

Overview of FY2006 first Quarter Financial Results (Consolidated)

(Prepared in accordance with U.S. GAAP)

July 26, 2006

Company name **Advantest Corporation** (Stock code number: 6857, TSE 1st Section)
 (URL <http://www.advantest.co.jp/investors/>) (Ticker Symbol: ATE, NYSE)
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 Person-in-charge: Hiroshi Nakamura, Executive Officer,
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1. Notes to the Quarterly Financial Results:

- (1) Use of simplified accounting method: Yes
 Simplified tax effect accounting is used for the calculation of tax expenses for the purpose of the quarterly financial results.
- (2) Changes in accounting method from the most recent fiscal year: No
- (3) Changes in scope of consolidation and equity method (as compared to March 31, 2006): No
 Number of consolidated subsidiaries: 40
 (Newly included) 0
 (Excluded) 0
 Number of unconsolidated subsidiaries: 0
 Number of affiliates accounted for under the equity method: 0
 (Newly included) 0
 (Excluded) 0
- (4) Advantest's independent outside auditor has not been involved in the preparation of these consolidated quarterly financial statements.

2. Consolidated Financial Results of FY2006 1Q (April 1, 2006 through June 30, 2006)

(1) Consolidated Financial Results

	Net sales		Operating income		Income before income taxes		Net income	
	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)
FY2006 Q1	59,874	15.1	16,338	38.8	17,213	42.0	11,479	46.8
FY2005 Q1	52,002	(27.8)	11,770	(47.5)	12,121	(46.5)	7,820	(44.1)
(For reference) FY2005	253,922		64,458		67,454		41,374	

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
FY2006 Q1	122.92	122.04
FY2005 Q1	84.61	84.37
(For reference) FY2005	446.34	443.96

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

(Qualitative Information Regarding Consolidated Financial Results)

During this first quarter, Advantest's operating environment was mostly favorable, due to continued strong sales of digital consumer products (such as flat-panel TVs and portable music players) from the previous fiscal year. In addition, other favorable factors include an increase in production by semiconductor manufacturers and their increased capital expenditures on new generation semiconductors, which were prompted by a change of generation from the previous type of DRAM semiconductors (which is mainly used for personal computers) to DDR2-SDRAM semiconductors that are higher-speed and lower energy consuming.

Under this environment, Advantest made concentrated efforts to increase orders input received and expand sales, by introducing products that meet customers' demand and providing customer-oriented test solutions. Advantest also made continuing efforts to improve its productivity and to reduce costs. As a result of the above, in this first quarter, orders input received was (Y)64.9 billion (6.7% increase in comparison to the corresponding first quarter of the previous fiscal year), sales was (Y)59.9 billion (15.1% increase), net income before income taxes was (Y)17.2 billion (42.0% increase), and net income was (Y)11.5 billion (46.8% increase). Overseas sales as a percentage of total sales were 57.0%, as compared with 69.5% in the corresponding first quarter of the previous fiscal year.

(Results by Business Segment)

During the first quarter, for the Semiconductor and Component Test System Segment, due to a stable price fluctuation of DRAM semiconductors and a full-scale introduction of capital expenditures by semiconductor manufacturers, which was caused by increasing demand for DDR2-SDRAM semiconductors, demand for DRAM semiconductor test systems remained steady as in the previous fiscal year in Korea, Taiwan, and Japan among other countries. Furthermore, sales remained steady for flash memory semiconductor test systems due to strong demand for portable music players, among other things. For non-memory semiconductor test systems, demand declined for T2000, a test system which is comparable with OPENSTAR[®]*, due to a temporary pause in the demand cycle following favorable demand in the previous fiscal year. On the other hand, demand remained steady for non-memory semiconductor test systems for LCD driver ICs in Taiwan and Japan. Accordingly, orders input received was (Y)46.8 billion, sales was (Y)43.2 billion and operating income was (Y)13.9 billion. For Mechatronics System Segment, business remained positive for test handlers and device interfaces for flash memory semiconductors and non-memory semiconductors. As a result, orders input received was (Y)14.7 billion, sales was (Y)13.2 billion and operating income was (Y)4.2 billion. For Services, Support and Others Segment, orders input received was (Y)5.0 billion, sales was (Y)4.9 billion and operating income was (Y)1.0 billion.

*OPENSTAR® -The name of an open architecture standard published by the Semiconductor Test Consortium, Inc. OPENSTAR® is a registered trademark or trademark of Semiconductor Test Consortium, Inc. in the U.S., Japan and other countries.

(2) Changes in Consolidated Financial Position

	Total assets	Net assets	Equity-to-assets ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2006 Q1	343,703	265,048	77.1	2,835.42
FY2005 Q1	306,734	213,448	69.6	2,309.40
(For reference) FY2005	350,776	257,927	73.5	2,763.71

(Consolidated Cash Flows)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2006 Q1	1,262	(2,384)	(2,839)	152,980
FY2005 Q1	(785)	(1,372)	(2,157)	117,601
(For reference) FY2005	59,480	(8,542)	(18,336)	157,925

(Qualitative Information Regarding Changes in Consolidated Financial Position)

At the end of this first quarter, total assets decreased by (Y)7.1 billion from the end of the previous fiscal year to (Y)343.7 billion, due to a decrease of trade accounts receivables by (Y)5.6 billion. Total liabilities decreased by (Y)14.2 billion from the end of the previous fiscal year to (Y)78.7 billion. Such decrease is mainly caused by a reduction in other current liabilities, for example, through the payment of corporate tax. Net assets were (Y)265.0 billion, and equity ratio increased by 3.6 percentage points to 77.1%.

(Cash Flow Statements)

Cash and cash equivalents at the end of this first quarter decreased by (Y)4.9 billion from the end of the previous fiscal year to (Y)153.0 billion.

Cash flows from operating activities was an inflow of (Y)1.3 billion after including this first quarter's net income of (Y)11.5 billion and after the payment of corporate tax.

Cash flows from investing activities was an outflow of (Y)2.4 billion, which consisted primarily of capital expenditures on tangible fixed assets, including lease assets.

Cash flows from financing activities was an outflow of (Y)2.8 billion, which consisted primarily of (Y)4.0 billion outflow resulted from dividends payment and (Y)1.2 billion inflow resulted from sales of treasury shares.

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

With respect to its earnings forecast for the second quarter and beyond, despite future uncertainties, including economic conditions in the United States and a sharp rise in petroleum prices, Advantest anticipates that capital expenditures by semiconductor manufacturers will remain steady due to an expansion of digital consumer devices (such as flat-panel TVs) and sales of new operating systems for new game devices and personal computers as planned to be launched.

Accordingly, Advantest did not revise its interim and full-term earnings forecast for the fiscal year ending March 31, 2007, which Advantest announced on April 26, 2006.

(Reference) Consolidated Earnings Forecast Released on April 26, 2006

	Net sales	Income before income taxes	Net income
	Million yen	Million yen	Million yen
FY2006 interim	130,000	35,000	21,000
FY2006	265,000	72,000	44,000

(Note) Figures presented in the Quarterly Financial Results have been rounded to the nearest million yen.

Cautionary Statement with Respect to Forward-Looking Statements

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

1. Quarterly Consolidated Balance Sheets (Summary)

Item	Notes	Q1 of FY2006 (As of June 30, 2006)		FY2005 (As of March 31, 2006)		Increase (Decrease)	Q1 of FY2005 (As of June 30, 2005)	
		Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Amount (in million yen)	Percentage (%)
(Assets)								
Cash and cash equivalents		152,980		157,925		(4,945)	117,601	
Trade accounts receivable, less allowance for doubtful accounts	*1	63,939		69,567		(5,628)	64,157	
Inventories		34,885		29,911		4,974	35,685	
Other current assets		18,031		18,230		(199)	17,599	
Total current assets		269,835	78.5	275,633	78.6	(5,798)	235,042	76.6
Investment securities		11,489	3.3	12,273	3.5	(784)	7,944	2.6
Property, plant and equipment, net	*2	50,042	14.6	50,793	14.5	(751)	50,683	16.5
Intangible assets, at cost, less accumulated amortization		2,769	0.8	2,858	0.8	(89)	2,966	1.0
Other assets		9,568	2.8	9,219	2.6	349	10,099	3.3
Total assets		343,703	100.0	350,776	100.0	(7,073)	306,734	100.0
(Liabilities)								
Current portion of long-term debt		30		30		—	20,043	
Trade accounts payable		31,912		32,584		(672)	29,748	
Other current liabilities		30,809		44,131		(13,322)	27,189	
Total current liabilities		62,751	18.3	76,745	21.9	(13,994)	76,980	25.1
Long-term debt, excluding current portion		10	0.0	10	0.0	—	40	0.0
Accrued pension and severance cost		12,000	3.5	12,292	3.5	(292)	12,476	4.1
Other liabilities		3,894	1.1	3,802	1.1	92	3,790	1.2
Total liabilities		78,655	22.9	92,849	26.5	(14,194)	93,286	30.4
(Stockholders' equity)								
Common stock		32,363	9.4	32,363	9.2	—	32,363	10.6
Capital surplus		37,147	10.8	37,147	10.6	—	35,277	11.5
Retained earnings		252,165	73.4	245,090	69.9	7,075	215,625	70.3
Accumulated other comprehensive income (loss)	*3	40	0.0	1,344	0.3	(1,304)	(3,719)	(1.2)
Treasury stock		(56,667)	(16.5)	(58,017)	(16.5)	1,350	(66,098)	(21.6)
Total stockholders' equity		265,048	77.1	257,927	73.5	7,121	213,448	69.6
Total liabilities and stockholders' equity		343,703	100.0	350,776	100.0	(7,073)	306,734	100.0

(Notes)

1. Allowance for doubtful accounts	2,047	2,117	(70)	2,184
2. Accumulated depreciation on property, plant and equipment	72,700	72,131	569	69,117
3. Accumulated other comprehensive income (loss)				
Foreign currency translation adjustment	(2,242)	(1,378)	(864)	(5,401)
Net unrealized gain on securities	2,282	2,722	(440)	1,682

2. Quarterly Consolidated Statements of Income (Summary)

Item	Q1 of FY2006 (April 1, 2006 through June 30, 2006)		Q1 of FY2005 (April 1, 2005 through June 30, 2005)		Increase (Decrease)		FY2005 (April 1, 2005 through March 31, 2006)	
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Amount (in million yen)	Percentage (%)	
Net sales	59,874	100.0	52,002	100.0	7,872	253,922	100.0	
Cost of sales	27,158	45.4	24,330	46.8	2,828	121,429	47.8	
Gross profit	32,716	54.6	27,672	53.2	5,044	132,493	52.2	
Research and development expenses	7,339	12.3	6,635	12.8	704	26,927	10.6	
Selling, general and administrative expenses	9,039	15.0	9,267	17.8	(228)	41,108	16.2	
Operating income	16,338	27.3	11,770	22.6	4,568	64,458	25.4	
Other income (expense):								
Interest and dividend income	645		329		316	1,760		
Interest expense	(4)		(106)		102	(290)		
Other	234	875	128	351	0.7	1,526	2,996	
Income before income taxes	17,213	28.8	12,121	23.3	5,092	67,454	26.6	
Income taxes	5,734	9.6	4,301	8.3	1,433	26,080	10.3	
Net income	11,479	19.2	7,820	15.0	3,659	41,374	16.3	

Item	Q1 of FY2006 (April 1, 2006 through June 30, 2006)		Q1 of FY2005 (April 1, 2005 through June 30, 2005)		Increase (Decrease)		FY2005 (April 1, 2005 through March 31, 2006)	
	Amount (in yen)	Amount (in yen)	Amount (in yen)	Amount (in yen)	Amount (in yen)	Amount (in yen)		
Net income per share								
Basic	122.92	84.61	38.31	446.34				
Diluted	122.04	84.37	37.67	443.96				

3. Quarterly Consolidated Statements of Cash Flows (Summary)

Item	Q1 of FY2006 (April 1, 2006 through June 30, 2006)	Q1 of FY2005 (April 1, 2005 through June 30, 2005)	FY2005 (April 1, 2005 through March 31, 2006)
	Amount (in million yen)	Amount (in million yen)	Amount (in million yen)
Cash flows from operating activities:			
Net income	11,479	7,820	41,374
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,793	1,953	8,275
Decrease (increase) in trade accounts receivable	5,269	(6,901)	(11,072)
Decrease (increase) in inventories	(5,075)	(5,977)	108
Increase (decrease) in trade accounts payable	(117)	6,023	7,627
Other	(12,087)	(3,703)	13,168
Net cash provided by operating activities	1,262	(785)	59,480
Cash flows from investing activities:			
Purchases of property, plant and equipment	(2,329)	(1,444)	(7,071)
Other	(55)	72	(1,471)
Net cash used in investing activities	(2,384)	(1,372)	(8,542)
Cash flows from financing activities:			
Dividends paid	(3,981)	(2,190)	(4,622)
Other	1,142	33	(13,714)
Net cash used in financing activities	(2,839)	(2,157)	(18,336)
Net effect of exchange rate changes on cash and cash equivalents	(984)	929	4,337
Net change in cash and cash equivalents	(4,945)	(3,385)	36,939
Cash and cash equivalents at beginning of period	157,925	120,986	120,986
Cash and cash equivalents at end of period	152,980	117,601	157,925

1. Business Segment Operating Income

(Rounded to the nearest million yen)

		Q1 of FY2006 (April 1, 2006 through June 30, 2006)		Q1 of FY2005 (April 1, 2005 through June 30, 2005)		Increase (Decrease)	FY2005 (April 1, 2005 through March 31, 2006)	
		Amount (in million yen)	Percentag e (%)	Amount (in million yen)	Percentag e (%)	Amount	Amount (in million yen)	Percentag e (%)
Semiconductor and Component Test System	Sales to unaffiliated customers	41,835	96.9	38,504	98.2	3,331	187,136	97.8
	Intersegment sales	1,346	3.1	714	1.8	632	4,279	2.2
	Net sales	43,181	100.0	39,218	100.0	3,963	191,415	100.0
	Operating expenses	29,259	67.8	27,944	71.3	1,315	133,898	70.0
	Operating income	13,922	32.2	11,274	28.7	2,648	57,517	30.0
Mechatronics System	Sales to unaffiliated customers	13,092	99.3	9,342	99.6	3,750	47,724	98.9
	Intersegment sales	92	0.7	34	0.4	58	536	1.1
	Net sales	13,184	100.0	9,376	100.0	3,808	48,260	100.0
	Operating expenses	8,956	67.9	7,086	75.6	1,870	36,294	75.2
	Operating income	4,228	32.1	2,290	24.4	1,938	11,966	24.8
Services, Support and Others	Sales to unaffiliated customers	4,947	100.0	4,156	100.0	791	19,062	100.0
	Intersegment sales	-	-	-	-	-	-	-
	Net sales	4,947	100.0	4,156	100.0	791	19,062	100.0
	Operating expenses	3,941	79.7	3,289	79.1	652	15,209	79.8
	Operating income	1,006	20.3	867	20.9	139	3,853	20.2
Elimination and Corporate	Sales to unaffiliated customers	-	-	-	-	-	-	-
	Intersegment sales	(1,438)	100.0	(748)	100.0	(690)	(4,815)	100.0
	Net sales	(1,438)	100.0	(748)	100.0	(690)	(4,815)	100.0
	Operating expenses	1,380	-	1,913	-	(533)	2,179	-
	Operating income	(2,818)	-	(2,661)	-	(157)	(6,994)	-
Consolidated	Sales to unaffiliated customers	59,874	100.0	52,002	100.0	7,872	253,922	100.0
	Intersegment sales	-	-	-	-	-	-	-
	Net sales	59,874	100.0	52,002	100.0	7,872	253,922	100.0
	Operating expenses	43,536	72.7	40,232	77.4	3,304	187,580	73.9
	Operating income	16,338	27.3	11,770	22.6	4,568	66,342	26.1

- (Notes)
- Adjustments to operating income included in Corporate mainly consist of research and development expenses for basic research activities, which are not allocated to corporate general administrative expenses and segment by business sector.
 - Stock option compensation expense of (Y)1,884 million in FY2005 is not included in operating income in the business segment information. Therefore, these operating income do not match with the operating income in the consolidated statements of income. Such exclusion was made since such items are not included in the performance review of each business segment by management.

2. Geographic Segment Net Sales

Net sales to unaffiliated customers

(Rounded to the nearest million yen)

		Q1 of FY2006 (April 1, 2006 through June 30, 2006)		Q1 of FY2005 (April 1, 2005 through June 30, 2005)		Increase (Decrease)	FY2005 (April 1, 2005 through March 31, 2006)	
		Amount (in million yen)	Percentag e (%)	Amount (in million yen)	Percentag e (%)	Amount	Amount (in million yen)	Percentag e (%)
	Americas	3,998	6.7	4,790	9.2	(792)	25,516	10.0
	Europe	2,932	4.9	2,059	4.0	873	14,558	5.7
	Asia	27,192	45.4	29,288	56.3	(2,096)	132,708	52.3
	Total Overseas	34,122	57.0	36,137	69.5	(2,015)	172,782	68.0
	Japan	25,752	43.0	15,865	30.5	9,887	81,140	32.0
Consolidated		59,874	100.0	52,002	100.0	7,872	253,922	100.0

3. Consolidated Net Sales by Business Segment

(Rounded to the nearest million yen)

	Q1 of FY2006 (April 1, 2006 through June 30, 2006)	Q1 of FY2005 (April 1, 2005 through June 30, 2005)	Increase (Decrease)	FY2005 (April 1, 2005 through March 31, 2006)
Semiconductor and Component Test System	43,181	39,218	3,963	191,415
Mechatronics System	13,184	9,376	3,808	48,260
Services, Support and Others	4,947	4,156	791	19,062
Intercompany transactions elimination	(1,438)	(748)	(690)	(4,815)
Total net sales	59,874	52,002	7,872	253,922

4. Consolidated Orders input received and Orders Backlog by Business Segment

(Rounded to the nearest million yen)

	Q1 of FY2006 (April 1, 2006 through June 30, 2006)	Q1 of FY2005 (April 1, 2005 through June 30, 2005)	Increase (Decrease)	FY2005 (April 1, 2005 through March 31, 2006)
Semiconductor and Component Test System	46,832	46,980	(148)	195,585
Mechatronics System	14,737	10,854	3,883	49,491
Services, Support and Others	4,996	4,566	430	19,251
Intercompany transactions elimination	(1,670)	(1,571)	(99)	(4,892)
Total orders input received	64,895	60,829	4,066	259,435

	Q1 of FY2006 (As of June 30, 2006)	Q1 of FY2005 (As of June 30, 2005)	Increase (Decrease)	FY2005 (As of March 31, 2006)
Semiconductor and Component Test System	39,866	39,808	58	36,215
Mechatronics System	9,444	8,138	1,306	7,891
Services, Support and Others	1,087	1,260	(173)	1,038
Intercompany transactions elimination	(325)	(840)	515	(93)
Total orders backlog	50,072	48,366	1,706	45,051

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

5. Consolidated Cash Flows

(Rounded to the nearest million yen)

	Q1 of FY2006 (April 1, 2006 through June 30, 2006)	Q1 of FY2005 (April 1, 2005 through June 30, 2005)	FY2005 (April 1, 2005 through March 31, 2006)
Operating activities	1,262	(785)	59,480
Investing activities	(2,384)	(1,372)	(8,542)
(Free cash flows)	(1,122)	(2,157)	50,938
Financing activities	(2,839)	(2,157)	(18,336)
Total cash flows	(3,961)	(4,314)	32,602
Cash and cash equivalents at end of period	152,980	117,601	157,925

6. Consolidated Capital Expenditures, Depreciation and Amortization and Research and Development Expenses

(Rounded to the nearest million yen)

	Q1 of FY2006 (April 1, 2006 through June 30, 2006)	Q1 of FY2005 (April 1, 2005 through June 30, 2005)	Increase (Decrease)	FY2005 (April 1, 2005 through March 31, 2006)
Capital expenditures	1,551	1,184	367	8,323
Depreciation and amortization	1,793	1,953	(160)	8,275
Research and development expenses	7,339	6,635	704	26,927

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

(Persons)

	Q1 of FY2006 (As of June 30, 2006)	FY2005 (As of March 31, 2006)	Increase (Decrease)	Q1 of FY2005 (As of June 30, 2005)
Non-Consolidated (Parent Company only)	1,452	1,445	7	1,461
Consolidated subsidiaries	2,179	2,150	29	2,138
Consolidated full-time employee total	3,631	3,595	36	3,599