

FY2006 Consolidated Financial Results
(Prepared in accordance with U.S. GAAP)
 (Year ended March 31, 2007)

April 25, 2007

Company name : **Advantest Corporation**
 (URL <http://www.advantest.co.jp/investors/>)
 Stock exchanges on which shares are listed : First section of the Tokyo Stock Exchange
 Stock code number : 6857
 Company representative : Toshio Maruyama, Representative Board Director, President and CEO
 Contact person : Hiroshi Nakamura, Executive Officer,
 Vice President of the Corporate Affairs Group
 (03) 3214-7500
 Date of General Shareholders' Meeting (as planned) : June 27, 2007
 Dividend Payable Date (as planned) : June 28, 2007
 Annual Report Filing Date (as planned) : June 28, 2007

(Rounded to the nearest million yen)

1. Consolidated Results of FY2006 (April 1, 2006 through March 31, 2007)

(1) Consolidated Financial Results

(% changes as compared with the previous fiscal year)

	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	235,012	(7.4)	56,792	(11.9)	61,090	(9.4)	35,556	(14.1)
FY2005	253,922	6.0	64,458	6.2	67,454	9.1	41,374	8.7

	Net income per share (basic)	Net income per share (diluted)	Net income to equity ratio	Ratio of income before taxes to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2006	190.01	188.85	12.9	17.0	24.2
FY2005	223.17	221.98	17.8	20.8	25.4

(Note) Equity in earnings(losses) of equity method affiliates : (Y) (14) million in FY2006, none in FY2005

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-assets ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2006	366,374	294,797	80.5	1,570.99
FY2005	350,776	257,927	73.5	1,381.85

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2006	48,951	(8,013)	(3,662)	196,395
FY2005	59,480	(8,542)	(18,336)	157,925

(Note) On October 1, 2006, a one to two stock split was made to shares of the common stock. Per share information for each period is calculated based on the assumption that the stock split was made at the beginning of the previous fiscal year.

2. Dividends

(Record Date)	Dividend per share			Total dividend paid (annual)	Payout ratio (consolidated)	Ratio of total amount of dividends to net assets (consolidated)
	Interim	Year end	Annual total			
	yen	yen	yen	Million yen	%	%
FY2005	25.00	45.00	70.00	6,513	15.7	2.8
FY2006	35.00	32.50	67.50	9,373	26.3	3.4
FY2007 (forecast)	25.00	25.00	50.00		23.5	

(Note) On October 1, 2006, a one to two stock split was made to shares of the common stock. The year end dividend per share for FY2006 prior to the stock split is valued at (Y) 65, and the aggregate amount of the dividend per share is valued at (Y) 100, an increase in dividend payment of (Y) 30 as compared to the previous fiscal year.

3. Projected Results for FY2007 (April 1, 2007 through March 31, 2008)

(% changes as compared with the previous fiscal year and the corresponding period of the previous fiscal year)

	Net sales		Operating income		Income before income taxes		Net income		Net income per share (diluted)
	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Million yen	% increase (decrease)	Yen
FY2007 interim	120,000	(0.4)	26,000	(19.3)	27,000	(20.5)	17,500	(21.2)	93.26
FY2007	255,000	8.5	60,000	5.6	62,000	1.5	40,000	12.5	213.16

4. Others

(1) Material changes in Subsidiaries during this fiscal period (Changes in Scope of consolidation resulting from changes in subsidiaries) : None

(2) Changes in Accounting Principles, Procedures and the Presentation of the Consolidated Financial Statements
Changes based on revisions of accounting standard : Yes
Changes other than above : None

(Note) Please see "Significant Accounting Policies" on page 16 for details.

(3) Number of issued and outstanding shares (Common Stock)

Number of issued and outstanding shares at the end of each fiscal year (including treasury shares): FY 2006 199,566,770 shares, FY 2005 199,566,770 shares.

Number of treasury shares at the end of each fiscal year: FY 2006 11,916,485 shares, FY 2005 12,913,472 shares.

Average number of issued and outstanding shares in each fiscal year: FY 2006 187,128,842 shares, FY 2005 185,389,026 shares.

(Note) 1. For the number of shares used to calculate net income per share, please see "Per Share Information" on page 22.

2. On October 1, 2006, a one to two stock split was made to shares of the common stock. Per share information for each period is calculated based on the number of issued and outstanding shares after such stock split.

(Reference) Selected Non-Consolidated Financial Data

(Truncated after the million yen)

1. Non-consolidated Results of FY2006 (April 1, 2006 through March 31, 2007)**(1) Non-Consolidated Financial Results**

(% changes as compared with the previous fiscal year)

	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	197,753	(9.2)	41,503	(16.6)	43,638	(19.0)	29,436	(16.5)
FY2005	217,688	7.1	49,746	18.7	53,878	24.2	35,273	24.1

	Net income per share (basic)		Net income per share (diluted)	
	Yen	Yen	Yen	Yen
FY2006	157.31		156.34	
FY2005	378.34		376.33	

(Note) On October 1, 2006, a one to two stock split was made to shares of the common stock. Basic net income per share and diluted net income per share for FY 2005 were calculated based on the number of issued and outstanding shares before such stock split. Retrospectively applying the effect of the stock split as at the beginning of the fiscal year, basic net income per share would be (Y) 189.17 and diluted net income per share would be (Y) 188.16.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity-to-assets ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2006	289,697	224,805	76.8	1,185.55
FY2005	274,538	197,226	71.8	2,111.11

(Reference) Total equity : FY 2006 (Y) 222,468 million, FY 2005 (Y) 197,226 million

(Note) On October 1, 2006, a one to two stock split was made to shares of the common stock. Net assets per share for FY2005 were calculated based on the number of issued and outstanding shares before such stock split. Retrospectively applying the effect of the stock split as at the beginning of the fiscal year, net assets per share would be (Y)1,055.55.

For assumptions underlying the forecast and other related items, please see page 1 of the attachment, "1. Business Results"

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. Business Results

(1) Analysis of Business Results

Fiscal Year Results

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

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

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

<Condition of Business by Segment>

(Semiconductor and Components Test System Segment)

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

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

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

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

(Mechatronics System Segment)

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

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

(Services, Support and Others Segment)

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

Prospects for the Upcoming Fiscal Year

With respect to its operations in the upcoming fiscal year, Advantest expects that personal computers with a new operating system will be increasingly accepted in the market. This is expected to continue to stimulate capital expenditures in DDR2-SDRAM semiconductors which are used in the new operating system, as well as revitalize capital expenditures for MPUs which are crucial to the these computers. In the field of digital consumer devices, it is expected that demand for mobile devices with advanced functions will grow and investment for increased production of flat-panel TVs will increase, with a view to meeting customer demand in the foresight of the 2008 Beijing Olympics.

Accordingly, Advantest's operating environment is becoming more favorable. Yet, Advantest's results may be impacted by restrained capital expenditures as a result of aggravated supply and demand balance (which is an issue unique to the semiconductor market), increased prices of raw materials, currency risk and strengthened downward pressure on prices as a result of the above factors. As a result of the above, Advantest's current business outlook for the upcoming fiscal year are described below.

Net sales is expected to increase by 8.5% to (Y) 255.0 billion; income before income tax for this fiscal year is expected to increase by 1.5% to (Y) 62.0 billion; and net income is expected to increase by 12.5% to (Y) 40.0 billion.

(2) Financial Condition**<1> Assets, Liabilities and Net Assets**

Total assets at the end fiscal year end is (Y) 366.4 billion, an increase of (Y) 15.6 billion compared to the previous fiscal year, due primarily to an increase of (Y) 38.5 billion in cash and cash equivalents and a decrease of (Y) 15.3 billion in account receivable compared to the previous fiscal year. Total liabilities are (Y) 71.6 billion, a decrease of (Y) 21.3 billion compared to the previous fiscal year, due primarily to a decrease in income taxes payable (by (Y) 10.6 billion) and a decrease in accounts payable (by (Y) 3.5 billion). Shareholders' equity is (Y) 294.8 billion. Equity to Assets ratio is 80.5%, an increase by 7.0 point.

<2> Cash Flow Condition

Cash and cash equivalents held at March 31, 2007 were (Y) 196.4 billion, an increase of (Y) 38.5 billion from March 31, 2006.

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

Net cash provided by operating activities was (Y) 49.0 billion. This amount was primarily attributable to a net income of (Y) 35.6 billion and decrease of (Y) 15.6 in accounts receivable.

Net cash used in investment activities was an outflow of (Y) 8.0 billion. This amount was primarily attributable to capital expenditures of (Y) 7.5 billion, including capital expenditures related to equipment for leasing.

Net cash used in financing activities was an outflow of (Y) 3.7 billion. This amount was primarily attributable to dividend payments in the amount of (Y) 7.5 billion offset by proceeds from sale of treasury stock in the amount of (Y) 3.9 billion.

The following table illustrates the historical movements of certain cash flow indexes:

	FY2002	FY2003	FY2004	FY2005	FY2006
Stockholders' equity ratio (%)	74.9	67.0	69.7	73.5	80.5
Stockholders' equity ratio based on market prices (%)	147.4	253.4	256.0	373.3	267.9
Debt to annual cash flow ratio (%)	543.6	87.4	22.2	0.1	0.1
Interest coverage ratio (times)	10.1	59.7	202.1	148.5	3,094.7

Stockholders' equity ratio: stockholders' equity / total assets

Stockholders' equity ratio based on market prices: market capitalization / total assets

Debt to annual cash flow ratio: interest-bearing liabilities / operating cash flows

Interest coverage ratio: operating cash flows / interest payments

(Notes) 1. These indexes are calculated using U.S. GAAP figures.

2. Market capitalization is calculated based on issued and outstanding shares excluding treasury stock.

3. Operating cash flows are the cash flows provided by operating activities on the consolidated statements of cash flows.

4. Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interest.

(3) Distribution of Profits, Distribution for FY 2006 and Distribution Forecast for FY 2007

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

With respect to the distribution of the surplus, Advantest 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, Advantest 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, Advantest plans to decide obtaining more treasury shares by taking into account factors such as stock price trend, capital efficiency and cash flow.

In this fiscal year, Advantest decided, pursuant to the above profit distribution policy, to distribute a year end dividend of (Y) 32.50, an increase of (Y) 15 from its previous forecast of

(Y) 17.50 per share. Since Advantest has paid an interim dividend of (Y) 35 on December 1, 2006, the total dividend per share for the fiscal year is expected to be (Y) 67.50.

On October 1, 2006, pursuant to the July 26, 2006 board resolution, a one-to-two stock split was made to shares of the common stock owned as of September 30, 2006. Accordingly, the year end dividend per share prior to the stock split is valued at (Y) 65, and the aggregate amount of the dividend per share is valued at (Y) 100, an increase in dividend payment of (Y) 30 as compared to the previous fiscal year.

Advantest plans to submit a proposal with respect to the above respective amount of dividends for shareholders' approval at its Sixty-Fifth Ordinary General Meeting of Shareholders to be held in late June 2007.

In the fiscal year 2007, Advantest plans to distribute an annual dividend of (Y) 50 per share ((Y) 25 per share as an interim dividend)

2. Corporate Structure

There are no material changes from the information in "Business structure (Description of business)" and "Organizational Structure" of the Annual Securities Report filed with the Director of the Kanto Local Finance Bureau on June 28, 2006.

3. Management Policy

(1) Advantest's Basic Management Policy

Interim Fiscal Period Results

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

(2) Target Financial Index

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

*1"EVA[®]" is a registered trademark of Stern Stewart & Co.

(3) Mid-and-long-term Business Strategy and Issues to be addressed

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

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

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

4.Consolidated Financial Statements and other information

(1) Consolidated Balance Sheets

	FY2005 (As of March 31, 2006)		FY2006 (As of March 31, 2007)		as compared to the previous fiscal year
	Amount (in million yen)	percentage (%)	Amount (in million yen)	percentage (%)	Increase (decrease) (in million yen)
(Assets)					
Cash and cash equivalents	157,925		196,395		
Trade accounts receivable, less allowance for doubtful accounts	69,567		54,264		
Inventories	29,911		31,976		
Deferred tax assets	13,708		9,215		
Other current assets	4,522		2,958		
Total current assets	275,633	78.6	294,808	80.5	19,175
Investment securities	12,273	3.5	11,370	3.1	
Property, plant and equipment, net	50,793	14.5	49,650	13.6	
Deferred tax assets	7,378	2.1	2,690	0.7	
Intangible assets, at cost, less accumulated amortization	2,858	0.8	3,101	0.8	
Other assets	1,841	0.5	4,755	1.3	
Total assets	350,776	100.0	366,374	100.0	15,598

	FY2005 (As of March 31, 2006)		FY2006 (As of March 31, 2007)		as compared to the previous fiscal year
	Amount (in million yen)	percentage (%)	Amount (in million yen)	percentage (%)	Increase (decrease) (in million yen)
(Liabilities)					
Current portion of long-term debt	30		10		
Trade accounts payable	32,584		29,095		
Income taxes payable	19,970		9,370		
Accrued expenses	12,781		13,637		
Accrued warranty expenses	4,776		4,135		
Other current liabilities	6,604		4,405		
Total current liabilities	76,745	21.9	60,652	16.6	(16,093)
Long-term debt, excluding current portion	10	0.0	-	-	
Accrued pension and severance cost	12,292	3.5	8,267	2.2	
Other liabilities	3,802	1.1	2,658	0.7	
Total liabilities	92,849	26.5	71,577	19.5	(21,272)
(Stockholders' equity)					
Common stock	32,363	9.2	32,363	8.8	-
Capital surplus	37,147	10.6	39,256	10.7	2,109
Retained earnings	245,090	69.9	273,082	74.6	27,992
Accumulated other comprehensive income (loss)	1,344	0.3	3,652	1.0	2,308
Treasury stock	(58,017)	(16.5)	(53,556)	(14.6)	4,461
Total stockholders' equity	257,927	73.5	294,797	80.5	36,870
Total liabilities and stockholders' equity	350,776	100.0	366,374	100.0	15,598

(2) Consolidated Statements of Income

	FY2005 (April 1, 2005 through March 31, 2006)		FY2006 (April 1, 2006 through March 31, 2007)		as compared to the previous fiscal year		
	Amount (in million yen)	percentage (%)	Amount (in million yen)	percentage (%)		Increase (decrease) (in million yen)	
Net sales		253,922	100.0		235,012	100.0	(18,910)
Cost of sales		121,429	47.8		108,718	46.3	(12,711)
Gross profit		132,493	52.2		126,294	53.7	(6,199)
Research and development expenses		26,927	10.6		29,509	12.6	2,582
Selling, general and administrative expenses		41,108	16.2		39,993	16.9	(1,115)
Operating income (loss)		64,458	25.4		56,792	24.2	(7,666)
Other income (expense):							
Interest and dividend income	1,760			3,026			
Interest expense	(290)			(16)			
Other	1,526	2,996	1.2	1,288	4,298	1.8	1,302
Income (loss) before income taxes		67,454	26.6		61,090	26.0	(6,364)
Income taxes		26,080	10.3		25,520	10.9	(560)
Equity in earnings (loss) of equity method affiliates		-	-		(14)	(0.0)	(14)
Net income (loss)		41,374	16.3		35,556	15.1	(5,818)

	FY2005 (April 1, 2005 through March 31, 2006)		FY2006 (April 1, 2006 through March 31, 2007)		as compared to the previous fiscal year
	Amount (in yen)		Amount (in yen)		
Net income per share (Net loss per share)					
Basic		223.17		190.01	(33.16)
Diluted		221.98		188.85	(33.13)

(3) Consolidated Statements of Stockholders' Equity
FY2005 (April 1, 2005 through March 31, 2006)

	Common stock (in million yen)	Capital surplus (in million yen)	Retained earnings (in million yen)	Accumulated other comprehensive income (loss) (in million yen)	Treasury stock (in million yen)	Total stockholders' equity (in million yen)
Balance of March 31, 2005	32,363	35,263	210,121	(4,878)	(66,120)	206,749
Comprehensive income						
Net income (loss)			41,374			41,374
Other comprehensive income (loss)						
Foreign currency translation adjustments				5,074		5,074
Net unrealized gains and losses on securities				1,148		1,148
Total comprehensive income (loss)						47,596
Cash dividends			(4,625)			(4,625)
Stock option compensation expense		1,884				1,884
Exercise of stock option					8,157	8,157
Treasury stock purchased					(55)	(55)
Treasury stock sold			(1,780)		1	(1,779)
Balance of March 31, 2006	32,363	37,147	245,090	1,344	(58,017)	257,927

FY2006 (April 1, 2006 through March 31, 2007)

	Common stock (in million yen)	Capital surplus (in million yen)	Retained earnings (in million yen)	Accumulated other comprehensive income (loss) (in million yen)	Treasury stock (in million yen)	Total stockholders' equity (in million yen)
Balance of March 31, 2006	32,363	37,147	245,090	1,344	(58,017)	257,927
Comprehensive income						
Net income (loss)			35,556			35,556
Other comprehensive income (loss)						
Foreign currency translation adjustments				1,123		1,123
Net unrealized gains and losses on securities				(362)		(362)
Total comprehensive income for FY2006						36,317
Adjustment to initially apply SFAS 158				1,547		1,547
Total comprehensive income						37,864
Cash dividends			(7,474)			(7,474)
Stock option compensation expense		2,566				2,566
Exercise of stock option		(457)			4,520	4,063
Treasury stock purchased					(68)	(68)
Treasury stock sold			(90)		9	(81)
Balance of March 31, 2007	32,363	39,256	273,082	3,652	(53,556)	294,797

(4) Consolidated Statements of Cash Flows

	FY2005 (April 1, 2005 through March 31, 2006)	FY2006 (April 1, 2006 through March 31, 2007)	as compared to the previous fiscal year
	Amount (in million yen)	Amount (in million yen)	Increase (decrease) (in million yen)
I Cash flows from operating activities:			
Net income (loss)	41,374	35,556	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	8,275	8,214	
Deferred income taxes	1,005	7,381	
Stock option compensation expense	1,884	2,566	
Changes in assets and liabilities:			
Trade accounts receivable	(11,072)	15,563	
Inventories	108	(2,054)	
Trade accounts payable	7,627	(3,318)	
Income taxes payable	12,506	(10,586)	
Accrued expenses	(1,261)	815	
Accrued warranty expenses	610	(641)	
Accrued pension and severance cost	(329)	(1,437)	
Other	(1,247)	(3,108)	
Net cash provided by operating activities	59,480	48,951	(10,529)
II Cash flows from investing activities:			
Proceeds from sale of available-for-sale marketable securities	2,977	0	
Proceeds from sale of non-marketable securities	-	20	
Purchases of marketable securities	(2,256)	-	
Purchases of non-marketable securities	(1,900)	-	
Proceeds from sale of property, plant and equipment	258	541	
Purchases of intangible assets	(523)	(897)	
Purchases of property, plant and equipment	(7,071)	(7,511)	
Other	(27)	(166)	
Net cash used in investing activities	(8,542)	(8,013)	529

	FY2005 (April 1, 2005 through March 31, 2006)	FY2006 (April 1, 2006 through March 31, 2007)	as compared to the previous fiscal year
	Amount (in million yen)	Amount (in million yen)	Increase (decrease)
III Cash flows from financing activities:			
Principal payments on long-term debt	(20,043)	(30)	
Proceeds from sale of treasury stock	6,378	3,913	
Payments to acquire treasury stock	(57)	(68)	
Dividends paid	(4,622)	(7,468)	
Other	8	(9)	
Net cash used in financing activities	(18,336)	(3,662)	14,674
IV Net effect of exchange rate changes on cash and cash equivalents	4,337	1,194	(3,143)
Net change in cash and cash equivalents	36,939	38,470	1,531
Cash and cash equivalents at beginning of period	120,986	157,925	36,939
Cash and cash equivalents at end of period	157,925	196,395	38,470

Notes to the Consolidated Financial Statements

(Note 1) Accounting Principles, Procedures and the Presentation of the Consolidated Financial Statements

(a) Terminology, Form and Method of Preparation of the Consolidated Financial Statements

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

(b) The Preparation of Consolidated Financial Statements and Registration with the U.S. Securities and Exchange Commission

Advantest Corporation began listing on the New York Stock Exchange on September 17, 2001 (local time) by means of an issuance of American Depository Shares, and is registered with the U.S. Securities and Exchange Commission on Form 20-F (equivalent to the Annual Securities Report in Japan) since FY2001. In connection with the registration on Form 20-F, Advantest prepares its consolidated financial statements in accordance with U.S. GAAP.

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

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

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

		FY 2005 (As of March 31, 2006)	FY 2006 (As of March 31, 2007)	Increase (decrease)
	Domestic	23	23	0
	Overseas	17	17	0
	Consolidated subsidiaries	40	40	0
	Equity method affiliates	–	1	1
	Total	40	41	1

Organizational Changes to Subsidiaries:

One new equity method affiliate: e-Shuttle, Inc.*

* e-Shuttle, Inc. was established on November 1, 2006 as a joint venture with Fujitsu Limited to provide leading-edge LSI prototype services.

(Note 2) Significant Accounting Policies

(Changes to Accounting Policies)

On March 31, 2007, Advantest adopted the recognition and disclosure provisions of SFAS 158. SFAS 158 requires Advantest to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income (loss). The adjustment to other accumulated comprehensive income (loss) at adoption represents the unrecognized actuarial loss and unrecognized prior service cost, which were previously netted against the plans' funded status in the consolidated balance sheet pursuant to the provisions of SFAS 87.

There are no other changes pertaining to accounting policies other than the one mentioned above. For more information on accounting policies, please see the Notes to the consolidated financial statement, "Descriptions of Business and Summary of Significant Accounting Policies and Practices", in the fiscal year 2005 Annual Report.

(Note 3) Segment Information
1. Business Segment Information

		FY2005 (April 1, 2005 through March 31, 2006)		FY2006 (April 1, 2006 through March 31, 2007)	
		Amount (million)	Percentage (%)	Amount (million)	Percentage (%)
Semi-conductor and Component Test System	Net sales to unaffiliated customers	187,136	97.8	164,899	98.3
	Intersegment sales	4,279	2.2	2,916	1.7
	Net sales	191,415	100.0	167,815	100.0
	Operating expenses	133,898	70.0	119,207	71.0
	Operating income (loss)	57,517	30.0	48,608	29.0
	Expenditures for additions to long-lived assets	2,649		3,173	
	Depreciation and amortization	2,993		2,812	
	Total assets	94,745		84,962	
Mechatronics System	Net sales to unaffiliated customers	47,724	98.9	51,801	99.6
	Intersegment sales	536	1.1	224	0.4
	Net sales	48,260	100.0	52,025	100.0
	Operating expenses	36,294	75.2	38,378	73.8
	Operating income (loss)	11,966	24.8	13,647	26.2
	Expenditures for additions to long-lived assets	1,177		1,145	
	Depreciation and amortization	1,058		1,241	
	Total assets	27,444		24,256	
Services, Support and Others	Net sales to unaffiliated customers	19,062	100.0	18,312	100.0
	Intersegment sales	-	-	-	-
	Net sales	19,062	100.0	18,312	100.0
	Operating expenses	15,209	79.8	15,442	84.3
	Operating income (loss)	3,853	20.2	2,870	15.7
	Expenditures for additions to long-lived assets	4,203		3,533	
	Depreciation and amortization	3,680		3,710	
	Total assets	16,722		15,163	
Elimination and Corporate	Net sales to unaffiliated customers	-	-	-	-
	Intersegment sales	(4,815)	100.0	(3,140)	100.0
	Net sales	(4,815)	100.0	(3,140)	100.0
	Operating expenses	2,179	-	2,627	-
	Operating income (loss)	(6,994)	-	(5,767)	-
	Expenditures for additions to long-lived assets	294		485	
	Depreciation and amortization	544		451	
	Total assets	211,865		241,993	
Consolidated	Net sales to unaffiliated customers	253,922	100.0	235,012	100.0
	Intersegment sales	-	-	-	-
	Net sales	253,922	100.0	235,012	100.0
	Operating expenses	187,580	73.9	175,654	74.7
	Operating income (loss)	66,342	26.1	59,358	25.3
	Expenditures for additions to long-lived assets	8,323		8,336	
	Depreciation and amortization	8,275		8,214	
	Total assets	350,776		366,374	

- (Notes) 1. Adjustments to operating income(loss) included in Corporate mainly consist of research and development expenses for basic research activities, which are not allocated to corporate general administrative expenses and segment by business sector.
2. Stock option compensation expense of (Y) 1,884 million, and (Y) 2,566 million in FY 2005 and FY 2006, respectively are not included in operating income in the business segment information. Therefore, these operating income do not match with the operating income in the consolidated statements of income. Such exclusion was made since such items are not included in the performance review of each business segment by management.
3. Total assets included in Corporate primarily consist of the parent company's cash and cash equivalents, assets for general corporate use and assets used for fundamental research activities.

2. Geographic Segment Information

	FY2005 (April 1, 2005 through March 31, 2006)		FY2006 (April 1, 2006 through March 31, 2007)	
	Amount (million)	Percentage (%)	Amount (million)	Percentage (%)
Net sales to unaffiliated customers				
Americas	25,516	10.0	10,158	4.3
Europe	14,558	5.7	11,238	4.8
Asia	132,708	52.3	140,782	59.9
Total Overseas	172,782	68.0	162,178	69.0
Japan	81,140	32.0	72,834	31.0
Consolidated	253,922	100.0	235,012	100.0

3. Segment information by geographic area

(Rounded to the nearest million yen)

		FY2005		FY2006	
		(April 1, 2005 through March 31, 2006)	Percentage (%)	(April 1, 2006 through March 31, 2007)	Percentage (%)
Japan	Net sales to unaffiliated customers	119,996	-	132,035	-
	Intersegment sales	111,958	-	80,289	-
	Net sales	231,954	100.0	212,324	100.0
	Operating expenses	169,426	73.0	159,782	75.3
	Operating income (loss)	62,528	27.0	52,542	24.7
	Total assets	180,431		160,386	
Americas	Net sales to unaffiliated customers	53,834	-	16,266	-
	Intersegment sales	3,605	-	4,660	-
	Net sales	57,439	100.0	20,926	100.0
	Operating expenses	54,399	94.7	19,049	91.0
	Operating income (loss)	3,040	5.3	1,877	9.0
	Total assets	31,353		26,313	
Europe	Net sales to unaffiliated customers	18,505	-	17,841	-
	Intersegment sales	1,312	-	1,271	-
	Net sales	19,817	100.0	19,112	100.0
	Operating expenses	17,810	89.9	17,426	91.2
	Operating income (loss)	2,007	10.1	1,686	8.8
	Total assets	14,990		17,670	
Asia	Net sales to unaffiliated customers	61,587	-	68,870	-
	Intersegment sales	7,000	-	6,852	-
	Net sales	68,587	100.0	75,722	100.0
	Operating expenses	62,691	91.4	67,073	88.6
	Operating income (loss)	5,896	8.6	8,649	11.4
	Total assets	65,372		75,948	
Elimination and Corporate	Net sales to unaffiliated customers	-	-	-	-
	Intersegment sales	(123,875)	-	(93,072)	-
	Net sales	(123,875)	-	(93,072)	-
	Operating expenses	(114,862)	-	(85,110)	-
	Operating income (loss)	(9,013)	-	(7,962)	-
	Total assets	58,630		86,057	
Consolidated	Net sales to unaffiliated customers	253,922	-	235,012	-
	Intersegment sales	-	-	-	-
	Net sales	253,922	100.0	235,012	100.0
	Operating expenses	189,464	74.6	178,220	75.8
	Operating income (loss)	64,458	25.4	56,792	24.2
	Total assets	350,776		366,374	

- (Notes)
- Adjustments to operating income (loss) included in Corporate mainly consist of research and development expenses for basic research activities, which are not allocated to corporate general administrative expense and segment by geographic area. Stock option expenses of (Y) 1,884 million and (Y) 2,566 million for the fiscal year 2005 and 2006, respectively, are included in Corporate operating
 - Total assets included in Corporate primarily consist of the parent company's cash and cash equivalents, assets for general corporate use and assets used for fundamental research activities.

(Note 4) Income Taxes

The breakdown of “Income before income taxes” and “Income taxes” is as follows:

	(in million yen)	
	FY2005	FY2006
Income before income taxes		
Advantest and its domestic subsidiaries	54,877	45,229
Foreign subsidiaries	12,577	15,861
	67,454	61,090

	(in million yen)	
	FY2005	FY2006
Provision (benefit) for income Taxes		
Current		
Advantest and its domestic subsidiaries	19,831	14,227
Foreign subsidiaries	5,244	3,911
Deferred		
Advantest and its domestic subsidiaries	747	8,665
Foreign subsidiaries	258	(1,283)
	26,080	25,520

Advantest and its domestic consolidated subsidiaries are subject to a 30.0% income tax, inhabitant tax ranging from 18.1% to 20.7%, enterprise tax ranging from 7.2% to 10.1%. The applicable statutory tax rate in both FY 2005 and FY 2006 was approximately 40.3%.

A reconciliation of the Japanese statutory income tax rate and the effective income tax rate as a percentage of income before income taxes is as follows:

	FY2005	FY2006
Statutory tax rate	40.3%	40.3%
Increase (reduction) in income taxes resulting from:		
Earnings of foreign subsidiaries taxed at different rate from the statutory rate in Japan	(1.8)	(2.8)
Tax credits earned	(3.8)	(5.0)
Expenses not deductible for tax purposes	1.3	0.7
Tax on undistributed earnings	2.2	11.0
Change in valuation allowance	(0.0)	(2.1)
Other, net	0.5	(0.3)
	38.7%	41.8%

In this fiscal year, due to the revision of dividend policies of foreign subsidiaries, deferred tax liabilities pertaining to the undistributed earnings of certain foreign subsidiaries are recognized.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2006 and 2007 are presented below.

	(in million yen)	
	March 31, 2006	March 31, 2007
Deferred tax assets		
Inventories	4,379	3,343
Accrued warranty expenses	1,696	1,532
Accrued pension and severance cost	4,970	3,303
Accrued expenses	4,891	4,502
Research and development expenses capitalized for tax purposes	1,361	1,701
Operating loss carried forward	330	421
Property, plant and equipment and intangible assets	1,528	2,506
Tax credits	18	330
Other	5,184	3,690
	<u>24,357</u>	<u>21,328</u>
Total gross deferred tax assets	24,357	21,328
Less valuation allowance	<u>1,263</u>	<u>-</u>
Net deferred tax assets	<u>23,094</u>	<u>21,328</u>
Deferred tax liabilities		
Net unrealized gains on marketable securities	1,807	1,563
Tax on undistributed earnings	1,467	8,160
Other	<u>46</u>	<u>36</u>
Total gross deferred tax liabilities	<u>3,320</u>	<u>9,759</u>
Net deferred tax assets	<u>19,774</u>	<u>11,569</u>

Included in other current liabilities and other liabilities are deferred tax liabilities of (Y) 1,312 million and (Y) 336 million at March 31, 2006 and 2007, respectively.

The net changes in the valuation allowance for the years ended March 31, 2006 and 2007 were decreases of (Y) 1,762 million and (Y) 1,263 million, respectively.

Net operating loss carryforwards utilized during the years ended March 31, 2006 and 2007 were (Y) 777 million and (Y) 486 million, respectively.

At March 31, 2007, Advantest had net operating loss carried forwards for income tax purposes of approximately (Y) 1,046 million which are available to reduce future income taxes, if any. These operating losses will expire starting from the year ending March 31, 2013 through the year ending March 31, 2014.

Management of Advantest intends to reinvest certain undistributed earnings of the Company's foreign subsidiaries for an indefinite period of time. As a result, no deferred tax liabilities has been recognized on undistributed earnings of these subsidiaries not expected to be remitted in the foreseeable future, aggregating (Y) 25,639 million at March 31, 2007. The related deferred tax liability would have been (Y) 1,111 million at March 31, 2007.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. At March 31, 2007, Advantest has recorded on its consolidated balance sheet, net deferred tax assets of (Y) 11,569 million. Based upon projections for future taxable income over the periods in which the deferred tax assets are deductible including management's expectations of future semiconductor market and semiconductor and component test systems market prospects and other factors, management believes it is more likely than not that Advantest will realize the benefits of these deductible differences, net of the existing valuation allowance, at March 31, 2007. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced and the effect on Advantest's consolidated financial position and results of operations could be significant.

(Note 5) Per Share information

On October 1, 2006, a one to two stock split was made to shares of the common stock. Basic and diluted net income per share is calculated based on the number of issued and outstanding shares after such stock split.

Basic and diluted net income per share were computed as follows:

	<u>FY2005</u>	<u>FY2006</u>
Numerator:		
Net income (million yen)	<u>41,374</u>	<u>35,556</u>
Denominator		
Basic weighted average shares	185,389,026	187,128,842
Dilutive effect of exercise of stock option and warrants	<u>994,054</u>	<u>1,141,846</u>
Diluted weighted average shares	<u>186,383,080</u>	<u>188,270,688</u>
Basic net income per share	223.17 yen	190.01 yen
Diluted net income per share	<u>221.98 yen</u>	<u>188.85 yen</u>

As of March 31, 2006 and March 31, 2007 stock options and warrants representing, upon exercise, 3,980 shares and 11,980 shares respectively, were outstanding but were not included in the computation for net income per share (diluted) because the foregoing did not have any dilutive effect.

5. Non-Consolidated Financial Statements

(1) Balance Sheets

	FY2005 (As of March 31, 2006)		FY2006 (As of March 31, 2007)		as compared to the previous fiscal year	
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Increase (decrease) (in million yen)	
(Assets)						
I Current Assets						
1. Cash and deposits	86,669		112,558			
2. Trade notes receivables	1,001		4,505			
3. Accounts receivable	71,892		56,313			
4. Finished goods	3,571		5,156			
5. Raw materials	4,774		2,954			
6. Work in process	13,085		15,997			
7. Supplies	177		165			
8. Short-term loans receivable	5,917		6,095			
9. Other receivable	1,962		952			
10. Deferred tax assets	9,514		9,017			
11. Other	1,307		449			
12. Allowance for doubtful accounts	-		(983)			
Total current assets	199,872	72.8	213,182	73.6	13,309	
Noncurrent assets						
(1) Property, plant and equipment						
1. Buildings	42,922		42,735			
Accumulated depreciation	28,758	14,163	29,274	13,461		
2. Structures	3,994		3,981			
Accumulated depreciation	3,162	831	3,211	770		
3. Machinery and equipment	18,387		17,566			
Accumulated depreciation	14,746	3,640	14,114	3,452		
4. Vehicles and delivery equipment	40		40			
Accumulated depreciation	16	24	24	16		
5. Tools and furniture	12,861		13,019			
Accumulated depreciation	10,689	2,171	10,855	2,164		
6. Land		17,915		17,622		
7. Construction in progress		33		297		
Total property, plant and equipment		38,781		37,784	13.0	(996)
(2) Intangible fixed assets						
1. Patent rights		136		139		
2. Leasehold rights		173		173		
3. Telephone rights		39		39		
4. Utility rights		55		23		
5. Software		816		940		
6. Other		12		149		
Total intangible fixed assets		1,233		1,467	0.5	233

(Note) Accumulated depreciation includes the accumulated impairment losses.

	FY2005 (As of March 31, 2006)		FY2006 (As of March 31, 2007)		as compared to the previous fiscal year
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Increase (decrease) (in million yen)
(3) Investments and other assets					
1. Investment securities	12,228		11,336		
2. Investment in affiliated companies	16,470		16,480		
3. Long-term loans receivable	28		34		
4. Long-term loans to affiliated companies	1,050		1,050		
5. Long-term prepaid expenses	426		2,582		
6. Deferred tax assets	3,482		4,791		
7. Other	965		988		
Total investment and other assets	34,650	12.6	37,263	12.9	2,612
Total noncurrent assets	74,665	27.2	76,515	26.4	1,849
Total assets	274,538	100.0	289,697	100.0	15,159
(Liabilities)					
I Current liabilities					
1. Trade accounts payable	30,476		26,407		
2. Other accounts payable	2,419		2,030		
3. Accrued expenses	9,054		9,992		
4. Income tax payable	16,315		8,082		
5. Advance received	122		204		
6. Deposits received	4,677		5,108		
7. Allowance for product warranty	4,877		4,192		
8. Bonus accrual for directors	-		203		
9. Other	177		138		
Total current liabilities	68,120	24.8	56,358	19.5	(11,762)
II Noncurrent liabilities					
1. Long-term borrowings	10		-		
2. Allowance for retirement benefits	6,970		6,255		
3. Allowance for officers' retirement benefits	1,681		-		
4. Other	529		2,277		
Total noncurrent liabilities	9,191	3.4	8,533	2.9	(657)
Total liabilities	77,311	28.2	64,891	22.4	(12,420)

	FY2005 (As of March 31, 2006)		FY2006 (As of March 31, 2007)		as compared to the previous fiscal year	
	Amount (in million yen)	Percentage (%)	Amount (in million yen)	Percentage (%)	Increase (decrease) (in million yen)	
(Stockholders' equity)						
I Common stock		32,362	11.8	-	-	(32,362)
II Capital surplus						
1. Additional paid-in capital	32,973	32,973		-	-	
Total capital surplus		32,973	12.0	-	-	(32,973)
III Retained earnings						
1. Legal reserve		3,083		-	-	
2. Voluntary reserve						
(1) Reserve for losses in foreign investments	27,062			-	-	
(2) General reserve	121,880	148,942		-	-	
3. Unappropriated earnings at end of year		35,204		-	-	
Total retained earnings		187,229	68.2	-	-	(187,229)
IV Net unrealized holding gains on other securities		2,677	0.9	-	-	(2,677)
V Treasury stock		(58,017)	(21.1)	-	-	58,017
Total stockholders' equity		197,226	71.8	-	-	(197,226)
Total liabilities and stockholders' equity		274,538	100.0	-	-	(274,538)
(Net assets)						
I Stockholders' equity						
1. Common stock	-	-	-	32,362	11.2	32,362
2. Capital surplus						
(1) Additional paid-in capital	-	-	-	32,973		
Total capital surplus		-	-	32,973	11.4	32,973
3. Retained earnings						
(1) Legal reserve	-	-	-	3,083		
(2) Other retained earnings						
Reserve for losses in foreign investments	-	-	-	27,062		
General reserve	-	-	-	146,880		
Retained earnings brought forward	-	-	-	31,347		
Total retained earnings		-	-	208,372	71.9	208,372
4. Treasury stock		-	-	(53,555)	(18.5)	(53,555)
Total stockholders' equity		-	-	220,152	76.0	220,152
II Difference of appreciation and conversion						
1. Net unrealized gains on securities	-	-	-	2,315		
Total difference of appreciation and conversion		-	-	2,315	0.8	2,315
III Stock Acquisition Rights						
Total net assets		-	-	224,805	77.6	224,805
Total liabilities and net assets		-	-	289,697	100.0	289,697

(Statements of Income)

	FY2005 (April 1, 2005 through March 31, 2006)			FY2006 (April 1, 2006 through March 31, 2007)			as compared to the previous fiscal year Increase (decrease) (in million yen)
	Amount (in million yen)		Percentage (%)	Amount (in million yen)		Percentage (%)	
I Net sales							
1. Net product sales	217,688	217,688	100.0	197,753	197,753	100.0	(19,934)
II Cost of sales							
1. Inventory of finished goods at beginning of year	4,371			3,571			
2. Cost of manufactured goods	113,665			100,563			
Total	118,037			104,134			
3. Transfers to other accounts	859			782			
4. Inventory of finished goods at end of year	3,571			5,156			
Balance of cost of sales	113,606	113,606	52.2	98,195	98,195	49.7	(15,411)
Gross profit		104,082	47.8		99,558	50.3	(4,523)
III Selling, general and administrative expenses		54,335	25.0		58,054	29.3	3,719
Operating income (loss)		49,746	22.8		41,503	21.0	(8,242)
IV Non-operating income							
1. Interest income	139			420			
2. Dividends income	2,465			2,543			
3. Lease income	2,085			2,119			
4. Miscellaneous income	1,743	6,433	3.0	356	5,440	2.8	(992)
V Non-operating expenses							
1. Interest expenses	23			22			
2. Bond interests	265			-			
3. Transfer of Allowance for doubtful account	-			983			
4. Expenses related to leased equipment	1,598			1,628			
5. Miscellaneous expenses	414	2,301	1.0	671	3,306	1.7	1,004
Ordinary income (loss)		53,878	24.8		43,638	22.1	(10,240)
Income (loss) before income taxes		53,878	24.8		43,638	22.1	(10,240)
Income taxes	18,364			14,769			
Income taxes - deferred	239	18,604	8.6	(567)	14,201	7.2	(4,403)
Net income (loss)		35,273	16.2		29,436	14.9	(5,836)
Retained earnings brought forward		4,024			-		
Loss from disposition of treasury stock		1,780			-		
Interim dividend		2,313			-		
Unappropriated earnings at end of year		35,204			-		

(3) Statement of Appropriation of Retained Earnings and Statements of Changes in Stockholders' Equity

Statement of Appropriation of Retained Earnings

	FY2005 (April 1, 2005 through March 31, 2006)	
	Amount (in million yen)	
Unappropriated earnings at end of year		35,204
Appropriation of earnings		
1. Dividends	4,199	
2. Director's bonus	180	
3. Corporate auditor's bonus	23	
4. Voluntary reserve		
General reserve	25,000	29,402
Unappropriated earnings carried forward		5,801

(Statements of Changes in Stockholders' Equity)
 FY2006 (April 1, 2006 through March 31, 2007)

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

Note 1: Transfer to voluntary reserve was an appropriated earnings item for the general shareholders' meeting held in June, 2006.

Note 2: Bonus of directors and corporate auditors was an appropriated earnings item for the general shareholders' meeting held in June, 2006.

Note 3: 4,199 million yen out of Dividends from surplus was an appropriated earnings item for the general shareholders' meeting held in June, 2006.

Supplemental Information to the FY2006 Earnings Digest

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

1. Summary of FY2006 Results (April 1, 2006 through March 31, 2007)

(Consolidated)	(Rounded to the nearest million yen)			
	FY2005	FY2006	Increase/Decrease	Percentage change (%)
Net sales	253,922	235,012	(18,910)	(7.4)
Operating income (loss)	64,458	56,792	(7,666)	(11.9)
Income (loss) before income taxes	67,454	61,090	(6,364)	(9.4)
Net income (loss)	41,374	35,556	(5,818)	(14.1)
Total assets	350,776	366,374	15,598	4.4
Net assets	257,927	294,797	36,870	14.3
Net income (loss) per share (basic) (in yen) (Note)	223.17	190.01	(33.16)	(14.9)
Net income (loss) per share (diluted) (in yen) (Note)	221.98	188.85	(33.13)	(14.9)
Net assets per share (in yen) (Note)	1,381.85	1,570.99	189.14	13.7
Dividends per share (in yen)	70.00	67.50	(2.50)	(3.6)
Net interest expense	1,470	3,010	1,540	104.9
ROE(%)	17.8	12.9	(4.9)	(27.5)

(Note) On October 1, 2006, a one to two stock split was made to shares of the common stock. Per share information for each period is calculated based on the assumption that the stock split was made at the beginning of the previous fiscal year.

(Non-Consolidated) (Parent Company only, Japanese GAAP)	(Truncated after the million yen)			
	FY2005	FY2006	Increase/Decrease	Percentage change (%)
Net sales	217,688	197,753	(19,934)	(9.2)
Operating income (loss)	49,746	41,503	(8,242)	(16.6)
Ordinary income (loss)	53,878	43,638	(10,240)	(19.0)
Net income (loss)	35,273	29,436	(5,836)	(16.5)
Total assets	274,538	289,697	15,159	5.5
Net assets	197,226	224,805	27,579	14.0
Net income (loss) per share (in yen) (Note)	378.34	157.31	(221.03)	(58.4)
Fully diluted net income per share (in yen) (Note)	376.33	156.34	(219.99)	(58.5)
Net assets per share (in yen) (Note)	2,111.11	1,185.55	(925.56)	(43.8)

(Note) On October 1, 2006, a one to two stock split was made to shares of the common stock. Per share information for the fiscal year ended March 31, 2007 is calculated based on the number of issued and outstanding shares after such stock split.
Per share information for the fiscal year ended March 31, 2006 is calculated based on the number of issued and outstanding shares before the stock split.

2. Consolidated Net Sales by Business and Geographic Segment

		(Rounded to the nearest million yen)			
By Business Segment		FY2005	FY2006	Increase/Decrease	Percentage change (%)
	Semiconductor and Component	191,415	167,815	(23,600)	(12.3)
	Test System	48,260	52,025	3,765	7.8
	Mechatronics System	19,062	18,312	(750)	(3.9)
	Services, Support and Others	(4,815)	(3,140)	1,675	-
Total net sales		253,922	235,012	(18,910)	(7.4)
By Geographic Segment		FY2005	FY2006	Increase/Decrease	Percentage change (%)
Japan		81,140	72,834	(8,306)	(10.2)
	Americas	25,516	10,158	(15,358)	(60.2)
	Europe	14,558	11,238	(3,320)	(22.8)
	Asia	132,708	140,782	8,074	6.1
Total overseas		172,782	162,178	(10,604)	(6.1)

3. Consolidated Orders input received and Orders backlog by Business Segment

(Rounded to the nearest million yen)

Orders input received	FY2005	FY2006	Increase/Decrease	Percentage change (%)
Semiconductor and Component Test System	195,585	175,126	(20,459)	(10.5)
Mechatronics System	49,491	54,861	5,370	10.8
Services, Support and Others	19,251	18,013	(1,238)	(6.4)
Intercompany transactions elimination	(4,892)	(5,131)	(239)	-
Total orders input received	259,435	242,869	(16,566)	(6.4)

Orders backlog	FY2005	FY2006	Increase/Decrease	Percentage change (%)
Semiconductor and Component Test System	36,215	43,526	7,311	20.2
Mechatronics System	7,891	10,727	2,836	35.9
Services, Support and Others	1,038	739	(299)	(28.8)
Intercompany transactions elimination	(93)	(2,084)	(1,991)	-
Total orders backlog	45,051	52,908	7,857	17.4

(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 beginning of such period. Orders input received are recorded upon receipt of a written customer order.

4. Consolidated Cash Flows

(Rounded to the nearest million yen)

	FY2005	FY2006	Increase/Decrease	Percentage change (%)
Operating activities	59,480	48,951	(10,529)	(17.7)
Investing activities	(8,542)	(8,013)	529	-
(Free cash flows)	50,938	40,938	(10,000)	(19.6)
Financing activities	(18,336)	(3,662)	14,674	-
Total cash flows	32,602	37,276	4,674	14.3
Cash and cash equivalents at end of period	157,925	196,395	38,470	24.4

5. Consolidated Outstanding Interest-bearing liabilities

(Rounded to the nearest million yen)

	FY2005	FY2006	Increase/Decrease	Percentage change (%)
Loans and lease obligations	64	25	(39)	(60.2)
Total interest-bearing liabilities	64	25	(39)	(60.2)

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

(Rounded to the nearest million yen)

	FY2005	FY2006	Increase/Decrease	Percentage change (%)
Capital expenditures	8,323	8,336	13	0.1
Depreciation and amortization	8,275	8,214	(61)	(0.7)
Research and development expenses	26,927	29,509	2,582	9.6

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

(Persons)

	FY2005	FY2006	Increase/Decrease	Percentage change (%)
Non-Consolidated (Parent Company only)	1,445	1,454	9	0.6
Domestic	1,355	1,378	23	1.7
Overseas	795	805	10	1.3
Consolidated Subsidiaries total	2,150	2,183	33	1.5
Consolidated full-time employee total	3,595	3,637	42	1.2

Changes in Board Directors, Corporate Auditors and Executive Officers
(To be effective on June 27, 2007)

1. Nominees for Board Directors

Chairman of the Board	Shimpei Takeshita
Representative Board Director	Toshio Maruyama
Board Director	Naoyuki Akikusa
Board Director	Yasushige Hagio
Board Director	Junji Nishiura
Board Director	Hiroji Agata
Board Director	Takashi Tokuno
Board Director	Hiroshi Tsukahara (to be newly elected) Managing Executive Officer
Board Director	Yuichi Kurita (to be newly elected) Executive Officer

2. Nominees for Corporate Auditors

Corporate Standing Auditor	Takashi Takaya Corporate Auditor
Corporate Standing Auditor	Hitoshi Owada (to be newly elected) Board Director and Managing Executive Officer
Corporate Auditor	Jiro Haneda (to be newly elected) Former Corporate Standing Auditor, Nippon Office Systems Ltd.

3. Nominees for Executive Officers

President and CEO	Toshio Maruyama
Senior Executive Officer	Junji Nishiura
Senior Executive Officer	Hiroji Agata
Senior Executive Officer	Takashi Tokuno
Managing Executive Officer	Hiroshi Tsukahara
Managing Executive Officer	Yuichi Kurita (to be promoted)
Managing Executive Officer	Yuri Morita
Managing Executive Officer	Jiro Katoh
Managing Executive Officer	Takao Tadokoro
Managing Executive Officer	Hiroyasu Sawai
Managing Executive Officer	Yoshiro Yagi (to be promoted)
Executive Officer	Masao Shimizu
Executive Officer	Masao Araki
Executive Officer	Hideaki Imada
Executive Officer	Akira Hatakeyama
Executive Officer	Yasuhiro Kawata
Executive Officer	Takashi Sugiura
Executive Officer	Shinichiro Kuroe
Executive Officer	Takashi Sekino
Executive Officer	Hiroshi Nakamura
Executive Officer	Yoshiaki Yoshida
Executive Officer	Minoru Morishita (to be newly elected)

4. Resignation from Board Directors, Corporate Auditors and Executive Officers

Hiroshi Oura, Board Director and Senior Executive Adviser --- to be elected as Senior Executive Adviser
Hitoshi Owada, Board Director and Managing Executive Officer --- to be elected as Corporate Standing Auditor
Noboru Yamaguchi, Corporate Standing Auditor --- to be elected as Adviser
Tadahiko Hirano, Corporate Standing Auditor --- to be elected as Adviser
Shinichiro Umeda, Executive Officer --- to be elected as Adviser

Nominees for New Board Directors (Biography)

Hiroshi Tsukahara (Date of Birth: August 26, 1950)

Mar. 1974 Graduated from Faculty of Technology, Seikei University

Apr. 1974 Joined Advantest Corporation

Jun. 2001 Board Director, Advantest Corporation

Jun. 2003 Executive Officer, Advantest Corporation

Jun. 2005 Managing Executive Officer (Current Position)

Jun. 2006 Senior Vice President, 1st Test System Business Group (Current Position)

Yuichi Kurita (Date of Birth: July 28, 1949)

Mar. 1973 Graduated from Faculty of Foreign Studies, Tokyo University of Foreign Studies

Apr. 1973 Joined Fujitsu Limited

Mar. 2001 Joined Advantest Corporation

Jun. 2003 Executive Officer, Advantest Corporation (Current Position)

Jun. 2005 Senior Vice President, Corporate Planning Group (Current Position)

Nominees for New Corporate Auditors (Biography)

Hitoshi Owada (Date of Birth: March 26, 1946)

Mar. 1964 Graduated from Fukaya Commercial High School

Feb. 1970 Joined Advantest Corporation

Jun. 1997 Board Director, Advantest Corporation

Jun. 2000 Managing Director, Advantest Corporation

Jun. 2003 Board Director and Managing Executive Officer, Advantest Corporation
(Current Position)

Jiro Haneda (Date of Birth: October 3, 1943)

Mar. 1966 Graduated from Faculty of Economics, University of Tokyo

Apr. 1966 Joined Nippon Kangyo Bank, Ltd.

Oct. 1998 Executive Director, Kanematsu Corporation

Mar. 2004 Corporate Standing Auditor, Nippon Office Systems Ltd.

Nominee for New Executive Officer (Biography)

Minoru Morishita (Date of Birth: January 12, 1949)

Mar. 1972 Graduated from School of Social Sciences, Waseda University

Jun. 1973 Joined Advantest Corporation

Jun. 2002 General Manager, Nanotechnology 2nd Business Division (Current Position)