251
Intercompany transactions elimination	(2,849)	(1,707)	-	(4,892)
<b>Total orders input received</b>	<b>121,586</b>	<b>115,218</b>	<b>(5.2)</b>	<b>259,435</b>

Orders backlog	FY2005 interim	FY2006 interim	Percentage change (%)	FY2005
Semiconductor and Component Test System	44,946	32,289	(28.2)	36,215
Mechatronics System	7,831	6,698	(14.5)	7,891
Services, Support and Others	1,364	794	(41.8)	1,038
Intercompany transactions elimination	(116)	(4)	-	(93)
<b>Total orders backlog</b>	<b>54,025</b>	<b>39,777</b>	<b>(26.4)</b>	<b>45,051</b>

(Note) The amount of orders input received for any given period consists of the sum of the revenues for such period and the amount of backlog at the end of such period less the backlog at the beginning of such period. Orders input received are recorded upon receipt of a written customer order.

 4. Consolidated Cash Flows (Rounded to the nearest million yen)

	FY2005 interim	FY2006 interim	Percentage change (%)	FY2005
Operating activities	16,798	12,191	(27.4)	59,480
Investing activities	(2,818)	(4,524)	-	(8,542)
(Free cash flows)	13,980	7,667	(45.2)	50,938
Financing activities	(1,531)	(2,542)	-	(18,336)
<b>Total cash flows</b>	<b>12,449</b>	<b>5,125</b>	<b>(58.8)</b>	<b>32,602</b>
<b>Cash and cash equivalents at end of period</b>	<b>135,226</b>	<b>163,635</b>	<b>21.0</b>	<b>157,925</b>

 5. Consolidated Outstanding Interest-bearing liabilities (Rounded to the nearest million yen)

	FY2005 interim	FY2006 interim	Percentage change (%)	FY2005
Bonds and warrant bonds	20,000	-	(100.0)	-
Loans and lease obligations	89	35	(61.1)	64
<b>Total interest-bearing liabilities</b>	<b>20,089</b>	<b>35</b>	<b>(99.8)</b>	<b>64</b>

## 6. Consolidated Capital Expenditure, Depreciation and Amortization and Research and Development Expenses

(Rounded to the nearest million yen)

	FY2005 interim	FY2006 interim	Percentage change (%)	FY2005
Capital expenditures	3,701	3,709	0.2	8,323
Depreciation and amortization	3,962	3,810	(3.8)	8,275
Research and development expenses	12,877	14,121	9.7	26,927

 7. Number of Employees (Advantest Corporation and Consolidated Subsidiaries) (Persons)

	FY2005 interim	FY2006 interim	Percentage change (%)	FY2005
Non-Consolidated (Parent Company only)	1,455	1,461	0.4	1,445
Domestic	1,347	1,378	2.3	1,355
Overseas	785	813	3.6	795
<b>Consolidated Subsidiaries total</b>	<b>2,132</b>	<b>2,191</b>	<b>2.8</b>	<b>2,150</b>
<b>Consolidated full-time employee total</b>	<b>3,587</b>	<b>3,652</b>	<b>1.8</b>	<b>3,595</b>

## 8. Supplemental Segment Information

## Segment Information by geographic area

(Rounded to the nearest million yen)

	FY2005 interim		FY2006 interim		FY2005		
	(April 1, 2005 through September 30, 2005)	Percentage (%)	(April 1, 2006 through September 30, 2006)	Percentage (%)	(April 1, 2005 through March 31, 2006)	Percentage (%)	
Japan	Sales to unaffiliated customers	54,121	-	69,791	-	119,996	-
	Intersegment sales	53,079	-	36,606	-	111,958	-
	Net sales	107,200	100.0	106,397	100.0	231,954	100.0
	Operating expenses	79,295	74.0	79,960	75.2	169,426	73.0
	Operating income (loss)	27,905	26.0	26,437	24.8	62,528	27.0
Americas	Sales to unaffiliated customers	28,257	-	12,483	-	53,834	-
	Intersegment sales	1,558	-	2,395	-	3,605	-
	Net sales	29,815	100.0	14,878	100.0	57,439	100.0
	Operating expenses	28,071	94.2	12,946	87.0	54,399	94.7
	Operating income (loss)	1,744	5.8	1,932	13.0	3,040	5.3
Europe	Sales to unaffiliated customers	6,982	-	6,547	-	18,505	-
	Intersegment sales	665	-	641	-	1,312	-
	Net sales	7,647	100.0	7,188	100.0	19,817	100.0
	Operating expenses	7,007	91.6	6,419	89.3	17,810	89.9
	Operating income (loss)	640	8.4	769	10.7	2,007	10.1
Asia	Sales to unaffiliated customers	17,739	-	31,671	-	61,587	-
	Intersegment sales	3,552	-	3,466	-	7,000	-
	Net sales	21,291	100.0	35,137	100.0	68,587	100.0
	Operating expenses	19,402	91.1	29,559	84.1	62,691	91.4
	Operating income (loss)	1,889	8.9	5,578	15.9	5,896	8.6
Elimination and Corporate	Sales to unaffiliated customers	-	-	-	-	-	-
	Intersegment sales	(58,854)	-	(43,108)	-	(123,875)	-
	Net sales	(58,854)	-	(43,108)	-	(123,875)	-
	Operating expenses	(49,336)	-	(40,591)	-	(114,862)	-
	Operating income (loss)	(9,518)	-	(2,517)	-	(9,013)	-
Consolidated	Sales to unaffiliated customers	107,099	-	120,492	-	253,922	-
	Intersegment sales	-	-	-	-	-	-
	Net sales	107,099	100.0	120,492	100.0	253,922	100.0
	Operating expenses	84,439	78.8	88,293	73.3	189,464	74.6
	Operating income (loss)	22,660	21.2	32,199	26.7	64,458	25.4

(Note) Adjustments to operating income (loss) included in Corporate mainly consist of research and development expenses for basic research activities, which are not allocated to corporate general administrative expenses and segment by geographic area. In addition, stock option compensation expense of (Y)755 million, (Y)648 million and (Y)1,884 million in FY2005 interim, FY2006 interim and FY2005, respectively are included in Corporate operating expenses.

(All non-consolidated financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

**FY2006 Interim Selected Non-consolidated Financial Data**  
(Six months ended September 30, 2006)

October 27, 2006

Company name : **Advantest Corporation**  
(URL <http://www.advantest.co.jp/investors/>)  
Stock exchanges on which shares are listed : Tokyo Stock Exchange  
Stock code number : 6857  
Location of head office : Tokyo Prefecture  
Company representative : Toshio Maruyama, Representative Board Director, President and CEO  
Contact person : Hiroshi Nakamura, Executive Officer,  
Vice President of the Corporate Affairs Group  
(03) 3214-7500  
Date of Board meeting to approve the financial results : October 27, 2006  
Expected commencement date of dividend payment: December 1, 2006  
Adoption of the unit share (*tangenkabu*) system : Yes (each unit comprises 100 shares)

**1. Results of FY2006 Interim (April 1, 2006 through September 30, 2006)**

(1) Financial Results

	Net sales	Operating income	Ordinary income
	Million yen	Million yen	Million yen
<b>FY2006 interim</b>	<b>99,562 (1.9%)</b>	<b>21,465 1.4%</b>	<b>24,293 (1.2%)</b>
FY2005 interim	101,484 (16.2%)	21,161 (25.3%)	24,589 (18.5%)
FY2005	217,688	49,746	53,878

	Net income	Net income per share
	Million yen	Yen
<b>FY2006 interim</b>	<b>16,707 1.1%</b>	<b>178.78</b>
FY2005 interim	16,524 (11.6%)	178.72
FY2005	35,273	378.34

Note 1: Average number of shares outstanding was 93,455,857 in FY2006 interim, 92,458,229 in FY2005 interim and 92,694,513 shares in FY2005, respectively.

Note 2: No changes in accounting policies have been made during these periods.

Note 3: The percentages shown for net sales, operating income, ordinary income and net income are changes in comparison to the corresponding period of the previous fiscal year.

(2) Financial Position

	Total assets	Net assets	Equity-to-assets ratio	Net assets per share
	Million yen	Million yen	%	Yen
<b>FY2006 interim</b>	<b>266,206</b>	<b>211,459</b>	<b>79.2</b>	<b>2,253.49</b>
FY2005 interim	255,783	173,999	68.0	1,880.38
FY2005	274,538	197,226	71.8	2,111.11

Note 1: Outstanding number of shares at the end of each period was 93,548,981 in FY2006 interim, 92,534,082 in FY2005 interim and 93,326,649 shares in FY2005, respectively.

Note 2: Outstanding number of shares held as treasury stock at the end of each period was 6,234,404 in FY2006 interim, 7,249,303 in FY2005 interim and 6,456,736 shares in FY2005, respectively.

(All non-consolidated financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

## 2. Projected Results for FY2006 (April 1, 2006 through March 31, 2007)

	Net sales	Ordinary income	Net income
<b>FY2006</b>	Million yen <b>215,000</b>	Million yen <b>49,000</b>	Million yen <b>33,000</b>

(Reference) Projected net income per share for the fiscal year: ¥ 176.38

\* Net income per share (FY 2006) was calculated based on the numbers of issued and outstanding shares after the stock split.

## 3. Dividends

Cash Dividend	Dividend per share		
	Interim	Year end	Annual total
	Yen	Yen	Yen
FY2005	25.00	45.00	70.00
FY2006 (result)	35.00		
FY2006 (forecast)		17.50	52.50

\* As resolved at the Board of Directors' Meeting held on July 26, 2006, a one to two stock split was made on October 1, 2006, to shares of the common stock in respect of shareholders listed in the register as of September 30, 2006. Dividends are attributable to a year end dividend of (Y) 35 per share and an annual dividend of (Y) 70 per share prior to the stock split.

Figures presented in this Earning Digest have been truncated after the million yen.

For a discussion of the assumptions and other factors upon which these projections are based, please refer to "Prospects for the Upcoming Fiscal Year" appearing elsewhere in this document.

## [Interim Non-Consolidated Financial Statements]

## (Interim Balance Sheets)

	FY2005 interim (As of September 30, 2005)		FY2006 interim (As of September 30, 2006)		Summarized balance sheet of FY2005 (As of March 31, 2006)	
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)
(Assets)						
I Current Assets						
1. Cash and deposits	78,440		88,398		86,669	
2. Trade notes receivables	3,929		844		1,001	
3. Accounts receivable	62,322		67,352		71,892	
4. Inventory	21,861		19,721		21,607	
5. Other receivable	1,613		1,089		1,962	
6. Deferred tax assets	9,510		8,331		9,514	
7. Other	7,048		6,852		7,224	
8. Allowance for doubtful accounts	(0)		-		-	
Total current assets		184,726		192,591		199,872
Noncurrent assets						
(1)Property, plant and equipment						
1. Buildings	14,869		13,740		14,163	
2. Land	18,108		17,915		17,915	
3. Other	6,163		6,239		6,702	
Total property, plant and equipment		39,141		37,894		38,781
(2)Intangible fixed assets		1,286		1,343		1,233
(3)Investments and other assets						
1. Investment in associated companies	16,470		16,470		16,470	
2. Deferred tax assets	3,679		4,124		3,482	
3. Other	10,479		13,781		14,698	
Total investment and other assets		30,629		34,376		34,650
Total noncurrent assets		71,057		73,615		74,665
Total assets		255,783		266,206		274,538
(Liabilities)						
Current liabilities						
1. Trade accounts payable	27,718		21,049		30,476	
2. Current installments of bonds	20,000		-		-	
3. Income tax payable	7,021		6,910		16,315	
4. Allowance for product warranty	4,435		4,395		4,877	
5. Bonus accrual for directors	-		104		-	
6. Other	13,137		13,625		16,451	
Total current liabilities		72,311		46,085		68,120
Noncurrent liabilities						
1. Long-term borrowings	15		5		10	
2. Allowance for retirement benefits	7,043		6,359		6,970	
3. Allowance for officers' retirement benefits	1,523		-		1,681	
4. Other	890		2,296		529	
Total noncurrent liabilities		9,472		8,661		9,191
Total liabilities		81,783		54,746		77,311

	FY2005 interim (As of September 30, 2005)		FY2006 interim (As of September 30, 2006)		Summarized balance sheet of (As of March 31, 2006)		
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	
(Stockholders' equity)							
Common stock		32,362	12.7	-	-	32,362	11.8
Capital surplus							
1 . Additional paid-in capital	32,973			-	-	32,973	
Total capital surplus		32,973	12.9	-	-	32,973	12.0
Retained earnings							
1 . Legal reserve	3,083			-	-	3,083	
2 . Voluntary reserve	148,942			-	-	148,942	
3 . Unappropriated earnings at end of period	20,338			-	-	35,204	
Total retained earnings		172,363	67.4	-	-	187,229	68.2
Net unrealized holding gains on other securities		1,426	0.5	-	-	2,677	0.9
Treasury stock	(65,126)	(25.5)		-	-	(58,017)	(21.1)
Total stockholders' equity		173,999	68.0	-	-	197,226	71.8
Total liabilities and stockholders' equity		255,783	100.0	-	-	274,538	100.0
(Net assets)							
Stockholders' equity							
1. Common stock		-	-	32,362	12.2	-	-
2. Capital surplus							
(1)Additional paid-in capital	-			32,973		-	
Total capital surplus		-	-	32,973	12.4	-	-
3. Retained earnings							
(1)Legal reserve	-			3,083		-	
(2)Other retained earnings							
Reserve for losses in foreign investments	-			27,062		-	
General reserve	-			146,880		-	
Retained earnings brought forward	-			22,197		-	
Total retained earnings		-	-	199,222	74.8	-	-
4. Treasury stock		-	-	(56,024)	(21.1)	-	-
Total stockholders' equity		-	-	208,534	78.3	-	-
Difference of appreciation and conversion							
1. Net unrealized gains on securities	-			2,277		-	
Total difference of appreciation and conversion		-	-	2,277	0.9	-	-
Stock Acquisition Rights		-	-	648	0.2	-	-
Total net assets		-	-	211,459	79.4	-	-
Total liabilities and net assets		-	-	266,206	100.0	-	-

## (Interim Statements of Income)

	FY2005 interim (April 1, 2005 through September 30, 2005)		FY2006 interim (April 1, 2006 through September 30, 2006)		Summarized statement of income of FY2005 (April 1, 2005 through March 31, 2006)				
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)			
Net sales		101,484	100.0		99,562	100.0		217,688	100.0
Cost of sales		53,972	53.2		50,768	51.0		113,606	52.2
Gross profit		47,512	46.8		48,793	49.0		104,082	47.8
Selling, general and administrative expenses		26,350	25.9		27,328	27.4		54,335	25.0
Operating income		21,161	20.9		21,465	21.6		49,746	22.8
Non-operating income		4,769	4.6		3,852	3.8		6,433	3.0
Non-operating expenses		1,341	1.3		1,024	1.0		2,301	1.0
Ordinary income		24,589	24.2		24,293	24.4		53,878	24.8
Income (loss) before income taxes		24,589	24.2		24,293	24.4		53,878	24.8
Income taxes	7,173			6,774			18,364		
Income taxes - deferred	891	8,065	7.9	810	7,585	7.6	239	18,604	8.6
Net income		16,524	16.3		16,707	16.8		35,273	16.2
Retained earnings brought forward		4,024			-			4,024	
Loss from disposition of treasury stock		210			-			1,780	
Interim dividend		-			-			2,313	
Unappropriate earnings at end of period		20,338			-			35,204	

(Interim Statements of Changes in Stockholders' Equity)  
 FY2006 interim ( April 1, 2006 through September 30, 2006 )

	Stockholders' equity								Difference of appreciation and conversion	Stock acquisition rights	Total net assets
	Common Stock	Capital surplus		Retained earnings			Treasury stock	Total stockholders' equity			
		Additional paid-in capital	Legal reserve	Other retained earnings							
				Reserve for losses in foreign investments	General reserve	Retained earnings brought forward					
Balance of March 31, 2006 ( Millions of yen )	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 )					25,000	(25,000)		-			-
Bonus of directors and corporate auditors (Note )						(203)		(203)			(203)
Dividends from surplus (Note )						(4,199)		(4,199)			(4,199)
Net income						16,707		16,707			16,707
Purchase of treasury stock							(18)	(18)			(18)
Disposal of treasury stock							2,010	1,698			1,698
Net changes of items other than stockholders' equity								-	(400)	648	247
Total changes in the term ( Millions of yen )					25,000	(13,007)	1,992	13,985	(400)	648	14,233
Balance of September 30, 2006 ( Millions of yen )	32,362	32,973	3,083	27,062	146,880	22,197	(56,024)	208,534	2,277	648	211,459

( Note ) These are appropriation items as of the Ordinary Shareholders' Meeting held in June, 2006.