

Financial Results for 1st Quarter Fiscal 2007

Presentation:

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Summary of Achievements

ADVANTEST

(In Billions of Yen)

	FY2006					FY2007	
	1Q	2Q	3Q	4Q	Full Year	1Q	Y on Y · %
Orders	64.9	50.3	57.9	69.8	242.9	53.2	-18.1
Sales	59.9	60.6	45.7	68.8	235.0	57.1	-4.7
Operating Income	16.3	15.9	7.9	16.7	56.8	11.7	-28.5
Income Before Tax	17.2	16.8	9.4	17.7	61.1	15.1	-12.6
Net Income	11.5	10.7	5.6	7.8	35.6	9.9	-13.3
Backlog	50.1	39.8	52.0	52.9	—	49.0	—

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First, this is a summary of our results for the first quarter.

In the first quarter of fiscal 2007,

- Orders were 53.2 billion yen, a year-on-year decrease of 18.1%. This was due to the lower-than-expected drop in DRAM prices, which in turn prompted DRAM manufacturers to postpone capital investment, and some non-memory manufacturers also still remain reluctant to make capital investments.
- Like orders, sales were also affected by the weakness in the memory market, but this was offset by shipping of memory test systems for DRAM for computers with the new OS at the beginning of the quarter. The result was sales of 57.1 billion yen, a year-on-year decrease of 4.7%.
- Operating income was 11.7 billion yen, a year-on-year decrease of 28.5%. This was due to the drop in sales and higher research investment and other expenses.
- Income before tax was 15.1 billion yen due to gains from the foreign exchange rate and other factors.

1Q/FY2007 Summary		ADVANTEST	
		FY2006	FY2007
		4Q	1Q
Memory	DRAM <i>T5300/T5500 Series</i> 		
	Flash Memory <i>T5300/T5700 Series</i> 		
Non-Memory	Data Processing <i>T2000</i> 		
	LCD Driver IC <i>T6300 Series</i> 		
	ICs for Digital Consumer Products, Automobiles <i>T2000 T6500/T7700 Series</i> 		

This shows a summary of our quarterly results by product type.

For DRAM test systems, the drop in DRAM prices led semiconductor manufacturers, primarily in Taiwan and South Korea, to postpone capital investment. As a result, DDR2 back-end test systems were weak compared to the previous quarter. DDR2 front-end test systems, on the other hand, were strong overall in Taiwan, Japan and other countries.

The slowdown in flash memory test systems continuing until last quarter began to show signs of recovery in demand starting from the middle of this quarter, particularly in South Korea.

In non-memory test systems, although there are still no signs of recovery for the open architecture T2000, the T6300 series of LCD driver IC test systems began to show stronger demand from the middle of the quarter, particularly in Taiwan as inventory adjustments of computer LCD monitors comes to an end. Also, the T6500 series of test systems for digital consumer ICs and the T7720 series for automobile ICs had strong results, particularly in Japan.

Financial Forecast

ADVANTEST

(In Billions of Yen)

	FY2006 Results		FY2007 Forecast		
	1H	Full Year	1H	Full Year	Y on Y · %
Orders	115.2	242.9	120.0	260.0	+7.1
Sales	120.5	235.0	120.0	255.0	+8.5
Operating Income	32.2	56.8	26.0	60.0	+5.6
Income Before Tax	34.0	61.1	30.0	65.0	+6.4
Net Income	22.2	35.6	19.5	42.0	+18.1
Backlog	39.8	52.9	52.9	57.9	—

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Next, I will present our financial forecast.

Our forecasts for orders, sales, and operating income for the first half and the entire year remain unchanged from our forecasts announced in April.

However, for income before tax, the stronger than expected yen depreciation resulted in a higher non-operating income, providing an additional 3 billion yen in income than our original forecast. We expect an income before tax of 30 billion yen for the first half and 65 billion yen for the entire year.

Our net income for this quarter was also 2 billion yen higher than forecasted, and so we expect a net income of 19.5 billion yen for the first half and 42 billion yen for the entire year.

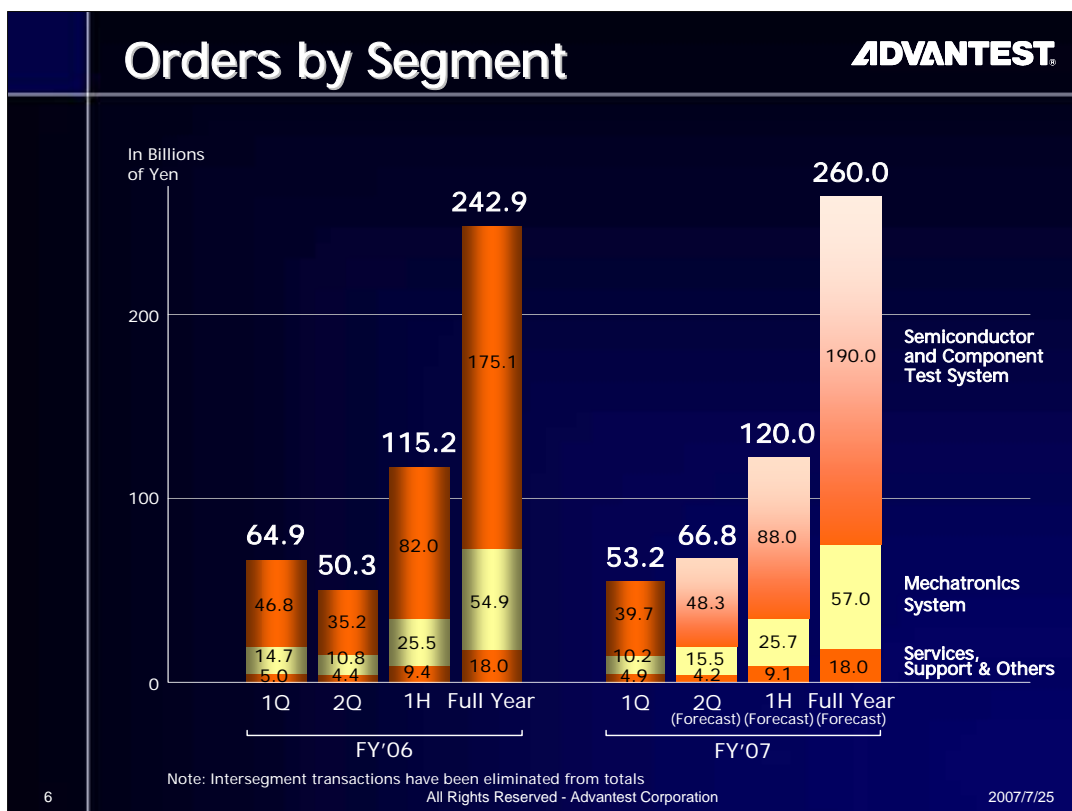
Later, I will present our forecast for future growth.



This graph shows the trends in quarterly orders.

After bottoming out in the second quarter of last year, orders had recovered strongly, but as I mentioned before, the postponing of capital investment by semiconductor manufacturers in the first quarter led to a 23.7% drop in quarterly orders to 53.2 billion yen.

However, in the second quarter, an increase in demand for DRAM front-end test systems in addition to flash memory test systems and LCD driver IC test systems is expected to boost orders by 25.7% from the first quarter to 66.8 billion yen.

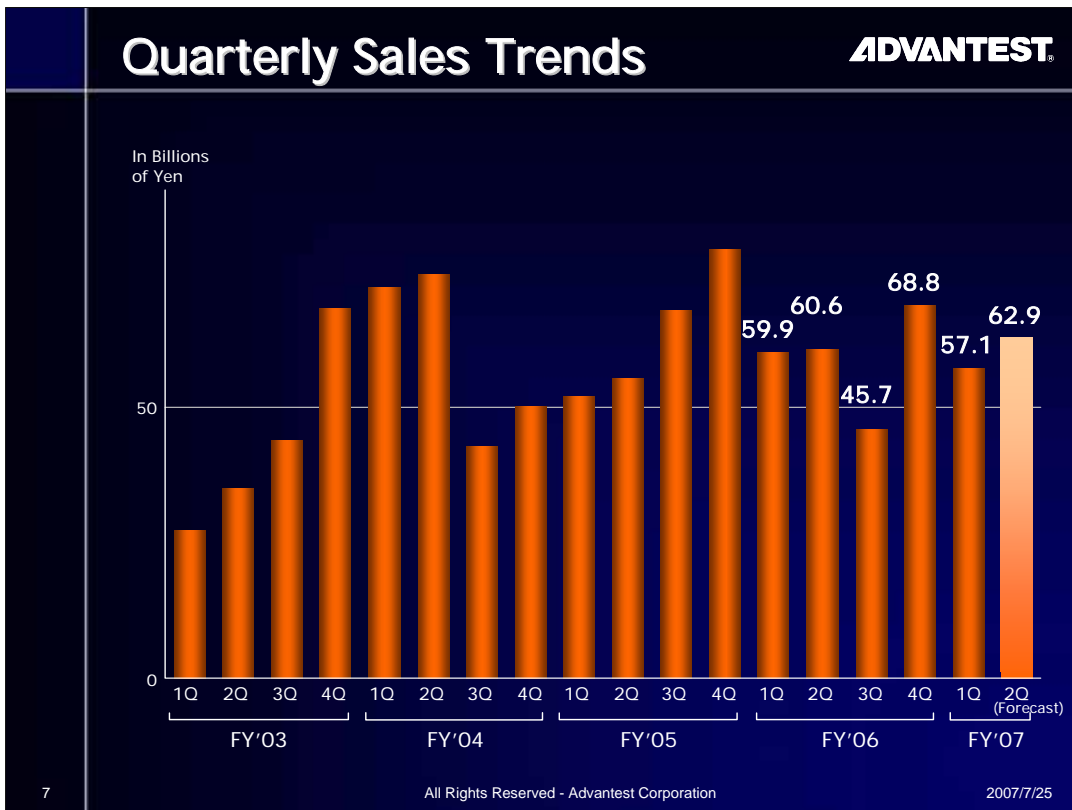


This shows orders by business segment for the first quarter.

- Orders of “Semiconductor and Component Test Systems” for the quarter were 39.7 billion yen, a year-on-year decrease of 15.3%.
- Orders of “Mechatronics Systems” were 10.2 billion yen, a year-on-year decrease of 30.7%.
- Orders of “Services, Support, and Others” were 4.9 billion yen, a year-on-year decrease of 1.5%.

In our forecast for the full year,

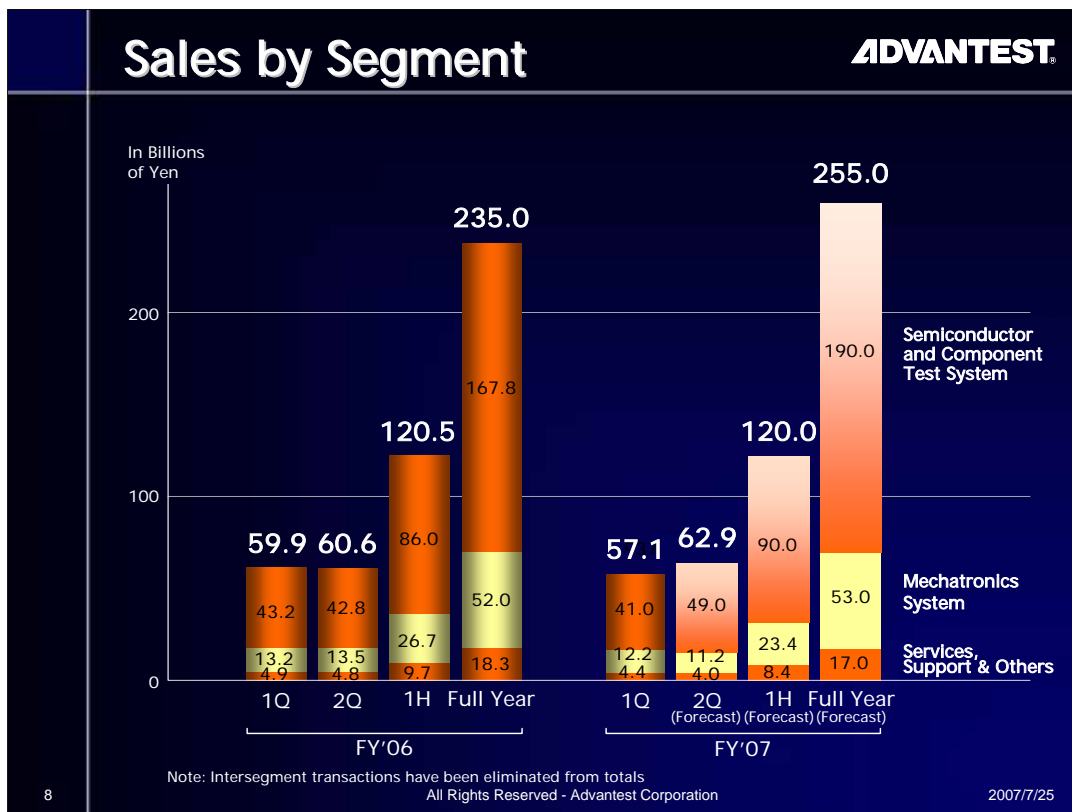
- Orders of “Semiconductor and Component Test Systems” are expected to rise by 8.5% from the previous year to 190 billion yen.
- Orders of “Mechatronics Systems” are expected to increase by 3.9% to 57 billion yen.
- Orders of “Services, Support, and Others” are expected to 18 billion yen.



Next, we'll view the trends in quarterly sales.

As I mentioned before, although sales for the first quarter were also affected by the postponement of capital investment by semiconductor manufacturers, this was partly offset by the strong orders in the fourth quarter of last year, resulting in a drop of only 17% from the previous quarter.

In the second quarter, we expect a recovery in orders to lead to higher sales at 62.9 billion yen, a 10.2% increase from the first quarter.

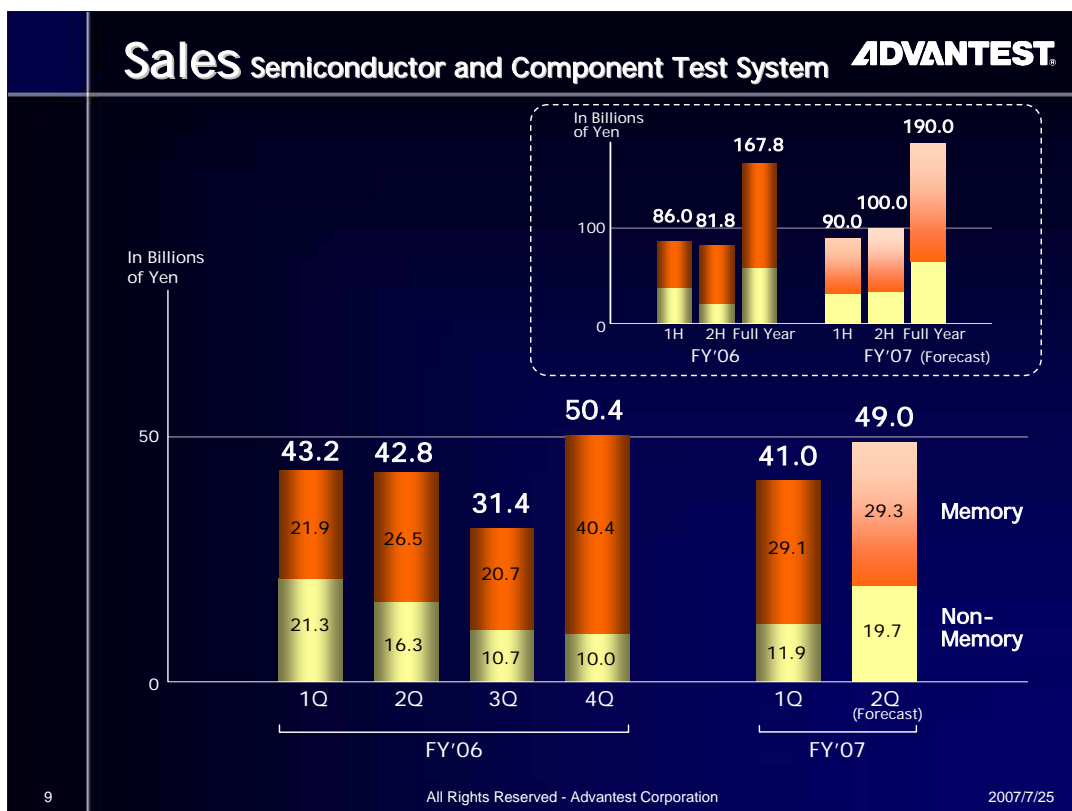


Taking a look at sales by segment in the first quarter,

- Sales of "Semiconductor and Component Test Systems" were 41 billion yen, a year-on-year decrease of 5.1%.
- Sales of "Mechatronics Systems" were 12.2 billion yen, a year-on-year decrease of 7.7%.
- Sales of "Services, Support, and Others" were 4.4 billion yen.

For the entire year,

- Sales of "Semiconductor and Component Test Systems" are expected to rise by 13.2% from the previous year to 190 billion yen.
- Sales of "Mechatronics Systems" are expected to increase by 1.9% to 53 billion yen.
- Sales of "Services, Support, and Others" are expected to be 17 billion yen.

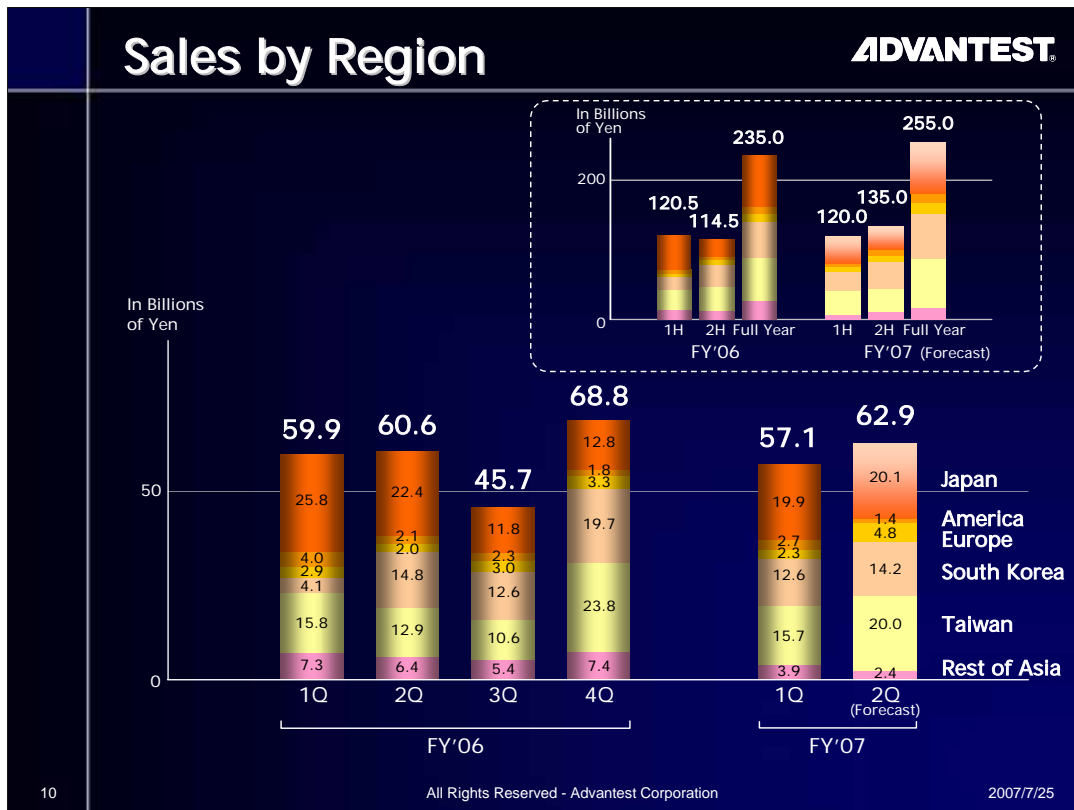


This is a breakdown of sales in the “Semiconductor and Component Test System” segment by quarter.

Sales of memory test systems in the first quarter dropped 28.1% from the previous quarter to 29.1 billion yen.

For non-memory test systems, on the other hand, although sales of the T2000 continued to remain weak from last year, LCD driver IC test systems which had also been in a slump last year showed signs of recovery, and sales of test systems for digital consumer products and automobile ICs were strong. The result was an 18.7% increase in sales to 11.9 billion yen.

In the second quarter, test systems for digital consumer products and automobile ICs are expected to remain strong, and a recovery in sales is anticipated for LCD driver IC test systems and the T2000.

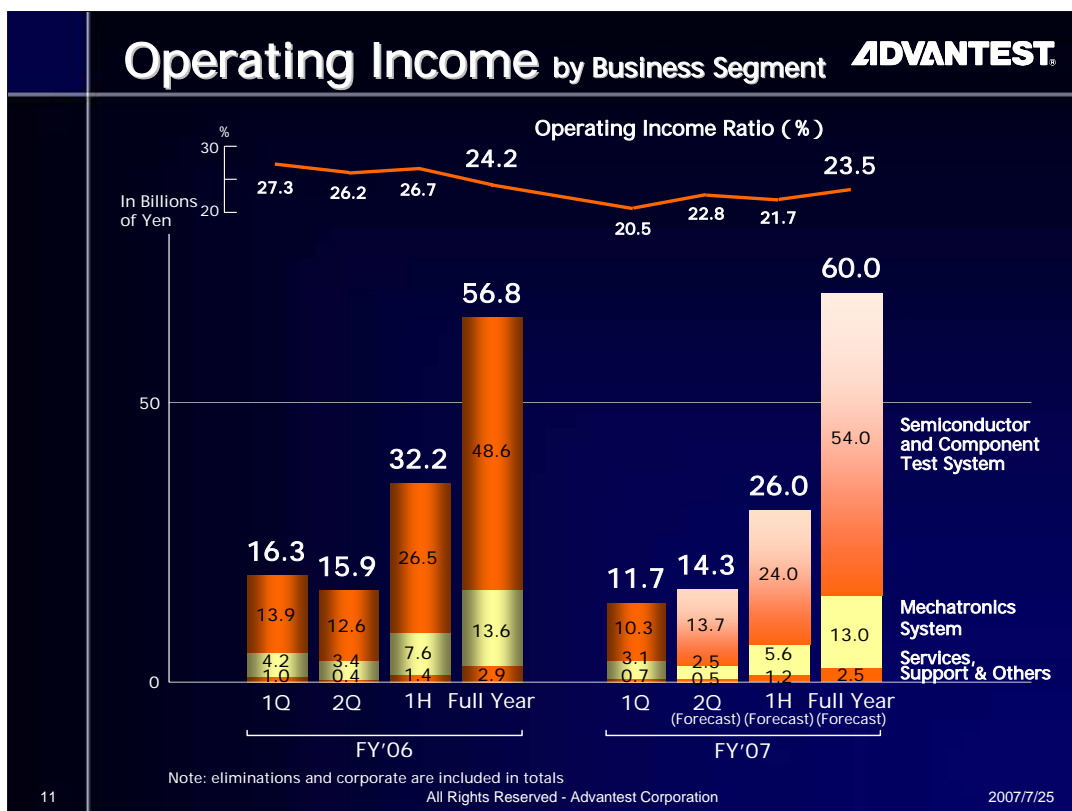


Next, this shows the quarterly sales by region.

In the first quarter, fluctuations in demand for DRAM test systems led to a drop in sales, particularly in South Korea, Taiwan, and Europe.

In Japan, sales were strong for DRAM front-end test systems and for test systems for digital consumer products and automobile ICs.

In the second quarter, a recovery is expected for sales of flash memory test systems in South Korea and for sales of DRAM front-end test systems and LCD driver IC test systems in Taiwan.



Next, let's take a look at operating income by business segment.

For the first quarter, in "Semiconductor and Component Test Systems", we had a drop in sales while R&D investment and other expenses increased. As a result, operating income fell by 25.9% from the same quarter last year to 10.3 billion yen.

Operating income of "Mechatronics Systems" was 3.1 billion yen. Operating income of "Services, Support, and Others" was 0.7 billion yen.

For the full year, higher sales are expected to boost the operating income for "Semiconductor and Component Test Systems" by 11.1% from the previous year to 54 billion yen.

Operating income for "Mechatronics Systems" is expected to be 13 billion yen. Operating income for "Services, Support, and Others" is expected to be 2.5 billion yen.

As a result, the operating income ratio for our entire company for the full year is expected to be 23.5%, which is at about the same level of the previous year.

Balance Sheet

ADVANTEST

(In Billions of Yen)

	Mar. 31, '06	Mar. 31, '07	Jun. 30, '07	Variance
Current Assets	275.7	294.8	283.5	-11.3
<i>Cash & Cash Equivalents</i>	<i>157.9</i>	<i>196.4</i>	<i>178.1</i>	<i>-18.3</i>
<i>Accounts Receivable</i>	<i>69.6</i>	<i>54.3</i>	<i>47.4</i>	<i>-6.9</i>
<i>Inventories</i>	<i>29.9</i>	<i>32.0</i>	<i>40.4</i>	<i>+8.4</i>
Fixed Assets	75.1	71.6	70.8	-0.8
Total Assets	350.8	366.4	354.3	-12.1
Current Liabilities	76.8	60.7	62.7	+2.0
Fixed Liabilities	16.1	10.9	10.1	-0.8
Equity	257.9	294.8	281.5	-13.3
<i>Equity-to-Assets Ratio</i>	<i>73.5%</i>	<i>80.5%</i>	<i>79.4%</i>	
Liabilities & Equity	350.8	366.4	354.3	-12.1

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This chart shows our company balance sheet as of the end of June 2007.

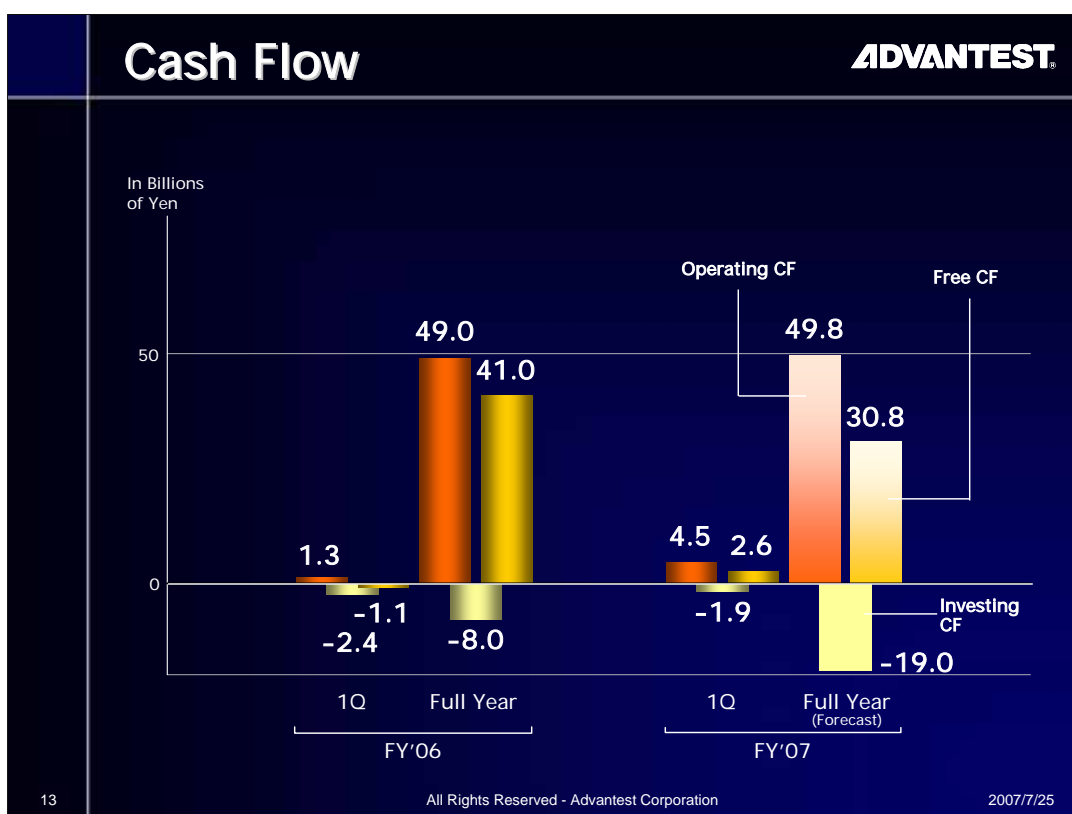
Cash and cash equivalents fell by 18.3 billion yen from the end of the previous quarter to 178.1 billion yen due to the repurchase of our company stock.

Accounts receivable dropped by 6.9 billion yen from the end of the previous quarter to 47.4 billion yen. This was due to lower sales compared to the previous quarter.

Inventories increased by 8.4 billion yen from the end of the previous quarter to 40.4 billion yen. This was due to some customers postponing capital investment.

As a result, our total assets dropped by 12.1 billion yen from the previous quarter to 354.3 billion yen.

Also, our equity-to-assets ratio fell by 1.1 percentage points from the end of March to 79.4%.

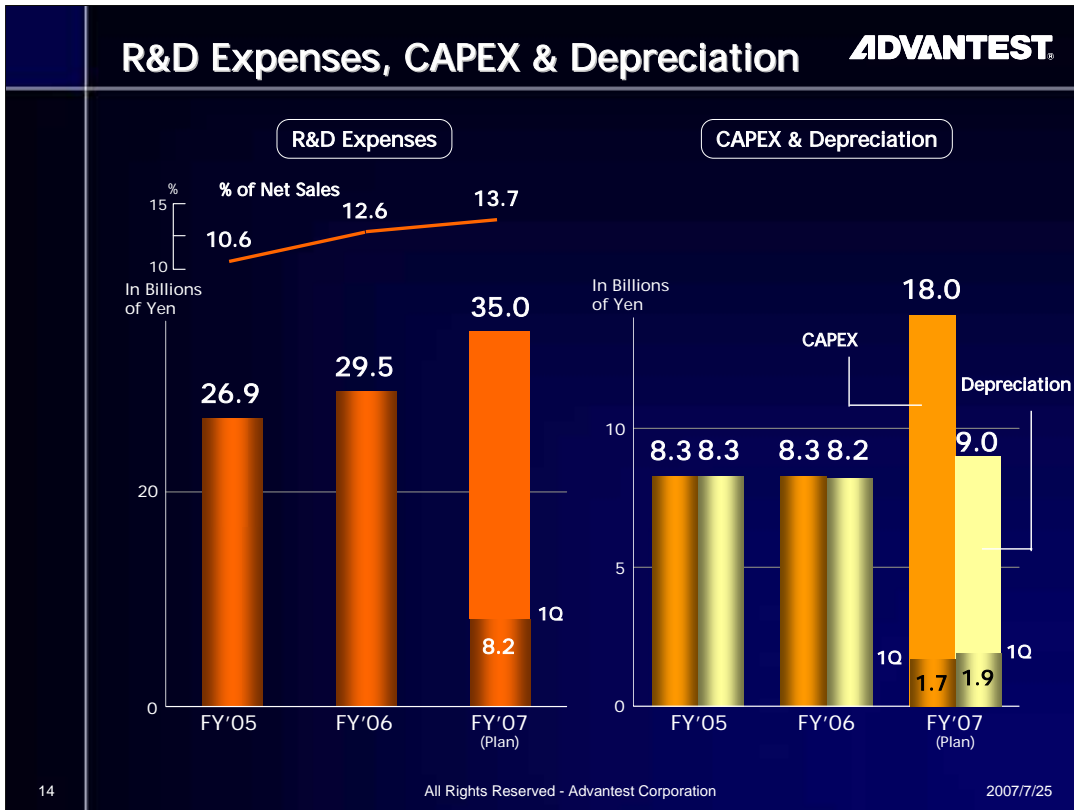


Our cash flow situation is shown here.

Our cash flow from sales activities over the three months from April to June resulted in an income of 4.5 billion yen.

Cash flow from investment activities resulted in expenditures of 1.9 billion yen. The end result was a positive free cash flow of 2.6 billion yen.

For the entire year, we forecast our sales activities to produce an income of 49.8 billion yen and a positive free cash flow of 30.8 billion yen.



Our R&D expenses in the first quarter were 8.2 billion yen. For the entire year, we are planning to spend 35 billion yen so that R&D expenses as a percentage of net sales would be 13.7%.

Also, in the first quarter, capital investment was 1.7 billion yen, and depreciation was 1.9 billion yen.






Capital investment for the full year is forecast at 18 billion yen due to relocation of production bases and the building of a new clean room.

Depreciation expenses are forecast at 9 billion yen.

Forecast for Future Growth

This completes my presentation on our financial results.

Next, I will talk about our forecast for future growth.

		Forecast by Product Type				ADVANTEST®
		FY2006	1Q	FY2007	2H	
		4Q		2Q	(Forecast)	(Forecast)
Memory	DRAM <i>T5300/T5500 Series</i> 					
	Flash Memory <i>T5300/T5700 Series</i> 					
Non-Memory	Data Processing <i>T2000</i> 					
	LCD Driver IC <i>T6300 Series</i> 					
	ICs for Digital Consumer Products, Automobiles <i>T2000</i> <i>T6500/T7700 Series</i> 					

This table shows our forecast by product type starting from the second quarter.

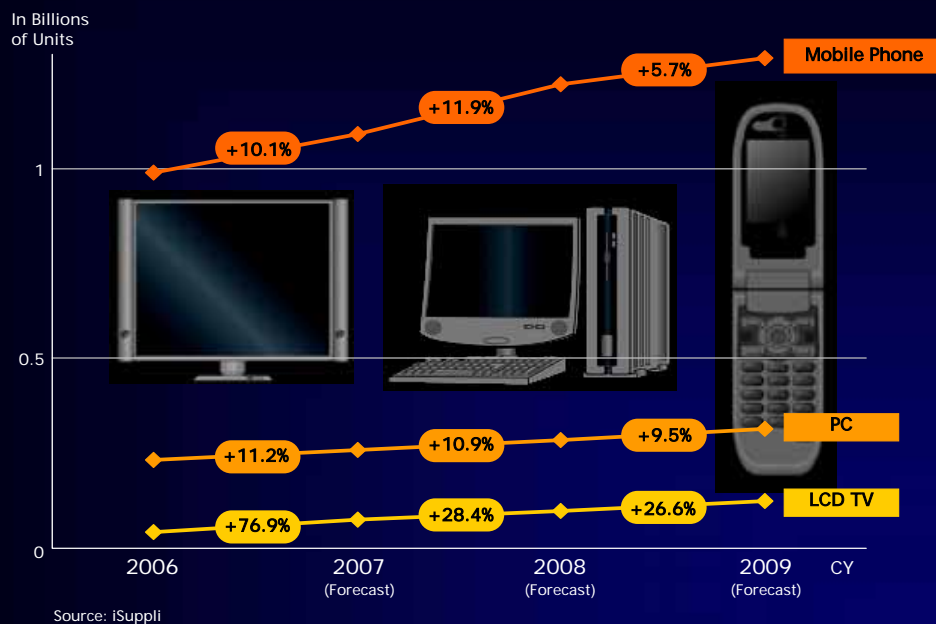
For DRAM test systems, the replacement of company computers with computers using the new OS and greater memory capacity per computer is expected to increase demand for DRAM starting from the second half. Demand for back-end test systems in particular is also expected to pick up in Taiwan, South Korea, and other countries.

For flash memory test systems, the launch of new multi-functional cell phones in the United States and the increased demand for computer hard disk replacements is expected to prompt growth in applications incorporating flash memory and result in higher demand. As a result, demand for test systems is also expected to become strong.

For non-memory test systems, on the other hand, demand is expected to be higher for test systems for multi-gradation LCD driver ICs needed for high-definition LCD televisions over the second half of the year. The T2000 is also expected to see higher demand for test modules for next-generation MPUs starting from the second half.

Applications – Anticipated Growth In Demand

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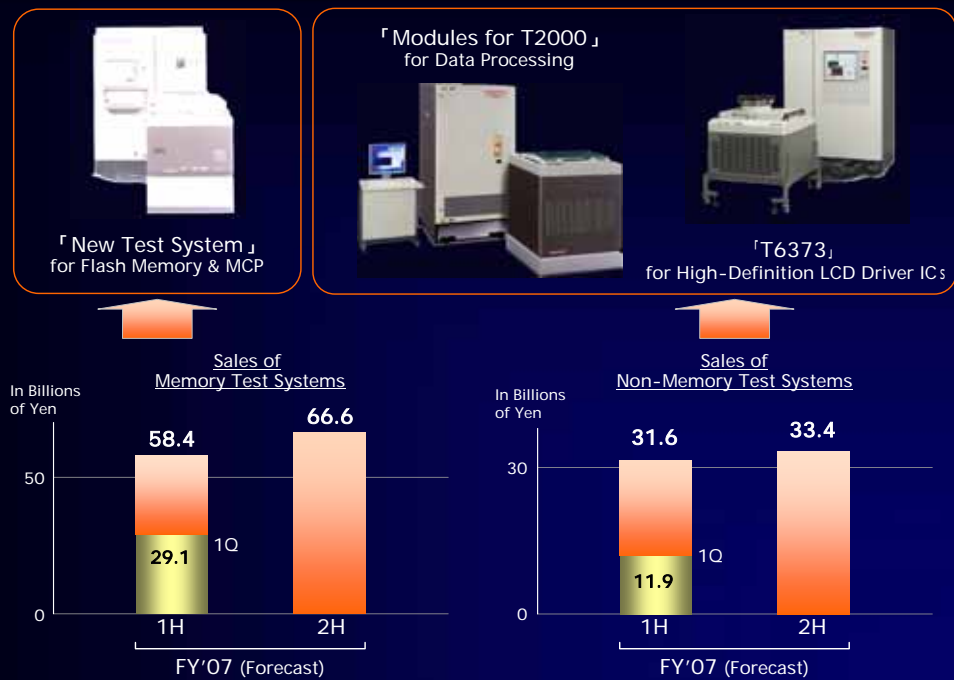
Next, to add further to our forecast by product type that I showed before, I am showing here the market forecast for specific applications.

This graph shows forecasts of the demand in terms of volume for applications incorporating semiconductors, which have a strong correlation with test system demand.

As shown here, cell phones, PCs, and LCD TVs – all of which incorporate many different types of semiconductors and have a strong influence on test system demand – are expected to show strong growth in coming years, and this is expected to lead to higher demand for test systems.

New Products – Anticipated Growth In Demand

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In this type of market environment, the key to future growth is the new products that we will launch this year.

For memory test systems, we plan to expand our share in the memory test system market by introducing new products enabling higher throughput testing for multi-chip packages, which are expected to be installed in growing numbers of cell phones and other devices.

For non-memory test systems, we will fully launch the T2000 LS Mainframe, which we unveiled at Semicon Japan last year, and we will release new modules for the T2000 featuring support for high-speed data interfaces in computers and digital consumer products. We will also introduce the T6373 test system for multi-gradation LCD driver ICs which was announced in May this year. In this way, we will strive to build our market share with new products that stand out from the competition.

This completes my presentation.

Thank you very much for your kind attention.

NOTE

• Prepared in accordance with US GAAP

• Cautionary Statement with Respect to Forward-Looking Statements

This presentation contains "forward-looking statements" that are based on Advantest's current expectations, estimates and projections. These statements include, among other things, a discussion of Advantest's business strategy, outlook and expectations as to market and business developments, production and capacity plans. These forward-looking statements can be identified by use of forward-looking terminology 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 develop in a timely fashion products that meet the changing needs of semiconductor manufacturers and communications network equipment and component 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.

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