

CONTENTS

Financial Highlights 2
Our Core Competence 3
Sustained Investment in Research and Development 6
Facing a Cyclical Business Environment 7
Advantest's Business 9
Leader in the Global Memory Test Systems Market 11
World Leadership in Non memory Test Systems Within Reach 14
To Our Stakeholders 16
Board of Directors & Corporate Auditors 19
Corporate Governance 21
Financial Section 24

Financial Highlights

Advantest Corporation and Consolidated Subsidiaries

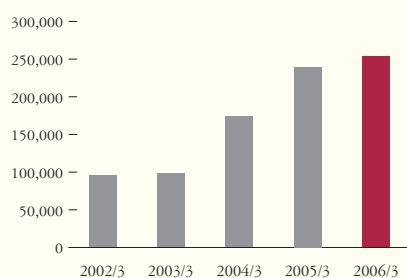
Years ended March 31:	2002	2003	2004	2005	2006	2006
	Yen (in millions, except per share and share data)					U.S. Dollars (in thousands, except per share and share data)
Consolidated Statement of Operations Data:						
Net sales	¥95,244	¥97,740	¥174,218	¥239,439	¥253,922	\$2,161,590
Operating income (loss)	(37,105)	(16,743)	30,960	60,719	64,458	548,719
Income (loss) before income taxes	(38,480)	(18,688)	28,878	61,808	67,454	574,223
Net income (loss)	(23,906)	(12,994)	17,329	38,078	41,374	352,209
Net income (loss) per share:						
Basic	(240.38)	(131.99)	176.37	389.54	446.34	3.80
Basic weighted average shares outstanding	99,453,203	98,445,111	98,250,830	97,750,345	92,694,513	92,694,513
As of March 31:						
Total assets	¥307,562	¥281,224	¥330,808	¥296,769	¥350,776	\$2,986,090
Total stockholders' equity	240,716	210,663	221,768	206,749	257,927	2,195,684

Note 1: The above financial data were prepared under U.S. GAAP.

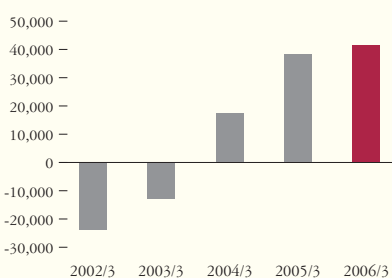
Note 2: In this annual report, amounts reported in Japanese yen have been translated into U.S. dollars for the convenience of readers.

The rate used for this translation was \$1.00=¥ 117.47, the approximate exchange rate in Japan on March 31, 2006.

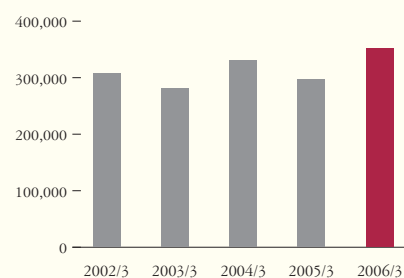
Net Sales
(Millions of yen)



Net Income (loss)
(Millions of yen)



Total Assets
(Millions of yen)



Our Core Competence

Committed to our corporate mission, “Technology Support on the Leading Edge,” Advantest provides test systems for semiconductors and a host of related products and services that ensure the reliability of semiconductor and electronic components products. Advantest provides high technology companies with the most advanced test and measurement technologies in the world. In the half-century since Advantest’s founding in 1954, we have honed our core strengths and constantly introduced new products incorporating the latest test and measurement technologies.

Parallel-testing of 512 devices

Representative of Advantest’s high-performance, high-added-value ethos is our T5588 test system for memory semiconductors. Launched in May 2005, the T5588 is capable of parallel-testing 512 DDR2-SDRAM semiconductors, the current mainstream technology for the DRAM semiconductors that drive personal computers, servers, and other technologically sophisticated equipment. The performance of the T5588 is unmatched in the ATE industry. Our strength and standards of excellence inform our willingness to compete head-to-head on functionality, performance, and product quality. However, our offerings extend far beyond our individual products. We provide test solutions that combine our comprehensive capabilities in sales, development, production, maintenance, and other fields, enabling our customers to build optimal test environments.

State-of-the-art products and superior test technology express Advantest’s dedication to performance and quality.

Insightful and timely assessments of customers’ ever-changing needs...

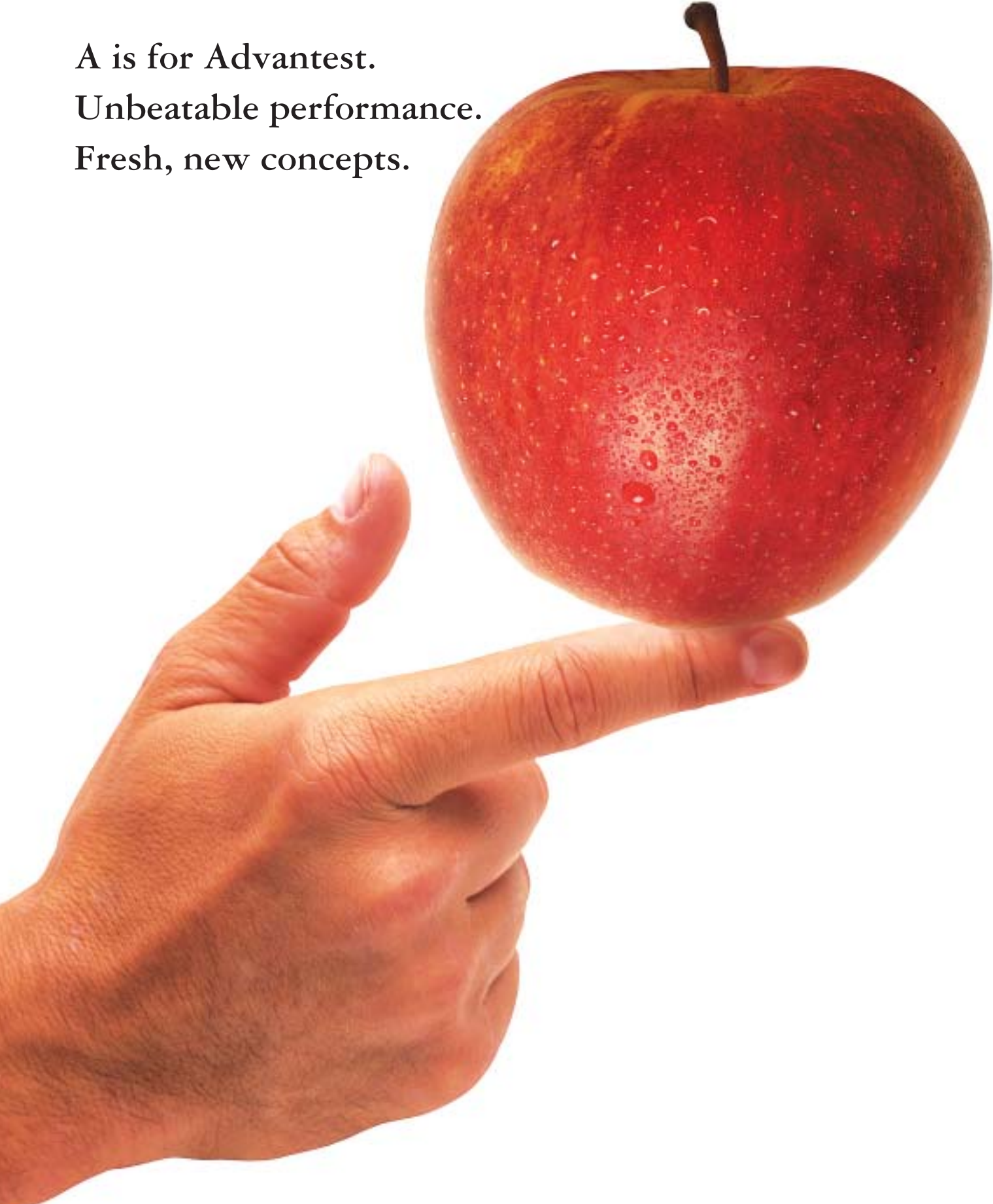
Future-oriented, customized test solutions...

Only Advantest, with half a century of experience and deep test and measurement expertise, can provide it all.



Our systems spot the bad apples.

A is for Advantest.
Unbeatable performance.
Fresh, new concepts.



Sustained Investment in Research and Development

At Advantest, we provide test systems for semiconductors for wafer test and package test of all types of semiconductors. We pride ourselves on offering the most advanced test technologies on the market. Yet an equally important aspect of Advantest's success is our capacity to be a "one-stop shop" for semiconductor test resources and solutions including test handlers, device interfaces, and maintenance services. Our R&D facilities are crucibles of the innovation that drives our products. The next-generation core technologies that will empower the future of semiconductor testing are already being incubated at the Gunma R&D Center and Advantest Laboratories.

R&D expenses:

29.0

billion yen

We are able to provide high-performance, high-quality products that our competitors cannot hope to imitate due to our consistently high level of investment in R&D. For example, despite the extremely sharp downturn in results during fiscal 2001 and 2002, we invested 26.6 billion yen and 23.6 billion yen respectively in R&D in those years. Later, when the market recovered, our sustained R&D investment enabled us to launch a wide range of successful, well-timed new products, including the T2000, OPENSTAR^{®*} compatible test systems for SoC semiconductors, the T6372 test system for LCD driver ICs, and the T5588 and T5501 test systems for memory semiconductors.

In fiscal 2006, we plan to invest 29 billion yen in R&D.

*OPENSTAR[®] is a registered trademark of the Semiconductor Test Consortium.

Facing a Cyclical Business Environment

In the semiconductor industry, growth is dictated by cyclical fluctuations known as the “Silicon Cycle,” which is driven by economic conditions, consumer trends, technical innovations, and other factors. Advantest has always endeavored to achieve steady growth in the face of these cyclical ups and downs.

Recently, semiconductor applications have expanded significantly, particularly in the areas of consumer electronics and automobiles. This has created strong price pressures on end-user products, which in turn force semiconductor prices down. Test system makers face the same powerful calls for lower prices. Meanwhile, demand for higher performance, greater functionality, and more diverse IC capabilities has not only increased development costs for test system makers, but also pushed up material and other manufacturing costs.

Activate 21

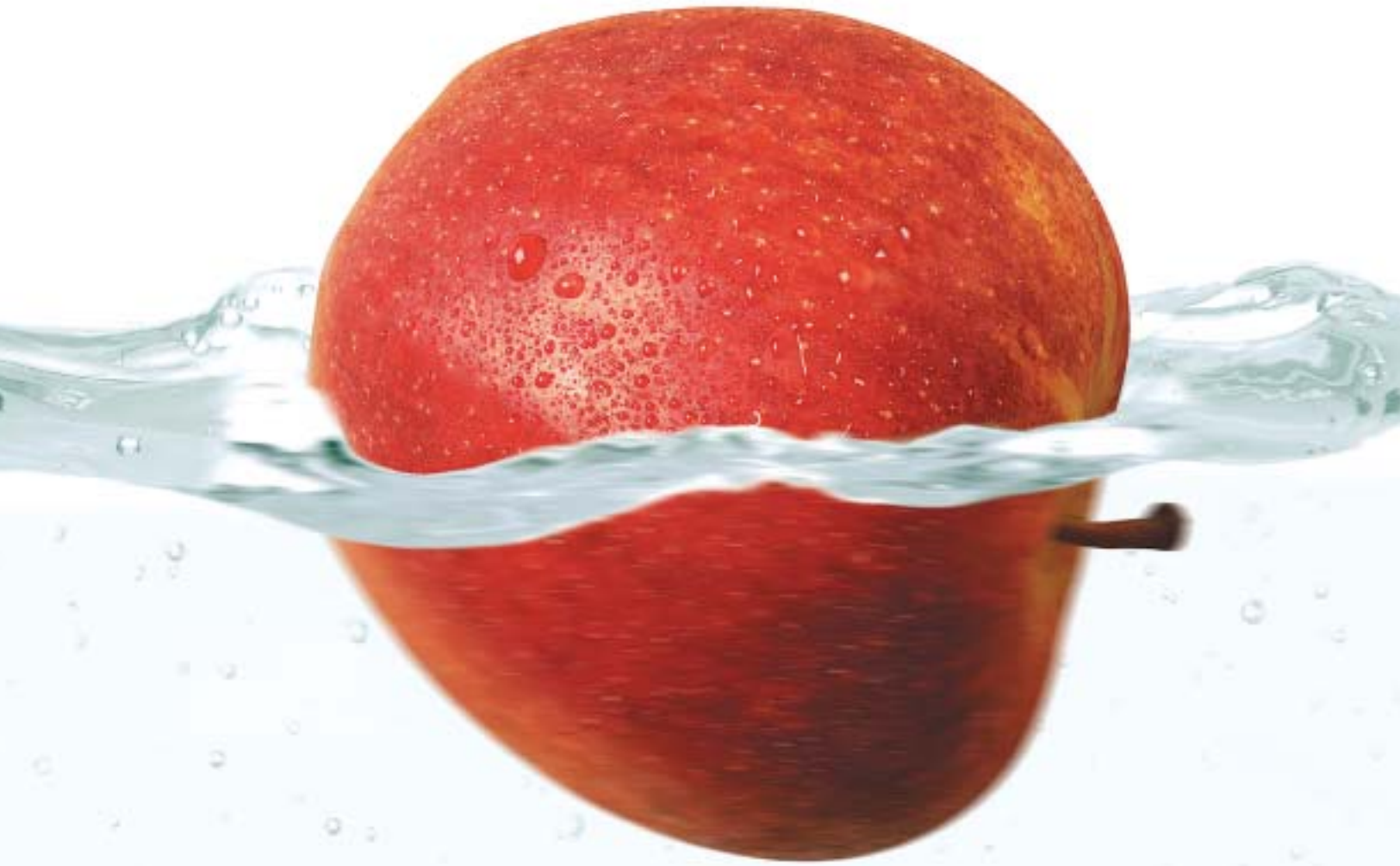
Advantest is responding to this dilemma with a two-pronged strategy of aggressive business expansion and cost-efficiency improvements. In October 2005, we launched a new corporate initiative, “Activate21”. Setting our medium-term goals through to the end of March 2009, this initiative aims to further boost Advantest’s market competitiveness and profitability by focusing on cost and efficiency from a global perspective.

First, we are introducing cost planning methods in the product-planning and development stages.

Second, we are using data obtained through ABCM (Activity Based Costing and Management) procedures and evaluations based on API (Advantest Performance Indicator) to eliminate any wasted expenses and to dramatically increase the efficiency of business processes across all departments.

Third, building on the efficiency gains achieved through our introduction of the “just-in-time” production system in August 2003, we are achieving more efficient production through development and design that emphasizes procurability and productivity. This is resulting in shorter production times and closer integration of vendor supply chains.

Despite our cyclical business environment, Advantest has developed a unique business model to achieve steady growth.



**Riding the waves of change
with unsinkable quality.**

Advantest's Business

Today, Advantest's key business segment is the semiconductor and component test system. This segment accounted for about 75% of our sales in fiscal 2005*. The business of this segment is broadly divided into test systems for memory semiconductors and test systems for non-memory semiconductors.

Test systems for memory semiconductors include test systems for DRAM semiconductors used in computers and other devices, as well as test systems for flash memory semiconductors mainly used in memory cards and portable music players.

Semiconductor and component test system sales to total sales ratio

75%

Test systems for non memory semiconductors include the T2000, as well as test systems for LCD driver ICs and other semiconductors used in consumer electronics. Sales in our semiconductor and component test system segment were historically dominated by test systems for memory semiconductors, but our intensified R&D investment in test systems for non memory semiconductors has paid off: Through new product launches, our sales of test systems for non memory semiconductors in fiscal 2005 rapidly approached the level of test systems for memory semiconductors.

As semiconductors diversify, and the market demands higher test speeds and greater parallel-test volumes, there is an increased need not only for test systems, but also for integrated solutions such as test handlers, which automatically transport devices during testing, and device interfaces, which connect devices and test systems. These types of products are a part of our mechatronics system segment, which now comprises about 19% of our sales.

*FY2005: Year ending March 2006

No matter how you slice it,
our customers come first.

75%

Semiconductor and
Component Test System

19%

Mechatronics System

Services, Support
and Others



Leader in the Global Memory Test Systems Market

Our share of the global memory test system market in 2005 was about 70%, giving Advantest an overwhelming lead over our competitors. Retention and expansion of market share is a vital part of our strategy.

Compared to other industries, the semiconductor business has an extremely high rate of change in technology and market requirements. In this industry, the key to success is the ability to develop products that meet customer requirements precisely when they are needed and contribute to lower test costs.

Global share of test systems for memory semiconductors

No.1

Our dominant market position gives us an advantage in terms of unmatched access to customer feedback and data. This helps us to accurately predict future market trends. By applying to product development to enable the timely launch of the products that our customers need, we have established a trend of positive expansion through a cycle of higher sales and a still widening market.

Advantest's high market share, unmatched in the test industry, is key to our strategy for further improvement of our profitability. We continue to aggressively expand our sphere of activities.





**Leading the industry.
And still hungry.**



High mix, low volume?
We've got it in the bag.

World Leadership in Non memory Test Systems Within Reach

To further improve our results, we recognize that we must expand our sales and market share in test systems for non memory semiconductors. Our approximately 10% share of this market in 2003 expanded to approximately 28% by 2005, an advance chiefly driven by our T2000 and our T6300 series of test systems for LCD driver ICs.

The market of test systems for non memory semiconductors is around twice the size of the market of test systems for memory semiconductors. To enhance our position in this market, we aim to introduce low-cost mainframes and expand the range of modules for our T2000, which is currently successful in the high-end market. By taking the T2000 into the middle and low-end market, we anticipate an influx of new customers.

Share of test systems for non memory semiconductors

Approximately

28%

Another of our strategies has been the establishment of a new R&D center for test systems for non memory semiconductors in the United States in 2005 to bring our R&D operation into direct contact with numerous potential customers. With the benefit of geographically closer relationships to users, our R&D has been proceeding more rapidly.

In Japan and Asia, meanwhile, we have been focusing on expanding our sales of test systems for LCD driver ICs, demand for which is on an upward trend, and the T6500 series for consumer electronics semiconductors.

Advantest continues to “Support Technology on the Leading Edge” by providing high-performance, high-quality testing solutions for semiconductors that match our customers’ needs.



Nothing gets past us.



To Our Stakeholders

Strong Results in Fiscal 2005

In fiscal 2005, global markets experienced increased demand for flat-panel televisions, portable music players, laptop computers, and other consumer electronics. This resulted in strong capital investment by semiconductor makers as they boosted volumes to meet demand. The weaker yen also helped to create favorable business conditions for us.

We thus increased our sales based on new products, focusing in particular on expanding our market share in test systems for non memory semiconductors — the key to our growth. To achieve even higher productivity and profitability, we also converted more of our manufacturing facilities to the “just-in-time” production system, which enables us to achieve shorter production lead time, complete inventory management, lower costs, and higher quality.

As a result, sales for this fiscal year increased by 6% to 253.9 billion yen, income before tax increased by 9.1% to 67.5 billion yen, and net income rose 8.7% to 41.4 billion yen. These strong results surpassed even the favorable results of the previous fiscal year.

Our basic dividend policy has been to deliver stable dividends despite severe fluctuations in our business environment. They are determined by an overall assessment of the results for each term and our financial situation. Our dividend for this term increased by 20 yen from last year’s 50 yen to 70 yen for the entire year. As we paid an interim dividend of 25 yen, our fiscal 2005 year-end dividend was 45 yen.

Fiscal 2006 Forecast

In fiscal 2006, analysts predict increased demand as the generational changeover to DDR2-SDRAM takes hold in DRAM semiconductors, and in the second half, computers and game consoles are launched incorporating new operating systems with comparatively vast memory requirements. Demand is also expected to rise for non memory semiconductors and flash memory semiconductors used in mobile phones, portable music players, flat-panel televisions, and other consumer electronics.

Some risk factors that could negatively impact our results include limited capital investment due to a poor balance between supply and demand, common in the semiconductor industry; higher costs for materials due to soaring oil prices; yen appreciation; and widespread downward pressure on prices from customers due to these factors.

To be prepared for these contingencies, we will strive to enhance our marketing and development structures, and perfectly time our launches of new products that anticipate customer needs. To improve cost-competitiveness, we will follow our corporate initiative, “Activate 21”, to review our business processes and improve productivity company-wide.

Incorporating CSR Activities into Sustainable Management

At Advantest, we help people to live in safety and comfort by providing reliability assurances for semiconductors and electronic components. Yet for many years, we have not been satisfied with the traditional manufacturer's role of developing and selling products. We continue to work to preserve our natural heritage by reducing the environmental impact of our products throughout their whole life cycle. Moreover, aware of the relationship between impeccable corporate ethics and product reliability, we have established an official Code of Conduct and improved our corporate governance.

In fiscal 2003, we established a CSR (Corporate Social Responsibility) Committee that oversees the various committees dealing with disclosure, internal control, environmental issues, information security, human rights, and other issues. The following year, in fiscal 2004, we established the Corporate Ethics Committee to clarify our corporate ethics and improve our compliance system. We have also focused increasing attention on environmental issues. In fiscal 2004, we implemented the Advantest Recycling System for our products which were used in Japan, and we also achieved zero emissions at eight facilities in Japan.

In fiscal 2005, widespread concern about corporate ethics and enforcement of laws and regulations pertaining to corporate governance led us to publish the Second Edition of the Advantest Code of Conduct (following the First Edition in 1999). Distributed in booklet form to all Advantest Group employees around the world, these updated ethical guidelines help each individual employee to assume social responsibility and actively conduct corporate activities with integrity.

We will continue to develop our CSR activities to improve the sustainability of our business and to ensure the safety and comfort of all our stakeholders around the world.

*For details about our environmental activities and social contributions, please visit our web site:

<http://www.advantest.co.jp/environment/en-index.shtml>

In Conclusion

Advantest has established a solid financial system and a flexible management structure, designed to respond rapidly to market fluctuations on a global scale. Nevertheless, we perennially strive to improve our profitability. While firmly grounded in our core competence of test and measurement technologies, we are currently focused on developing next-generation technologies. We will continue to launch superior products that tap into market needs to further expand our market share and work vigorously to boost our corporate value.

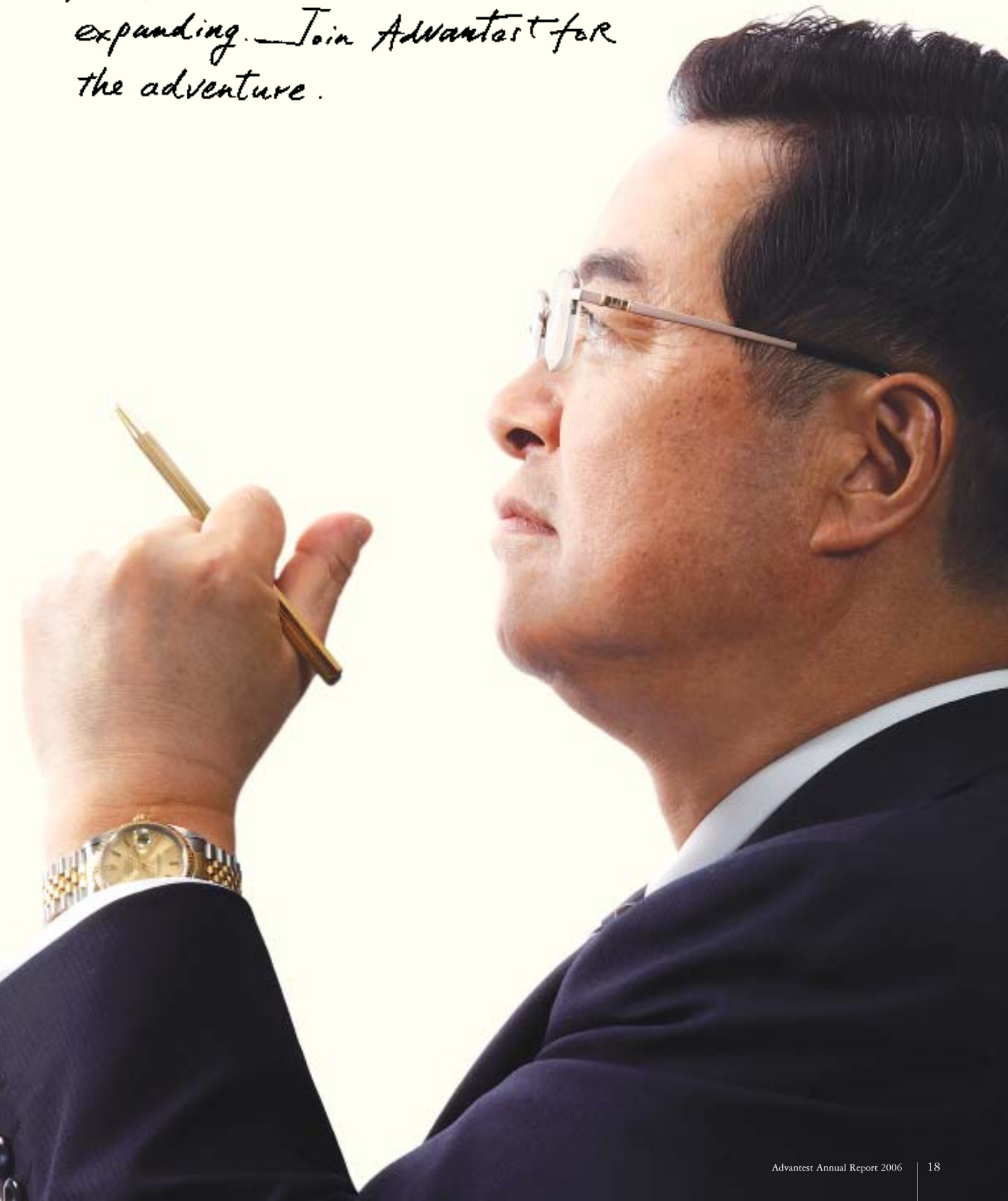


Toshio Maruyama

Representative Board Director

President and CEO

The test and measurement universe is expanding. Join Advantest for the adventure.



Board of Directors & Corporate Auditors



Representative Board Director
President and CEO
Toshio Maruyama

Chairman of the Board
Shimpei Takeshita

Director and Senior Executive Advisor
Hiroshi Oura



Director
and Senior Executive Officer
Takashi Tokuno

Director
and Senior Executive Officer
Junji Nishiura

Director
Naoyuki Akikusa

Director
Yasushige Hagio

Director
and Senior Executive Officer
Hiroji Agata

Director
and Managing Executive Officer
Hitoshi Owada



Corporate Auditor
Takashi Takaya

Standing Corporate Auditor
Noboru Yamaguchi

Standing Corporate Auditor
Tadahiko Hirano

Corporate Auditor
Megumi Yamamuro

Board of Directors

Shimpei Takeshita
Chairman of the Board

Toshio Maruyama
Representative Board Director

Hiroshi Oura
Director and Senior Executive Advisor

Naoyuki Akikusa
Director

Yasushige Hagio
Director

Junji Nishiura
Director

Hiroji Agata
Director

Takashi Tokuno
Director

Hitoshi Owada
Director

Corporate Auditors

Noboru Yamaguchi
Standing Corporate Auditor

Tadahiko Hirano
Standing Corporate Auditor

Takashi Takaya
Corporate Auditor

Megumi Yamamuro
Corporate Auditor

Corporate Executive Officers

Toshio Maruyama
President and CEO

Senior Executive Officers

Junji Nishiura
Technology and Production

Hiroji Agata
Sales and Marketing

Takashi Tokuno
Products

Managing Executive Officers

Hitoshi Owada
Corporate Affairs (CFO)

Yuri Morita
Senior Vice President,
Corporate Affairs Group

Jiro Katoh
Senior Vice President,
Technology Development Group

Takao Tadokoro
Senior Vice President,
Sales and Marketing Group

Hiroyasu Sawai
Senior Vice President,
SE Group

Hiroshi Tsukahara
Senior Vice President,
1st Test System Business Group

Executive Officers

Masao Shimizu
Senior Vice President, DI Business Group

Masao Araki
Chairman of the Board, Advantest (Suzhou) Co., Ltd.

Yuichi Kurita
Senior Vice President, Corporate Planning Group

Yoshiro Yagi
Vice President, Sales and Marketing Group

Hideaki Imada
Senior Vice President,
2nd Test System Business Group

Shinichiro Umeda
Senior Vice President, Software Development Group

Akira Hatakeyama
President, Advantest Manufacturing, Inc.

Yasuhiro Kawata
General Manager, 2nd SoC Tester Business Division,
1st Test System Business Group

Takashi Sugiura
Senior Vice President, FA Business Group

Shinichiro Kuroe
Vice President, Sales and Marketing Group

Takashi Sekino
Vice President, Technology Development Group

Hiroshi Nakamura
Vice President, Corporate Affairs Group

Yoshiaki Yoshida
President and CEO,
Advantest Finance Inc.

* As of June 27, 2006

Corporate Governance

Directors

The board of directors has the ultimate responsibility for the administration of the affairs of Advantest. Advantest's articles of incorporation limit the number of directors to ten. Directors are elected at a general meeting of shareholders, and the standard term of directors is one year. Directors may serve any number of consecutive terms. The board of directors elects one or more representative directors from among its members, each of whom has the authority individually to represent Advantest. From among its members, the board of directors may elect the chairman and the vice chairman. None of the directors of Advantest has a service contract with Advantest that provides for benefits upon termination of service.

Pursuant to the Company Law and Advantest's articles of incorporation, and to the extent permitted by the laws and regulations, Advantest may, by resolution of the Board of Directors, exempt liabilities of its directors (including persons who have previously served as Advantest's directors) for failing to perform their duties. Advantest may enter into contracts with outside directors to limit their liabilities for a failure to perform their duties, provided that the maximum amount of liabilities under such contracts shall be the total of the amounts provided in each item of Article 425, Paragraph 1 of the Company Law.

Corporate Auditors

Advantest's articles of incorporation provide for no more than five corporate auditors and Advantest currently has two standing corporate auditors and two outside corporate auditors. Corporate auditors are elected at the general meeting of shareholders and the standard term of office of corporate auditors is four years. Under the Company law, at least half of the corporate auditors are required to be persons who have not been a director, accounting counselor (if an accounting counselor is a corporation, an employee of such corporation who executes its duties), executive officer, manager, or employee of Advantest or any of its subsidiaries at any time in the past. Corporate auditors may not at the same time be directors, accounting counselors (if an accounting counselor is a corporation, an employee who executes its duties), executive officers, managers, or employees of Advantest or any of its subsidiaries. Advantest increased the number of required outside corporate auditors from one to two at the general meeting of shareholders held in June 2003 in order to strengthen the auditing function of the board of corporate auditors. Corporate auditors are under a statutory duty to oversee the administration of Advantest's affairs by its directors, to examine its financial statements and business reports to be submitted annually by its board of directors to the general meetings of the shareholders and to report their opinions thereon. They are also required to attend the meetings of the board of directors and to express their opinions, but are not entitled to vote.

Corporate auditors constitute the board of corporate auditors. The board of corporate auditors has a statutory duty to prepare and submit an audit report to the directors each year. A corporate auditor may note his or her opinion in the audit report if his or her opinion is different from the opinion expressed in the audit report. The board of corporate auditors is empowered to establish audit principles, the method of examination of Advantest's business conditions and financial standing and other matters concerning the performance of the corporate auditors' duties.

Pursuant to the Company Law and Advantest's articles of incorporation, and to the extent permitted by the laws and regulations, Advantest may, by resolution of the Board of Directors, exempt liabilities of its corporate auditors (including persons who have previously served as Advantest's corporate auditors) for failing to perform their duties. Advantest may enter into contracts with outside corporate auditors to limit their liabilities for a failure to perform their duties, provided that the maximum amount of liabilities under such contracts shall be the total of the amounts provided in each item of Article 425, Paragraph 1 of the Company Law.

Significant Differences in Corporate Governance Practices between Advantest and U.S. Companies Listed on the New York Stock Exchange

Pursuant to home country practices exemptions granted by the New York Stock Exchange, or the NYSE, Advantest is permitted to follow certain corporate governance practices complying with Japanese laws, regulations and stock exchange rules in lieu of NYSE's listing standards. The United States Securities and Exchange Commission, or the SEC, approved changes to the NYSE's listing standards related to corporate governance practices of listed companies in November 2003, as further amended in November 2004. Advantest is exempted from the approved changes, except for requirements that (a) Advantest's audit committee satisfy the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934 as amended, or the Exchange Act, (b) Advantest must disclose significant differences in the corporate governance practices followed by Advantest as compared to those followed by domestic companies under the NYSE listing standards, (c) Advantest's CEO must notify the NYSE of material non-compliance with (a) and (b), and (d) Advantest must submit annual and interim written affirmations to the NYSE. Advantest's corporate governance practices and those followed by domestic companies under the NYSE listing standards, or NYSE Corporate Governance, have the following significant differences:

1. Directors

Advantest currently has two independent directors on its board of directors. Unlike NYSE Corporate Governance, the Company Law of Japan and related legislation (hereinafter in Item 6.C, the "Company Law"), do not require Japanese companies with boards of corporate auditors such as Advantest to have any independent directors on its board of directors. While NYSE Corporate Governance requires that the non-management directors of each listed company meet at regularly scheduled executive sessions without management, Advantest currently has no non-management director on its board of directors. Unlike NYSE Corporate Governance, the Company Law does not require, and accordingly Advantest does not have, an internal corporate organ or committee comprised of only independent directors.

2. Committees

Advantest has not established committees responsible for director nomination, corporate governance and executive compensation as required by NYSE Corporate Governance, but it has adopted a system of corporate auditors based on the Company Law and integrated such system into Advantest's corporate governance structure. In addition, in connection with such system of corporate auditors, Advantest has elected to establish a nomination and compensation committee, which is an optional committee under the Company Law.

Pursuant to the Company Law, Advantest's board of directors nominates and submits a proposal for appointment of directors for shareholder approval. The shareholders vote on such nomination at Advantest's general meeting of shareholders. The Company Law requires that the respective total amount of remuneration, among others, (remuneration, bonus, and other consideration for services related to employment) to be paid to all directors and all corporate auditors must be determined by a resolution of the general meeting of shareholders, unless their remuneration is provided for in the articles of incorporation. The distribution of remuneration among directors is broadly delegated to Advantest's board of directors and the distribution of remuneration among corporate auditors is determined by the board of corporate auditors.

3. Audit Committee

Advantest avails itself of paragraph (c)(3) of Rule 10A-3 of the Exchange Act, which provides a general exemption from the audit committee requirements to a foreign private issuer with a board of corporate auditors, subject to certain requirements which continue to be applicable under Rule 10A-3.

Consistent with the requirements of the Company Law, Advantest elects its corporate auditors through a resolution adopted at a general meeting of shareholders. Advantest currently has four corporate auditors, which exceeds the minimum number of corporate auditors required pursuant to the Company Law.

Unlike NYSE Corporate Governance, the Company Law, among others, does not require corporate auditors to establish an expertise in accounting nor are they required to present other special knowledge and experience. Under the Company Law, the board of corporate auditors may determine the auditing policies, method of examination of Advantest's business conditions and financial standing, and may resolve other matters concerning the execution of the corporate auditor's duties, prepare auditors' reports and give consent to proposals of the nomination of corporate auditors and accounting auditors.

Advantest currently has two corporate auditors who satisfy the requirements of "outside corporate auditor" under the Company Law. Unlike NYSE Corporate Governance, under the Company Law, at least one-half of the corporate auditors of Advantest must be "outside corporate auditors", which is a person who was not a director, an accounting counselor (if an accounting counselor is a corporation, an employee of such corporation who carries out its duties), executive officer, general manager, or any other employee of Advantest or any of its subsidiaries at any time in the past. Corporate auditors may not at the same time be directors, an accounting counselor (if an accounting counselor is a corporation, an employee who carries out its duties), executive officer, general manager, or any other employee of Advantest or any of its subsidiaries.

4. Corporate Governance Guidelines

Advantest is required to adopt or disclose corporate governance guidelines under Japanese laws and regulations, including the Company Law and the Securities and Exchange Law of Japan or stock exchange rules. Pursuant to the Company Law, Advantest is required to decide to implement a structure as required by an ordinance of the Ministry of Justice (the "Internal Control System") in order to ensure directors' compliance with applicable laws and regulations and Advantest's articles of incorporation while executing their duties and joint stock companies' proper business operation, and is required to disclose the decision to implement the Internal Control System, policies and the present conditions of its corporate governance in its business report, annual securities report and certain other disclosure documents in accordance with the Company Law, the Securities and Exchange Law, and applicable Cabinet ordinances and stock exchange rules in respect of timely disclosure.

5. Code of Business Conduct and Ethics

Unlike NYSE Corporate Governance, under Japanese law (including the Company Law and the Securities and Exchange Law of Japan), and stock exchange rules, Advantest is not required to adopt a code of business conduct and ethics for directors, officers and employees. Accordingly, Advantest is not required to adopt and disclose a code of business conduct and ethics for these individuals. However, in accordance with the Company Law, Advantest has decided to implement the Internal Control System as a structure to ensure that director's execution of their duties at meetings of the Board of Directors complies with applicable laws and regulations and Advantest's articles of incorporation. Furthermore, Advantest has established a code of ethics consistent with Section 406 of the Sarbanes-Oxley Act.

6. Shareholder Approval of Equity Compensation Plans

Unlike NYSE Corporate Governance, in which material revisions to equity-compensation plans of the listed companies are subject to shareholder approval, pursuant to the Company Law, if a joint stock company desires to adopt an equity-compensation plan for directors as compensation to directors other than cash, such company is generally required to obtain shareholder approval by an "ordinary resolution". In addition to the above approval, when Advantest previously desired to adopt an equity-compensation plan under which stock acquisition rights are granted on favorable terms to the recipient under the plan (except where such rights are granted to all of its shareholders on a pro-rata basis at the same time), then Advantest has obtained shareholder approval by a "special resolution" of a general meeting of shareholders, where the quorum is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required.