

*(The following is an unofficial English translation of the Report for the 68th 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 68th Fiscal Year**  
**(April 1, 2009 through March 31, 2010)**

**Advantest Corporation**

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## Message to Shareholders

To Our Shareholders

We are pleased to send you our “Report for the 68th Fiscal Year (from April 1, 2009 to March 31, 2010).”

In the semiconductor industry, chip-makers were impacted by the global downturn, and restricted capital expenditures sharply at the beginning of the period. They gradually resumed capital expenditures as chip prices rose and equipment utilization rates climbed, driven by increasing demand for PCs, flat-screen TVs, and cellular phones.

Advantest benefited from these positive market factors. Additionally, throughout the period, Advantest strove to improve profitability by cutting costs and reducing fixed expenses through integration of manufacturing subsidiaries, while expanding its sources of revenue by reorganizing its sales structure and launching new products that adapt to customer needs. These measures enabled Advantest to return to profitability in the fourth quarter of FY2009.

Although sales for the period totaled only ¥53.2 billion (a 30.6% decrease in comparison to FY2008), due to the drop in orders seen in late FY2008, orders and earnings improved significantly year on year. Orders input received was ¥67.7 billion (a 35.2% increase in comparison to FY2008). Operating loss was ¥11.6 billion (¥37.8 billion improvement in comparison to FY2008). Loss before income taxes and equity in loss of affiliated company was ¥9.9 billion (¥42.8 billion improvement in comparison to FY2008). Net loss was ¥11.5 billion (¥63.4 billion improvement in comparison to FY2008).

With respect to the management environment for the upcoming fiscal year, amid the developing consensus that the global economy has bottomed out, the semiconductor industry appears to be set for a period of renewed expansion. Chip-makers are proactively ramping up capital expenditures to support increased production volumes and enhance productivity, gradually improving the management environment surrounding Advantest. However, it remains difficult to predict whether the momentum of such capital expenditures will be sustained. In this environment, Advantest is unable to provide a detailed forecast at this time.

In this environment, Advantest will aim to expand its market share in the semiconductor test systems market and make efforts to improve design quality, shorten product development cycles, improve production efficiency, and optimize its procurement. Advantest plans to merge two manufacturing and service subsidiaries in July 2010, review a series of business processes of R&D, manufacturing, sales and maintenance service from customers’ viewpoint, and realize more speedy and efficient management. Advantest also intends to cultivate new businesses such as 3D imaging analysis system, and will focus on further reinforcing its management structure.

With respect to the dividend distribution to the shareholders, Advantest resolved at the meeting of the Board of Directors held on May 25, 2010 to distribute a year end dividend of 5 yen per share, with a payment date of June 2, 2010. Since Advantest has paid an interim dividend of 5 yen, the total dividend per share for the fiscal year will be 10 yen per share.

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

June 2010

Haruo Matsuno  
Representative Director,  
President and CEO

## Business Report

(April 1, 2009 through March 31, 2010)

### 1. Current Conditions of the Advantest Group

#### (1) Business conditions during the fiscal year

##### (i) Operations and Results of Business

#### Overall

Advantest's FY2009 (April 1, 2009 through March 31, 2010) dawned with the global economy in recession triggered by the financial crisis of late 2008. However, a mild upswing has now taken hold worldwide, led by economic growth in China, India, and other emerging nations, and underpinned by the stimulus measures adopted by many national governments.

In the semiconductor industry, chip-makers were also impacted by the global downturn, and restricted capital expenditures sharply at the beginning of the period. They gradually resumed capital expenditures as chip prices rose and equipment utilization rates climbed, driven by increasing demand for PCs, flat-screen TVs, and cellular phones.

Advantest benefited from these market factors. Additionally, throughout the period, Advantest strove to improve profitability by cutting costs and reducing fixed expenses through integration of manufacturing subsidiaries, while expanding its sources of revenue by reorganizing its sales structure and launching new products that adapt to customer needs. These measures enabled Advantest to return to profitability in the fourth quarter of FY2009.

As a result of the above, although sales for the period totaled only ¥53.2 billion (a 30.6% decrease in comparison to FY2008), due to the drop in orders seen in late FY2008, orders and earnings improved significantly year on year. Orders input received was ¥67.7 billion (a 35.2% increase in comparison to FY2008). Operating loss was ¥11.6 billion (¥37.8 billion improvement in comparison to FY2008). Loss before income taxes and equity in loss of affiliated company was ¥9.9 billion (¥42.8 billion improvement in comparison to FY2008). Net loss was ¥11.5 billion (¥63.4 billion improvement in comparison to FY2008). The percentage of net sales to overseas customers was 77.5%, compared to 67.7% in FY2008.

#### Business conditions by Business Segment

##### Semiconductor and Component Test System Segment

In the Semiconductor and Component Test System segment, orders input received improved significantly. Sales remained weak, due to the impact of weakened orders carried over from the second half of FY2008.

In the memory sector, the Company was mired in an extremely challenging environment at the beginning of the period, as memory makers continued to take a cautious stance on capital expenditures. However, the upturn in PC shipments left manufacturers struggling to keep up with demand, sparking fears of DRAM shortages. Prices for DDR3-DRAM and other DRAM devices rose, encouraging memory makers to resume capital expenditures, which led to a jump in orders for memory test systems towards the end of the period.

In non-memory, orders for MPU test systems continued to be robust. Demand for LCD driver IC test systems and consumer SoC test systems also expanded from the second half of the period, as the global recovery stimulated demand for consumer electronics including LCD TVs, cellular phones, and notebook computers.

As a result of the above, orders input received was ¥42.5 billion (a 62.7% increase in comparison to FY2008), net sales were ¥32.6 billion (a 33.8% decrease in comparison to FY2008) and operating loss was ¥7.0 billion (¥21.9 billion improvement in comparison to FY2008).

##### Mechatronics System Segment

Demand for Advantest's test handlers also improved sharply during the second half of FY2009, supported by increased activity in the DDR3-DRAM and analog IC markets. However, the steep drop in orders in the second half of FY2008 kept sales at a low level for the full year.

As a result of the above, orders input received was ¥14.8 billion (a 62.7% increase in comparison to FY2008), net sales were ¥11.2 billion (a 21.9% decrease in comparison to FY2008) and operating loss was ¥1.9 billion (¥10.0 billion improvement in comparison to FY2008).

#### Services, Support and Others Segment

The Services, Support and Others Segment did not perform strongly in the period; volumes declined in customer utilization rates of testing equipment.

As a result, orders input received was ¥13.0 billion (a 17.1% decrease in comparison to FY2008), net sales were ¥11.8 billion (a 25.1% decrease in comparison to FY2008) and operating income was ¥2.2 billion (¥3.3 billion improvement in comparison to FY2008).

### Sales Breakdown by Business Segment (consolidated)

Fiscal Year Segment	FY2008 (the 67th)		FY2009 (the 68th)		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	49,216	64.2	32,572	61.2	(16,644)	(33.8)
Mechatronics System	14,388	18.8	11,237	21.1	(3,151)	(21.9)
Services, Support and Others	15,815	20.6	11,838	22.2	(3,977)	(25.1)
Intercompany transaction elimination	(2,767)	(3.6)	(2,422)	(4.5)	345	-
Total	76,652	100.0	53,225	100.0	(23,427)	(30.6)
Overseas	51,918	67.7	41,249	77.5	(10,669)	(20.5)

#### (ii) Capital Expenditures

The Advantest Group invested a total of ¥3.4 billion in capital expenditures in fiscal year 2009. Most of the investments were used to fund new product development and lease of assets to customers.

#### (iii) Financing

No significant financing activities took place in fiscal year 2009.

(2) Conditions of Assets, Profit and Loss

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

	FY2006 (the 65th)	FY2007 (the 66th)	FY2008 (the 67th)	FY2009 (the 68th)
Net sales (in: million yen)	235,012	182,767	76,652	53,225
Net income (in: million yen)	35,556	16,550	(74,902)	(11,454)
Basic net income per share (in: yen)	190.01	90.72	(419.09)	(64.09)
Net assets (in: million yen)	294,797	254,184	163,616	150,242
Total assets (in: million yen)	366,374	298,684	202,059	188,663

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

2: 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

Name of Subsidiary	Common Stock	Percentage of Voting Rights (Note 1)	Principal Activities
Advantest Laboratories Ltd.	¥50 million	100%	Research and development of measuring and testing technologies
Advantest Customer Support Corporation (Note 2)	¥300 million	100%	Maintenance service for the Company's products
Advantest Manufacturing, Inc. (Note 2)	¥80 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

(Notes) 1: Percentage of voting rights includes indirectly held shares.

2: Advantest Customer Support Corporation and Advantest Manufacturing, Inc. are scheduled to be merged into Advantest Corporation on July 1, 2010.

### (4) Challenges Ahead

While maintaining "Measurements" as our core competence in mid-and-long term, Advantest intends to improve its corporate value by establishing a management and financial 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, Advantest promotes to further strengthen its product development operations and improve production efficiency while strengthening its overseas operations and support system in the U.S., Europe and Asia.

As semiconductor manufacturers relax their restrictions on capital expenditures, Advantest is responding to signs of improvement in its business environment by speeding up the implementation of its management strategy and seeking greater business efficiencies. In the upcoming fiscal year, Advantest will merge with one of its manufacturing subsidiaries and one of its service subsidiaries, and will review its R&D, manufacturing, sales, and maintenance service processes to further align them with customer requirements, enhancing the Company's ability to respond actively to market shifts.

Through "1000 Days," a corporate initiative launched in July 2009, Advantest will continue to strive to reduce lead times, provide timely new solutions optimized for market needs, explore new markets outside the semiconductor industry, and pursue overall cost savings, as part of a concerted strategy to improve profitability and swiftly return to financial health.

(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
R&D Centers, Laboratories	Gunma R&D Center	Meiwa-machi, Ora-gun, Gunma
	Saitama R&D Center (Note)	Kazo-shi, Saitama (former: 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
	Gunma Factory 2	Ora-machi, Ora-gun, Gunma
	Sendai Factory	Sendai-shi, Miyagi

(Note) Effective March 23, 2010, Otone R&D Center changed its name to Saitama R&D Center.

(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, 2010)

Number of Employees	Change from end of previous fiscal year
3,151 (217)	36 (406) decrease

(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, 2010)

- |                                     |                    |
|-------------------------------------|--------------------|
| (i) Total number of issuable shares | 440,000,000 shares |
| (ii) Total number of issued shares  | 199,566,770 shares |

(Note) Total number of issued shares includes treasury stock (20,845,178 shares).

- |                              |        |
|------------------------------|--------|
| (iii) Number of shareholders | 48,489 |
|------------------------------|--------|

### (iv) Major Shareholders (Top 10 shareholders)

Name of Shareholder	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.)	20,143	11.27
The Master Trust Bank of Japan, Ltd. (trust account)	19,791	11.07
Japan Trustee Services Bank, Ltd. (trust account)	10,526	5.89
JPMorgan Securities Japan Co., Ltd.	6,462	3.62
Mellon Bank Treaty Clients Omnibus	6,357	3.56
Trust & Custody Services Bank, Ltd. (investment trust account)	4,480	2.51
Japan Trustee Services Bank, Ltd. (trust account 4)	3,370	1.89
Mitsubishi UFJ Securities Co., Ltd.	3,112	1.74
Societe Generale Securities (North Pacific) Ltd.	2,939	1.64
Morgan Whitefriars Equity Derivatives	2,662	1.49

(Notes) 1: Percentage of Ownership is calculated without treasury stock (20,845,178 shares).

2: Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.) holds the 20,143 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.

3: The Company has acknowledged that in respect of the substantial shareholding reports filed pursuant to the "Disclosure of Substantial Shareholding" system, J.P.Morgan Securities Ltd. and its two affiliates jointly held 11,654 thousand shares of the Company as of March 31, 2010 according to the substantial shareholding reports filed on April 7, 2010. The Bank of Tokyo-Mitsubishi UFJ, Ltd. and its five affiliates jointly held 14,569 thousand shares of the Company as of July 27, 2009 according to the substantial shareholding reports filed on August 3, 2009. However, the Company has not included the number of shares for which beneficial owners cannot be identified in the table above.

(Reference) [INSERT PIE CHART HERE]

Financial Institutions and Securities Company	144 holders, 92,050 thousand shares (46.1%)
Non-Japanese Holders	460 holders, 52,946 thousand shares (26.5%)
Individuals and Others	47,455 holders, 29,119 thousand shares (14.6%)
Other Entities and Treasury Shares	430 holders, 25,452 thousand shares (12.8%)

(2) Stock Acquisition Rights

(i) Stock acquisition rights held by directors and corporate auditors (as of March 31, 2010)

	The resolution at the Board of Directors held on June 27, 2006	The resolution at the Board of Directors held on June 27, 2007	The resolution at the Board of Directors held on June 25, 2008	The resolution at the Board of Directors held on June 25, 2009
Date of issuance	July 12, 2006	July 12, 2007	July 10, 2008	July 10, 2009
Issuance Price	¥ 0 or ¥295,014 per unit	¥ 0 or ¥111,500 per unit	¥ 0 or ¥36,900 per unit	¥41,700 per unit
Holding status of stock acquisition rights by directors and corporate auditors	1,550 units (12 persons)	1,550 units (13 persons)	1,580 units (13 persons)	1,820 units (13 persons)
Directors (Excluding outside directors)	1,080 units (7 persons)	1,160 units (7 persons)	1,280 units (7 persons)	1,520 units (7 persons)
Outside directors	100 units (2 persons)	100 units (2 persons)	100 units (2 persons)	100 units (2 persons)
Corporate auditors	370 units (3 persons)	290 units (4 persons)	200 units (4 persons)	200 units (4 persons)
Class and aggregate number of shares to be issued or delivered upon exercise	310,000 shares of common stock (each stock acquisition right is exercisable for 200 shares)	155,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)	158,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)	182,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)
Exercise price to be paid upon exercise	¥5,880 per share	¥5,563 per share	¥2,653 per share	¥1,844 per share
Exercise period	April 1, 2007 to March 31, 2011	April 1, 2008 to March 31, 2012	April 1, 2009 to March 31, 2013	April 1, 2010 to March 31, 2014
Terms of exercise	The stock acquisition rights may not be inherited.			
Reasons for the Company's acquisition of the stock acquisition rights	<p>The Company shall automatically acquire the stock acquisition rights, for no consideration, if:</p> <p>(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;</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 its 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.	Acquisition of the stock acquisition rights by transfer shall require an approval by the Board of Directors. Provided, however, if it is the Company acquiring the stock acquisition rights by transfer, such transfer shall be deemed to be approved by the Board of Directors.		

(ii) Stock acquisition rights granted to employees of the Company during fiscal year 2009

	The resolution at the Board of Directors held on June 25, 2009
Date of issuance	July 10, 2009
Issuance price	¥41,700 per unit
Grantee of stock acquisition rights	Employees of the Company
Conditions of granting	1,560 units (12 persons)
Class and aggregate number of shares to be issued or delivered upon exercise	156,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)
Exercise price to be paid upon exercise	¥1,844 per share
Exercise period	April 1, 2010 to March 31, 2014
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 its 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	Acquisition of the stock acquisition rights by transfer shall require an approval by the Board of Directors. Provided, however, if it is the Company acquiring the stock acquisition rights by transfer, such transfer shall be deemed to be approved by the Board of Directors.

## (3) Directors and Corporate Auditors

## (i) Directors and Corporate Auditors (as of March 31, 2010)

Title	Name	Assignment in the Company and significant concurrent positions
Chairman of the Board and Representative Director	Toshio Maruyama	
Representative Director	Haruo Matsuno*	
Director	Naoyuki Akikusa	Director and Senior Executive Advisor of Fujitsu Limited Outside Corporate Auditor of FANUC LTD
Director	Yasushige Hagio	Attorney-at-Law, Senior Partner, Seiwa Patent & Law
Director	Takashi Tokuno*	
Director	Hiroshi Tsukahara*	
Director	Yuichi Kurita*	
Director	Hiroyasu Sawai*	
Director	Shinichiro Kuroe*	
Standing Corporate Auditor	Hitoshi Owada	
Standing Corporate Auditor	Yuri Morita	
Corporate Auditor	Megumi Yamamuro	Attorney-at-Law, SOGA URYU & ITOGA Professor, The University of Tokyo Graduate School of Law and Politics Outside Corporate Auditor of Fujitsu Limited Outside Corporate Auditor of NIFTY Corporation
Corporate Auditor	Jiro Haneda	

- (Notes)
- Messrs. Naoyuki Akikusa and Yasushige Hagio are outside directors.
  - Messrs. Megumi Yamamuro and Jiro Haneda are outside corporate auditors.
  - Mr. Hitoshi Owada, standing corporate auditor, has substantial accounting experience at the Company and considerable knowledge of financial and accounting matters.
  - There has been no significant change in assignment in the Company and in significant concurrent positions held by directors and corporate auditors after March 31, 2010.
  - 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 significant concurrent positions
President and CEO	Haruo Matsuno	
Senior Executive Officer	Takashi Tokuno	Business Groups Senior Vice President, New Concept Product Initiative
Managing Executive Officer	Hiroshi Tsukahara	Technology Promotion
Managing Executive Officer	Yuichi Kurita	Corporate Planning and Administration Senior Vice President, Corporate Administration Group
Managing Executive Officer	Hiroyasu Sawai	Sales and Marketing Senior Vice President, Sales and Marketing Group
Managing Executive Officer	Shinichiro Kuroe	Technology Development Group and Test System Business Group Senior Vice President, Test System Business Group
Managing Executive Officer	Yoshiro Yagi	Vice President, Sales and Marketing Group
Managing Executive Officer	Hiroshi Nakamura	Vice President, Corporate Administration Group
Managing Executive Officer	Yoshiaki Yoshida	Senior Vice President, Corporate Planning Group
Executive Officer	Masao Shimizu	Senior Vice President, System Solution Business Group Director of Fujitsu Interconnect Technologies Limited
Executive Officer	Hideaki Imada	Senior Vice President, Production Group
Executive Officer	Yasuhiro Kawata	Senior Vice President, Quality Assurance Group

Executive Officer	Takashi Sugiura	Vice President, Corporate Administration Group
Executive Officer	Takashi Sekino	Senior Vice President, Technology Development Group
Executive Officer	Sae Bum Myung	Representative Director and President, Advantest Korea Co., Ltd.
Executive Officer	Soichi Tsukakoshi	Vice President, Sales and Marketing Group
Executive Officer	Josef Schraetzenstaller	Managing Director, Advantest Europe GmbH
Executive Officer	R. Keith Lee	Director, President and CEO, Advantest America Corporation (Holding Co.)

7: There has been no significant change in assignment in the Company and in significant concurrent positions held by the Executive Officers after March 31, 2010.

(ii) The amount of compensation for directors and corporate auditors

Category	Number	Amount of compensation
Directors	11	¥341 million
Corporate Auditors	4	¥55 million
Total	15	¥396 million

(Notes) 1: The amounts of compensation set forth above include compensation paid in relation to stock option rights and fixed compensation paid to two directors who retired from their respective positions as of the closing of the 67th ordinary general meeting of shareholders, which was held on June 25, 2009.

2: Of the amount of compensation set forth above, the aggregate amount of compensation for two outside directors and two outside corporate auditors is ¥34 million.

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

(a) Significant concurrent positions held and relationship to the Company

Name	Concurrent position(s)	Relationship to the Company
Naoyuki Akikusa (Outside director)	Outside corporate auditor, FANUC LTD	There is no special relationship between FANUC LTD and the Company.
Yasushige Hagio (Outside director)	Senior Partner, Seiwa Patent & Law	There is no special relationship between Seiwa Patent & Law and the Company.
Megumi Yamamuro (Outside corporate auditor)	Outside corporate auditor, Fujitsu Limited	Fujitsu Limited holds the right to instruct the voting of the shares of the Company (11.27%) held by Mizuho Trust & Banking Co., Ltd. (retirement benefit trust (Fujitsu account), re-trust trustees, Trust & Custody Services Bank, Ltd.). The Company sells products to and purchases parts from Fujitsu Limited.
	Outside corporate auditor, NIFTY Corporation	There is no special relationship between NIFTY Corporation and the Company.

(b) Principal activities

Name	Attendance	Participation at meetings
Naoyuki Akikusa (Outside director)	Meetings of Board of Directors: 11 out of 13 times	Mr. Akikusa expresses his opinions based mainly on his experience in company management and his knowledge of the industry at meetings of the Board of Directors.
Yasushige Hagio (Outside director)	Meetings of Board of Directors: 13 out of 13 times	Mr. Hagio expresses his opinions based mainly on his expertise as an attorney-at-law at meetings of the Board of Directors.

Megumi Yamamuro (Outside corporate auditor)	Meetings of Board of Directors: 11 out of 13 times Meetings of Board of Corporate Auditors: 13 out of 15 times	Mr. Yamamuro expresses his opinions based mainly on his expertise as an attorney-at-law at meetings of the Board of Directors and Board of Corporate Auditors.
Jiro Haneda (Outside corporate auditor)	Meetings of Board of Directors: 13 out of 13 times Meetings of Board of Corporate Auditors: 15 out of 15 times	Mr. Haneda expresses his opinions based mainly on his experience in company management at meetings of the Board of Directors and Board of Corporate Auditors.

(c) Overview of the liability limitation agreement

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

(4) Accounting Auditor

(i) Name of accounting auditor

Ernst & Young ShinNihon LLC

(ii) Remuneration

	Amount
Remuneration to the accounting auditor for this fiscal year	¥229 million
Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the accounting auditor	¥231 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 Financial Instruments and Exchange Act 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 the System to Ensure the Appropriateness of Business

Holding “Technology Support on the Leading Edge” as our corporate mission, the Advantest Group established the “The ADVANTEST Way & The Code of Conduct” (“Advantest Code of Conduct”), increased the transparency of its management, and worked to promote the enhancement of corporate value. To further promote these efforts, the Company will prepare a framework as described in each paragraph below, implement the establishment, development and management of the internal control system, and ensure the sound operations of the Company.

1. Framework to the effective performance of duties by directors
  - (i) The Company promotes management efficiency by separating the management decision making function and supervisory function from the function of the execution of operations. The Board of Directors shall make management decisions and supervise management. As for execution of operations, executive officers (including the Representative Director) and employees shall execute operations based on the Board of Directors’ clarification of the function and authority of the body executing operations.
  - (ii) The Board of Directors, as the management decision making body, shall make decisions on significant matters with respect to the management policies and management strategies for the Advantest Group, and in its capacity to supervise management, the Board of Directors, including outside directors shall monitor and supervise the status of exercise of duties by executive officers while delegating necessary authorities to ensure the prompt and efficient performance of duties.
  - (iii) The Board of Directors shall approve the Advantest Group’s management plans, receive reports on business results based on monthly closing account, financial situation, status of the performance of duties by each department, 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.
2. Framework to ensure the compliance with applicable laws and ordinances as well as the articles of incorporation by directors, executive officers, and employees in performing their duties
  - (i) To ensure compliance with laws and ordinances as well as the articles of incorporation, and to ensure that actions are taken faithfully and ethically, the Company shall establish the Advantest Code of Conduct for all directors, executive officers and employees of the Advantest Group, and notify such directors, executive officers and employees of these codes. Furthermore, the Company shall establish the “Code of Ethics for Executives” for directors and executive officers.
  - (ii) 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 “Corporate Ethics Helpline”, a system in which a person who reports shall not be treated disadvantageously.
  - (iii) The Company shall establish subcommittees such as the Disclosure Committee, the Internal Control Committee, and the Human Rights Protection Committee in order to fulfill its corporate social responsibilities.
3. Rules relating to the management of risk of loss and other frameworks
  - (i) With respect to potential risks behind management environment, business activities 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.

- (ii) With respect to emergency situations such as disasters, the Company shall establish the Risk Management Group, create written emergency action guidelines and prepare by implementing education and training programs on a regular base.
  - (iii) The Internal Control Committee shall thoroughly manage risks and report material risks to the Board of Directors.
- 4. Framework regarding the retention and management of information with respect 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.
    - o Minutes of general meetings of shareholders and reference materials
    - o Minutes of meetings of the Board of Directors and reference materials
    - o 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.
- 5. Framework to ensure the appropriateness of operations of the Company, and the group as a whole, including its 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. Significant matters concerning 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, executive officers 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 Executive Officers and to keep abreast important matters regarding the execution of operations.
  - (ii) In the event that a report or consultation is made to the Corporate Ethics 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) The Company shall ensure that corporate auditors share information held by the Auditing Group (an internal audit section of the Company) and that there are opportunities to exchange opinions with the Auditing Group 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 trends in stock price, capital efficiency and cash flow.

## Consolidated Balance Sheets

(As of March 31, 2010)

(unit: million yen)

	FY2009	FY2008 (reference)		FY2009	FY2008 (reference)
Assets			Liabilities		
Current assets	143,749	157,307	Current liabilities	21,919	21,537
Cash and cash equivalents	96,439	105,455	Trade accounts payable	11,430	4,767
Short-term investments	10,498	25,114	Other accounts payable	981	6,409
Trade receivable, net	15,930	10,415	Accrued expenses	4,894	6,043
Inventories	16,590	9,737	Accrued warranty expenses	2,802	2,811
Other current assets	4,292	6,586	Other current liabilities	1,812	1,507
Investment securities	8,077	6,679	Accrued pension and severance cost	13,765	13,996
Property, plant and equipment, net	32,881	33,974	Other liabilities	2,737	2,910
Intangible assets, net	1,445	1,470	Total liabilities	38,421	38,443
Other assets	2,511	2,629	Commitments and contingent liabilities		
			Stockholders' equity		
			Common stock	32,363	32,363
			Capital surplus	40,463	40,320
			Retained earnings	181,606	194,848
			Accumulated other comprehensive income (loss)	(14,859)	(14,587)
			Treasury stock	(89,331)	(89,328)
			Total stockholders' equity	150,242	163,616
Total assets	188,663	202,059	Total liabilities and stockholders' equity	188,663	202,059

## Consolidated Statements of Operations

(From April 1, 2009 to March 31, 2010)

(unit: million yen)

	FY2009	FY2008 (reference)
Net sales	53,225	76,652
Cost of sales	27,297	56,837
Gross profit	25,928	19,815
Research and development expenses	17,896	23,713
Selling, general and administrative expenses	19,671	31,771
Restructuring and impairment charges	-	13,788
Operating income (loss)	(11,639)	(49,457)
Other income (expense):		
Interest and dividend income	579	2,157
Interest expense	(4)	(11)
Impairment losses on investment securities	(316)	(3,510)
Other, net	1,454	(1,940)
Income (loss) before income taxes and equity in earnings (loss) of affiliated company	(9,926)	(52,761)
Income taxes	1,457	21,994
Equity in earnings (loss) of affiliated company	(71)	(147)
Net income (loss)	(11,454)	(74,902)

## Consolidated Statements of Stockholders' Equity

(From April 1, 2009 to March 31, 2010)

(unit: million yen)

	FY2009	FY2008 (reference)
Common stock		
Balance at beginning of year	32,363	32,363
Changes in the year		
Total changes in the year	-	-
Balance at end of year	32,363	32,363
Capital surplus		
Balance at beginning of year	40,320	40,072
Changes in the year		
Stock option compensation expense	143	248
Total changes in the year	143	248
Balance at end of year	40,463	40,320
Retained earnings		
Balance at beginning of year	194,848	278,689
Changes in the year		
Net income (loss)	(11,454)	(74,902)
Cash dividends	(1,787)	(8,936)
Sale of treasury stock	(1)	(3)
Total changes in the year	(13,242)	(83,841)
Balance at end of year	181,606	194,848
Accumulated other comprehensive income (loss)		
Balance at beginning of year	(14,587)	(7,615)
Changes in the year		
Other comprehensive income (loss), net of tax	(272)	(6,972)
Total changes in the year	(272)	(6,972)
Balance at end of year	(14,859)	(14,587)
Treasury stock		
Balance at beginning of year	(89,328)	(89,325)
Changes in the year		
Repurchase of treasury stock	(4)	(7)
Sale of treasury stock	1	4
Total changes in the year	(3)	(3)
Balance at end of year	(89,331)	(89,328)
Total stockholders' equity		
Balance at beginning of year	163,616	254,184
Changes in the year		
Net income (loss)	(11,454)	(74,902)
Other comprehensive income (loss), net of tax	(272)	(6,972)
Cash dividends	(1,787)	(8,936)
Stock option compensation expense	143	248
Repurchase of treasury stock	(4)	(7)
Sale of treasury stock	0	1
Total changes in the year	(13,374)	(90,568)
Balance at end of year	150,242	163,616
Comprehensive income (loss)		
Net income (loss)	(11,454)	(74,902)
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	(2,614)	(1,793)
Net unrealized gains (losses) on investment securities	776	(244)
Pension related adjustments	1,566	(4,935)
Total other comprehensive income (loss)	(272)	(6,972)
Comprehensive income (loss) in the year	(11,726)	(81,874)

## 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 financial statements including the consolidated balance sheets and the consolidated statements of operations have been prepared on the basis of accounting principles generally accepted in the United States of America (“U.S. GAAP”), pursuant to paragraph 1 of Article 3 of the Supplemental Provisions of the Company Accounting Regulation (*kaisha keisan kisoku fusoku*), ordinance number 46 of the Ministry of Justice, 2009. 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 30
    - (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

Available-for-sale securities are recorded at fair value. Unrealized gains and losses are accounted for as a separate component of stockholders’ equity. Cost of other securities sold is determined using the moving average 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

Goodwill and other intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with definite useful lives are amortized over their respective estimated useful lives using the straight-line method.
    - (vi) Impairment of long-lived assets

Long-lived assets and certain identifiable intangibles with definite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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, in an amount 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

The Company provides for employees' retirement, severance and pension costs in accrued amounts based on the projected benefit obligations and the fair value of plan assets as of the end of this consolidated fiscal year. Prior service benefit and cost, and actuarial gain and loss recognized in accumulated other comprehensive income (loss) are amortized using the straight-line method over the average remaining service period of active employees.

(viii) Translation of foreign financial statements

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). In financial statements for foreign subsidiaries utilizing Japanese Yen as the functional currency, the items are remeasured into Japanese Yen, and any currency translation adjustments resulting from the above translation of items are included as "Other profits (expenses)" realized during the period in which the items were remeasured.

2. Notes to Consolidated Balance Sheets

- (1) Allowance for doubtful accounts: ¥246 million
- (2) Accumulated depreciation on property, plant and equipment: ¥40,390 million

3. Notes to Consolidated Statements of Stockholders' Equity

- (1) Total number of issued shares as of March 31, 2010  
Common stock                      199,566,770 shares

(2) Distribution of 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 meeting of the Board of Directors held on May 26, 2009	Common stock	¥894 million	¥5	March 31, 2009	June 2, 2009
The resolution at the meeting of the Board of Directors held on October 28, 2009	Common stock	¥894 million	¥5	September 30, 2009	December 1, 2009

## (ii) Distribution with a record date in fiscal year 2009 and an effective date in fiscal year 2010

Resolution	Class of shares	Source of distribution	Aggregate amount of distribution	Amount of distribution per share	Record date	Effective date
The resolution at the meeting of the Board of Directors held on May 25, 2010	Common stock	Retained earnings	¥894 million	¥5	March 31, 2010	June 2, 2010

## (3) Stock acquisition rights outstanding as of March 31, 2010

(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, 2006

Common stock 1,010,000 shares

Pursuant to the resolution adopted at the meeting of the Board of Directors of June 27, 2006

Common stock 342,000 shares

Pursuant to the resolution adopted at the Ordinary General Meeting of Shareholders of June 27, 2007

Common stock 512,000 shares

Pursuant to the resolution adopted at the meeting of the Board of Directors of June 27, 2007

Common stock 179,000 shares

Pursuant to the resolution adopted at the Ordinary General Meeting of Shareholders of June 25, 2008

Common stock 497,000 shares

Pursuant to the resolution adopted at the meeting of the Board of Directors of June 25, 2008

Common stock 182,000 shares

## 4. Notes to Financial Products

## (1) Financial Products

The Advantest group limits its fund management to short-term instruments including deposits at financial institutions with high credit ratings. Credit risk of trade notes receivable and accounts receivable pertaining to customers are minimized through credit administration standards. Advantest's investment securities mainly consist of stock. Advantest keeps track of fair market value of its listed stock on a quarterly basis, and reviews its non-listed stock regularly to determine whether such stock needs to be impaired. In addition, Advantest annually reviews its securities, including the stock it owns, to determine whether Advantest should continuously hold such securities. Advantest has no borrowings from financial institutions, such as banks. Furthermore, Advantest will not make any speculative derivative transactions other than to conduct derivative exchange rate transactions in order to cope with actual demand risks, pursuant to its fund management guidelines with high credit rating financial institutions.

## (2) Market Value of Financial Products

The following table shows Advantest's consolidated balance sheet amounts, market value and the difference between such balance sheet amount and market value. Market values of cash and cash equivalents, short-term investments, trade receivables-net, other current assets, trade accounts payable and accrued expenses are excluded as such are similar to the consolidated balance sheet amounts.

(unit: million yen)

	Consolidated balance sheet amount (*)	Market value (*)	Deference
(1) Investment securities			
Available-for-sale securities	4,643	4,643	—
(2) Exchange forward contracts, etc.	(29)	(29)	—

- (\*) “( )” means such amount is recorded as a liability.
- (Note 1) Matters with respect to calculation method of market value of financial products and transactions of securities and derivatives
- (1) With respect to investment securities, those with fair value are presented with estimation, those that are listed on the stock exchanges are at market value.
  - (2) Amount of exchange forward contracts is based on the amount calculated by the executing financial institution, and is included in “Other current assets” in the consolidated balance sheet.
- (Note 2) Non-listed stock (¥3,434 million of consolidated balance sheet amount) is not included in “(1) Investment securities” above, as such stock has no market value and estimation of fair value is not practical.

5. Notes to per share information

Net assets per share: ¥840.65

Basic net loss per share: ¥64.09

6. Notes to significant subsequent events

Not applicable.

7. Other notes

Amounts less than one million yen are rounded.

## Balance Sheets (Non-Consolidated)

(As of March 31, 2010)

(Unit: million yen)

	FY2009	FY2008 (reference)		FY2009	FY2008 (reference)
Assets			Liabilities		
Current assets	102,524	101,062	Current liabilities	22,100	20,216
Cash and deposits	52,542	63,857	Trade accounts payable	11,067	5,852
Trade notes receivables	414	40	Other accounts payable	572	3,007
Accounts receivable	15,901	7,714	Accrued expenses	3,616	5,094
Short-term investments	16,900	17,300	Income tax payable	1	1
Merchandise and finished goods	3,993	2,763	Allowance for product warranty	2,727	2,642
Work in progress	6,910	3,573	Other	4,117	3,620
Raw materials and supplies	2,104	608	Noncurrent liabilities	6,892	5,646
Refundable income taxes	66	2,022	Allowance for retirement benefits	5,520	4,382
Other	3,744	3,909	Deferred tax liabilities	587	81
Allowance for doubtful accounts	(50)	(724)	Other	785	1,183
Noncurrent assets	55,115	56,822			
Property, plant and equipment	28,553	29,777	Total liabilities	28,992	25,862
Buildings	10,663	11,970	Net assets		
Structures	518	615	Stockholders' equity	124,632	128,825
Machinery and equipment	937	869	Common stock	32,363	32,363
Vehicles and delivery equipment	17	11	Capital surplus	32,973	32,973
Tools and furniture	560	404	Capital reserve	32,973	32,973
Land	15,852	15,907	Retained earnings	148,627	152,817
Construction in progress	6	1	Legal reserve	3,083	3,083
Intangible fixed assets	595	579	Other retained earnings	145,544	149,734
Software	344	298	[Reserve for losses in foreign investments]	[27,062]	[27,062]
Other	251	281	[General reserve]	[146,880]	[146,880]
Investments and other assets	25,967	26,466	[Retained earnings (accumulated loss)]	[(28,398)]	[(24,208)]
Investment securities	7,656	6,669	Treasury stock	(89,331)	(89,328)
Investments in affiliated companies	16,980	17,425	Difference of appreciation and conversion	862	120
Long-term loans receivable	261	1,144	Net unrealized gains on securities	862	120
Other	1,070	1,267	Stock acquisition rights	3,153	3,077
Allowance for doubtful accounts	-	(39)			
Total assets	157,639	157,884	Total net assets	128,647	132,022
			Total liabilities and net assets	157,639	157,884

## Statements of Operations (Non-Consolidated)

(April 1, 2009 through  
March 31, 2010)

(unit: million yen)

	FY2009	FY2008 (reference)
Net sales	41,907	53,124
Cost of sales	24,961	42,741
Gross profit	16,946	10,383
Selling, general and administrative expenses	34,253	46,410
Operating income (loss)	(17,307)	(36,027)
Non-operating income		
Interest and dividend income	13,873	1,770
Other	3,219	3,394
Non-operating expenses		
Interest expenses	11	33
Other	2,158	8,911
Ordinary income (loss)	(2,384)	(39,807)
Extraordinary income		
Gain on extinguishment of tie-in shares	-	61
Extraordinary loss		
Impairment losses	-	11,789
Additional termination benefit	-	1,631
Other	-	83
Income (loss) before income taxes	(2,384)	(53,249)
Income taxes – current	18	(937)
Income taxes – deferred	-	15,754
Net income (loss)	(2,402)	(68,066)

## Statements of Changes in Stockholders' Equity

(From April 1, 2009 to March 31, 2010)

(unit: million yen)

	FY2009	FY2008 (reference)
Stockholders' Equity		
Common stock		
Balance at beginning of year	32,363	32,363
Changes in the year		
Total changes in the year	-	-
Balance at end of year	32,363	32,363
Capital surplus		
Capital reserve		
Balance at beginning of year	32,973	32,973
Changes in the year		
Total changes in the year	-	-
Balance at end of year	32,973	32,973
Retained earnings		
Legal reserve		
Balance at beginning of year	3,083	3,083
Changes in the year		
Total changes in the year	-	-
Balance at end of year	3,083	3,083
Other retained earnings		
Reserve for losses in foreign investments		
Balance at beginning of year	27,062	27,062
Changes in the year		
Total changes in the year	-	-
Balance at end of year	27,062	27,062
General reserve		
Balance at beginning of year	146,880	146,880
Changes in the year		
Total changes in the year	-	-
Balance at end of year	146,880	146,880
Retained earnings (accumulated loss)		
Balance at beginning of year	(24,208)	52,797
Changes in the year		
Dividends from retained earnings	(1,787)	(8,936)
Net income (loss)	(2,402)	(68,066)
Sale of treasury stock	(1)	(3)
Total changes in the year	(4,190)	(77,005)
Balance at end of year	(28,398)	(24,208)
Treasury stock		
Balance at beginning of year	(89,328)	(89,325)
Changes in the year		
Repurchase of treasury stock	(4)	(7)
Sale of treasury stock	1	4
Total changes in the year	(3)	(3)
Balance at end of year	(89,331)	(89,328)
Total stockholders' equity		
Balance at beginning of year	128,825	205,833
Changes in the year		
Dividends from retained earnings	(1,787)	(8,936)
Net income (loss)	(2,402)	(68,066)
Repurchase of treasury stock	(4)	(7)
Sale of treasury stock	0	1
Total changes in the year	(4,193)	(77,008)
Balance at end of year	124,632	128,825

	FY2009	FY2008 (reference)
Difference of appreciation and conversion		
Net unrealized gains on securities		
Balance at beginning of year	120	309
Changes in the year		
Changes of items other than stockholders' equity, net	742	(189)
Total changes in the year	742	(189)
Balance at end of year	862	120
Stock acquisition rights		
Balance at beginning of year	3,077	3,122
Changes in the year		
Changes of items other than stockholders' equity, net	76	(45)
Total changes in the year	76	(45)
Balance at end of year	3,153	3,077
Total net assets		
Balance at beginning of year	132,022	209,264
Changes in the year		
Dividends from retained earnings	(1,787)	(8,936)
Net income (loss)	(2,402)	(68,066)
Repurchase of treasury stock	(4)	(7)
Sale of treasury stock	0	1
Changes of items other than stockholders' equity, net	818	(234)
Total changes in the year	(3,375)	(77,242)
Balance at end of year	128,647	132,022

## 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  
Stated principally at cost using the gross average method (balance sheet value of assets are calculated using a method in which book values are written down in accordance with decreased profitability).
  - (3) Depreciation and amortization of noncurrent assets
    - (i) Depreciation of plant and equipment (excluding lease assets)  
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 (excluding lease 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 and corporate auditors, of the total amount expected to be paid, an estimated amount for fiscal year 2009 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) within 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) within the average remaining years of service of employees, and the amount is recorded in the fiscal year subsequent to its occurrence.

- (5) Accounting for consumption taxes  
Consumption taxes are accounted using the net-of-tax method.

2. Notes to balance sheets

(1) Accumulated depreciation on property, plant and equipment (including accumulated impairment losses):	¥64,193 million
(2) Short-term receivables from affiliates:	¥12,671 million
Long-term receivables from affiliates:	¥250 million
Short-term payables to affiliates:	¥6,744 million

3. Notes to statements of operations

Transactions with affiliated companies

Sales:	¥26,358 million
Purchases:	¥23,645 million
Non-operating transactions:	¥15,496 million

4. Notes to Statements of Changes in Stockholders' Equity

Total number of treasury shares as of March 31, 2010

Common stock	20,845,178 shares
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5. Notes to tax effect accounting

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

Deferred tax assets	(Unit: million yen)
Appraised value of inventories	4,838
Research and development expenses	3,362
Accrued warranty expenses	1,105
Accrued bonus	234
Allowance for retirement benefits	2,236
Long-term accounts payable	235
Valuation difference in other securities	34
Excess depreciation	468
Impairment loss	3,768
Loss carried forward	25,455
Other	4,377
Subtotal of deferred tax assets	46,112
Valuation allowance	(46,078)
Net deferred tax assets	34
Deferred tax liabilities	
Valuation difference in other securities	(621)
Net deferred tax liabilities	(587)

6. 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
					Officer of subsidiaries temporarily transferred from the Company	Business relationship				
Advantest Manufacturing, Inc.	Ora-machi, Ora-gun, Gunma	¥80 million	Manufacturing of test systems, etc.	100.0%	Yes	Manufacturing of the Company's products	Purchases	¥8,769 million	Trade accounts payable	¥836 million
							Amounts in escrow	-	Escrow deposits	¥1,667 million
Advantest Finance Inc.	Chiyoda-ku, Tokyo	¥1,000 million	Leasing of test systems, etc.	100.0%	Yes	Leasing of the Company's products	Sales	¥2,422 million	Accounts receivable	¥1,344 million
							Loans	-	Short-term loans receivable	¥2,034 million
Advantest America, Inc.	California, U.S.A.	42,000 thousand USD	Sale of test systems, etc.	100.0%	Yes	Sale of the Company's products	Sales	¥11,047 million	Accounts receivable	¥1,938 million
Advantest Taiwan Inc.	Chu-Pei, Hsin-Chu Hsien, Taiwan	560,000 thousand Taiwan Dollars	Sale of test systems, etc.	100.0%	Yes	Sale of the Company's products	Sales	¥10,995 million	Accounts receivable	¥6,175 million

#### Terms and conditions of transactions and determination of policies thereof

- With respect to sales and purchases, the price is determined by referring to the market price, among others.
- With respect to loans and deposits, the rate is determined by taking the market interest rate into consideration.

#### 7. Notes to per share information

Net assets per share: ¥702.18  
Net loss per share: ¥13.44

#### 8. Notes to significant subsequent events

##### The Merger of Subsidiaries

The Company resolved at the meeting of its Board of Directors on April 27, 2010 to merge its consolidated subsidiaries.

##### (1) Purpose of the Merger

The subsidiaries to be merged, Advantest Manufacturing, Inc. and Advantest Customer Support Corporation, are wholly-owned consolidated subsidiaries of the Company, which engage in manufacture and/or maintenance service of the Company's products. The Company will merge the subsidiaries, and review their R&D, manufacturing, sales, and maintenance service processes to further align them with the Company's customer requirements, speeding up the implementation of its management strategy and seeking greater business efficiency.

##### (2) Overview of the Merger

##### (i) Merger method

Each subsidiary will be merged into the Company through a short-form merger (kan-i/ryakushiki gappei) and each subsidiary will be dissolved.

##### (ii) Details of the allotment upon the Merger

As the Company owns all shares of each subsidiary, there will be no issuance of new shares, increase of share capital or cash payment upon the merger for either subsidiary.

(iii) Outline of parties to the merger (as of March 31, 2010)

Registered trade name	Advantest Manufacturing, Inc.
Business description	Manufacture of test systems, etc.
Sales	¥10,361 million
Net income	¥ 1,236 million
Net assets	¥ 2,327 million
Total assets	¥ 3,648 million

Registered trade name	Advantest Customer Support Corporation
Business description	Maintenance service of test systems, etc.
Sales	¥ 4,655 million
Net income	¥ 371 million
Net assets	¥ 2,549 million
Total assets	¥ 3,216 million

(iv) Date of Merger (the effective date)

July 1, 2010 (as planned)

9. Other notes

Amounts less than one million yen are rounded.

Copy of Independent Auditors' Audit Report (Consolidated)

Independent Auditors' Audit Report

May 14, 2010

To the Board of Directors of Advantest Corporation:

Ernst & Young ShinNihon LLC

Tetsuya Naito ○  
Limited Liability Engagement Partner  
Certified Public Accountant

Makoto Usui ○  
Limited Liability Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements of Advantest Corporation (the "Company") for its 68th fiscal year (April 1, 2009 through March 31, 2010), including the consolidated balance sheets, consolidated statements of operations, 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 significant matters based on which the consolidated financial statements were prepared (1)"), pursuant to the provisions of Article 3, Paragraph 1 of the Supplementary Provisions of the Company Accounting Regulation.

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 14, 2010

To the Board of Directors of Advantest Corporation:

Ernst & Young ShinNihon LLC

Tetsuya Naito ○  
Limited Liability Engagement Partner  
Certified Public Accountant

Makoto Usui ○  
Limited Liability Engagement Partner  
Certified Public Accountant

We have audited the financial statements of Advantest Corporation (the "Company") for its 68th fiscal year (April 1, 2009 through March 31, 2010), which included the balance sheets, statements of operations, 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.

**Supplemental Information**

As described as a significant subsequent event, the Company resolved at the meeting of its Board of Directors on April 27, 2010 to merge its consolidated subsidiaries, Advantest Manufacturing, Inc. and Advantest Customer Support Corporation, effective July 1, 2010 (scheduled).

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

## Copy of Board of Corporate Auditors' Audit Report

### 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 68th fiscal year (April 1, 2009 through March 31, 2010). 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 of audit of Corporate Auditors established by the Board of Corporate Auditors, pursuant to the audit policies and audit plans, each Corporate Auditor communicated with Directors, Executive Officers as well as other employees such as members of the Audit Office in order to collect information, and improve the auditing system, attended meetings of the Board of Directors and other important meetings, received reports from Directors, Executive Officers 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 Corporate Auditors 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 131 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 financial statements (the balance sheets, statements of operations, statements of changes in stockholders' equity, notes to non-consolidated financial statements) as well as its supporting schedules and the consolidated financial statements for the 68th fiscal year (the consolidated balance sheets, consolidated statements of operations, consolidated statements of stockholders' equity, and notes to consolidated financial statements).

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 financial statements and its supporting schedules.

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

(3) Results of audit of the consolidated financial statements

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

May 20, 2010

Board of Corporate Auditors of Advantest Corporation

Hitoshi Owada  
Standing Corporate Auditor



Yuri Morita  
Standing Corporate Auditor



Megumi Yamamuro  
Outside Corporate Auditor



Jiro Haneda  
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 Company's 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 published in the Nihon Keizai Shimbun.

**Share registration agent and the firm responsible for administering special account:**

Tokyo Securities Transfer Agent Co., Ltd.

Nihon Bldg. 4F, 6-2 Otemachi 2-chome, Chiyoda-ku, Tokyo

Toll free number: 0120-49-7009

\*In taking the necessary procedure by mail, please send to the following address.

8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-8522

Business Center, Tokyo Securities Transfer Agent Co., Ltd.

Share transfer / registration services are available at the Main Office and Branch Offices in Japan of The Chuo Mitsui Trust and Banking Company, Limited.

**Number of shares comprising one unit:** 100 shares

**(Notice)**

Please inform the securities firm at which you hold an account of changes of address, demands for sales and purchases of fractional shares or your preferred method of receiving dividends. However, for various services in connection with those shares that are recorded in the special account, please contact Tokyo Securities Transfer Agent Co., Ltd., the firm responsible for administering such special account.

Please contact Tokyo Securities Transfer Agent Co., Ltd., the share registration agent, for enquires with respect to the payment of unpaid dividends.

For those shareholders who have directed the Company to pay dividends by bank transfer (except by allocation in proportion to the number of shares held method (*kabushiki hirei haibun houshiki*)) or shareholders who receive dividends by cashing a "Dividend Receipt" (*haitoukin ryoushusho*), the "Dividend Statement" (*haitoukin keisansho*) that you receive from the Company serves as the "Notice of Payment" stipulated in the Special Taxation Measures Law (*sozei tokubetsu sochi-hou*). The "Notice of Payment" may be attached when filing your income tax return. Shareholders who have elected allocation in proportion to the number of shares held method, please consult your securities firm.