

ADVANTEST

Advantest Corporation
Information Meeting

Financial Results for FY2007

April 25, 2008

Director
Managing Executive Officer
Yuichi Kurita

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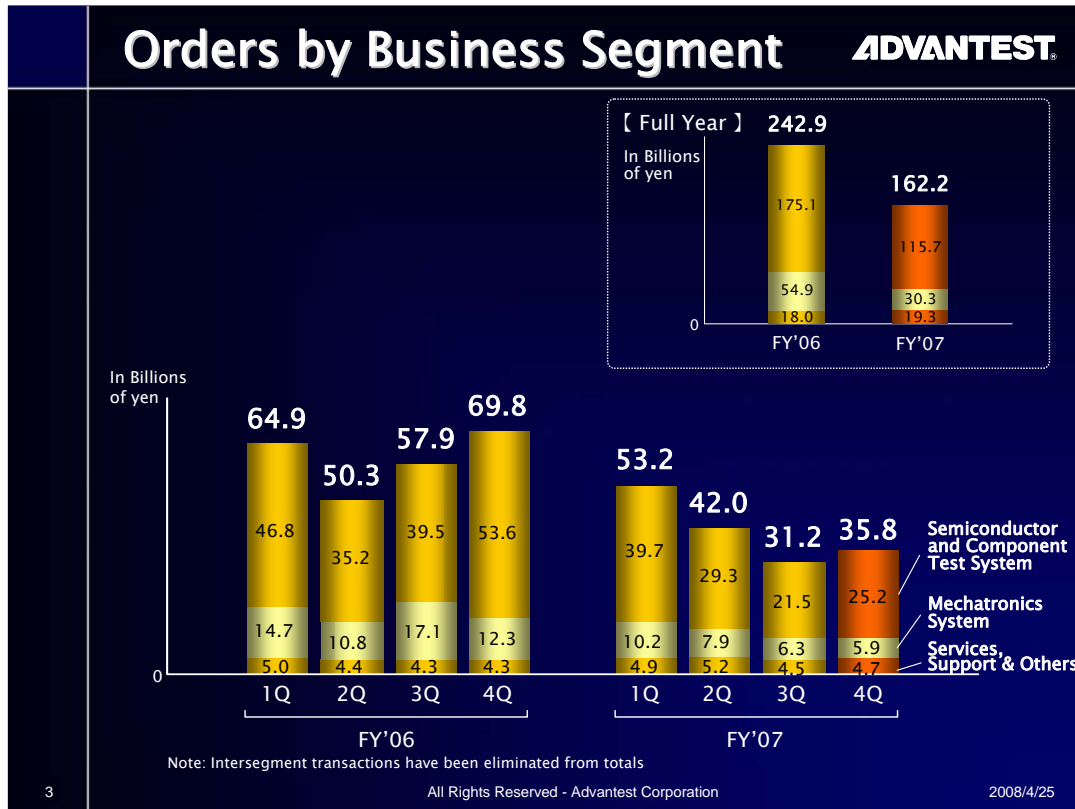
Presentation:

Yuichi Kurita

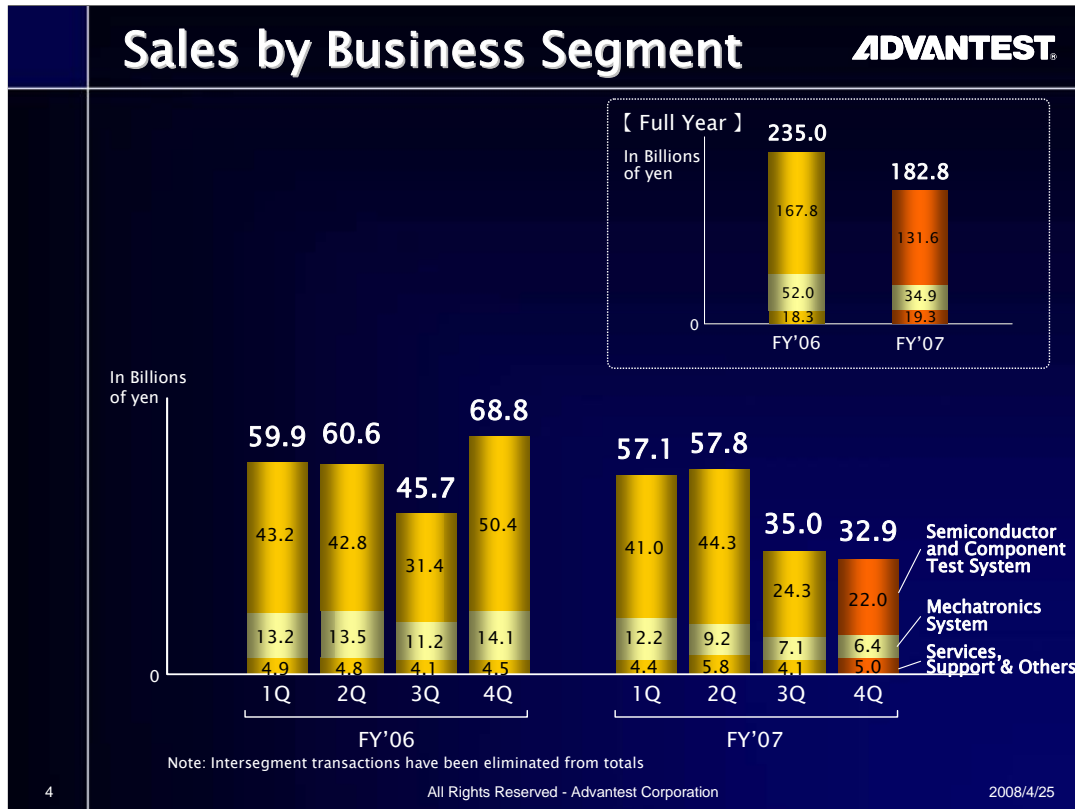
Director, Managing Executive Officer

Summary		ADVANTEST	
		(In Billions of Yen)	
	FY'06	FY'07	Y on Y (%)
Orders	242.9	162.2	-33.2
Sales	235.0	182.8	-22.2
Operating Income	56.8	22.7	-60.0
Income Before Tax	61.1	23.5	-61.5
Net Income	35.6	16.6	-53.5
Backlog	52.9	32.4	-

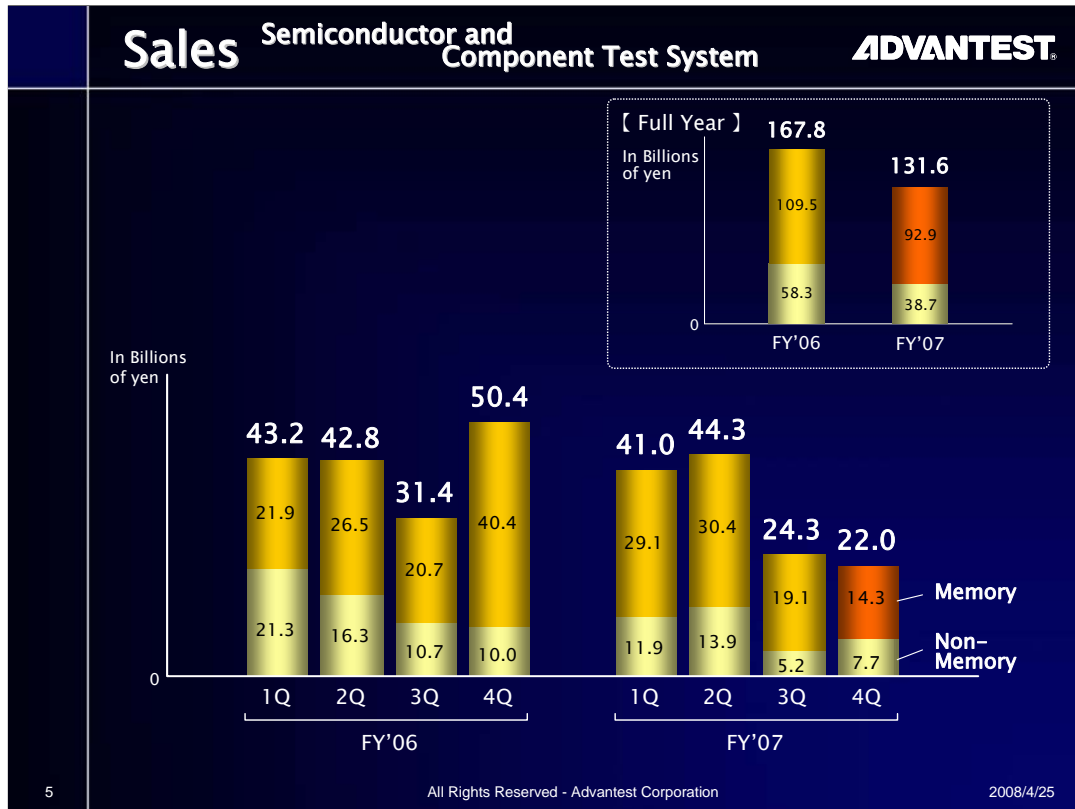
- First, I will present a summary of our results for fiscal 2007.
- Orders were 2.2 billion yen higher than our revised forecast made on January 24 this year, but they still fell to 162.2 billion yen, a year-on-year decrease of 33.2%. This was primarily caused by the supply surplus and drop in prices due to an imbalance of supply and demand in the semiconductor market, which prompted semiconductor manufacturers to freeze or postpone capital investment.
- This drop in orders resulted in
 - Sales of 182.8 billion yen, a drop of 22.2% from previous year.
 - Operating income of 22.7 billion yen, a drop of 60%.
 - Net income before tax of 23.5 billion yen, a drop of 61.5%.
 - Net income of 16.6 billion yen, a decrease of 53.5%.



- Next, I will present a breakdown of our orders and sales.
- First, in orders by business segment for the fourth quarter of fiscal 2007,
 - Increased demand for the T2000 test systems for next-generation MPUs boosted orders for “Semiconductor and Component Test System” to 25.2 billion yen, an increase of 17% from the previous quarter.
 - Orders for “Mechatronics System” were 5.9 billion yen, a drop of 7.1%, because of sluggish demand for memory test systems and a slight drop in demand for memory interfaces.
 - Orders for “Services, Support, and Others” were 4.7 billion yen, an increase of 6.1%.
- For the entire 2007 fiscal year,
 - Orders for “Semiconductor and Component Test System” were 115.7 billion, a year-on-year decrease of 33.9%.
 - Orders for “Mechatronics System” were 30.3 billion yen, a decrease of 44.9%.
 - Orders for “Services, Support, and Others” were 19.3 billion yen, an increase of 7.3%.



- Next, we'll take a look at sales by business segment.
- For the fourth quarter of fiscal 2007,
 - Sales for "Semiconductor and Component Test System" were 22 billion yen, a decrease of 9.7% from the third quarter.
 - Sales for "Mechatronics System" were 6.4 billion yen, a drop of 9.4%.
 - Sales for "Services, Support, and Others" were 5 billion yen, an increase of 22.9%.
- For the entire fiscal 2007,
 - Sales for "Semiconductor and Component Test System" were 131.6 billion yen, a year-on-year decrease of 21.6%.
 - Sales for "Mechatronics System" were 34.9 billion yen, a drop of 32.8%.
 - Sales for "Services, Support, and Others" were 19.3 billion yen, an increase of 5.6%.



○ This is a breakdown of sales in the “Semiconductor and component test system” segment.

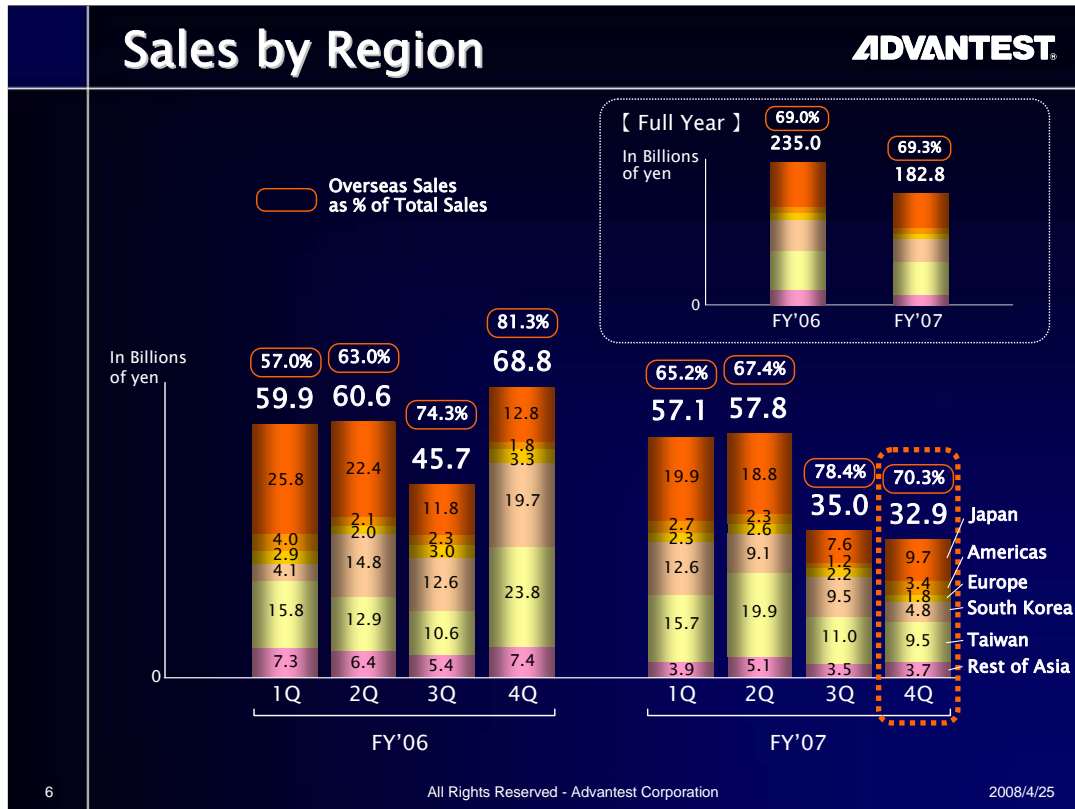
○ Sales of memory test systems were weak in both the third and fourth quarters of fiscal 2007 as a result of a freeze on capital investment by semiconductor manufacturers due to the drop in device prices.

Sales in the fourth quarter were 14.3 billion yen, a drop of 25.4% from the third quarter, and for the entire year, sales were 92.9 billion yen, a drop of 15.2% from the previous year.

○ In sales of non-memory test systems, a number of positive signs started to appear once we entered the fourth quarter.

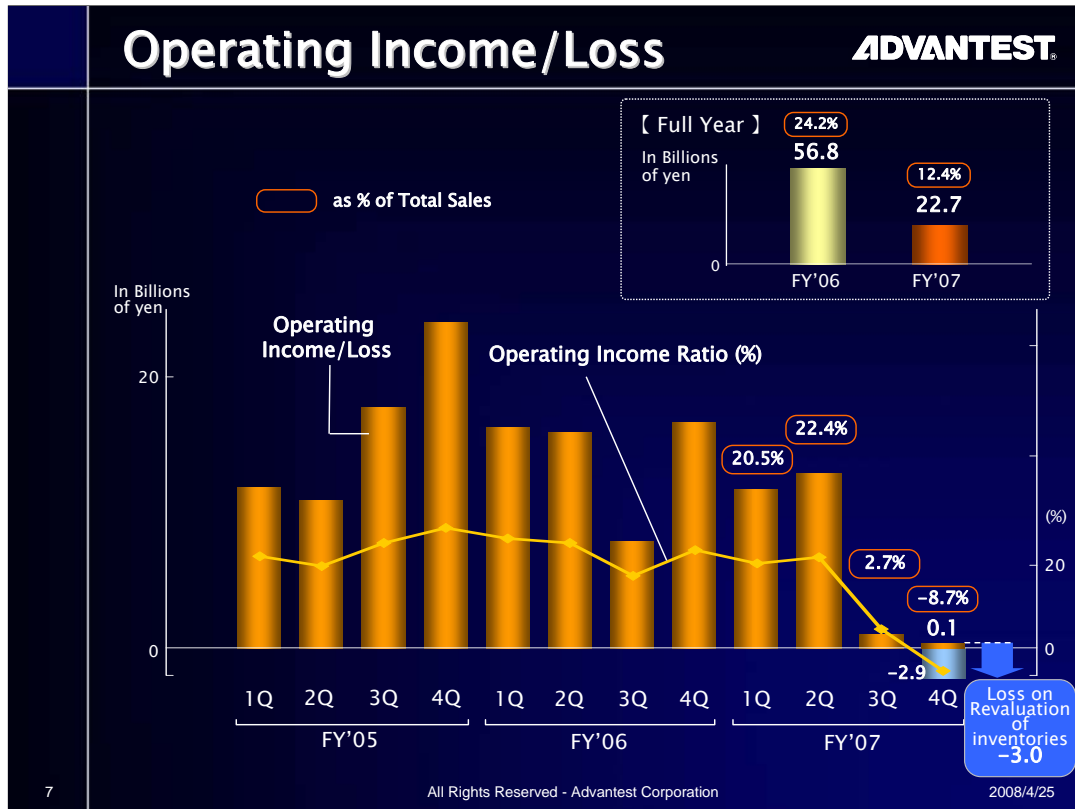
The slowdown in demand for the T2000 and T63 series test systems for LCD driver ICs began to gradually show signs of a recovery, and demand was good for the T85 series test systems for image sensors.

Sales in the fourth quarter were 7.7 billion yen, an increase of 48% from the third quarter, but for the entire year, sales were 38.7 billion yen, a drop of 33.6% from the previous year.

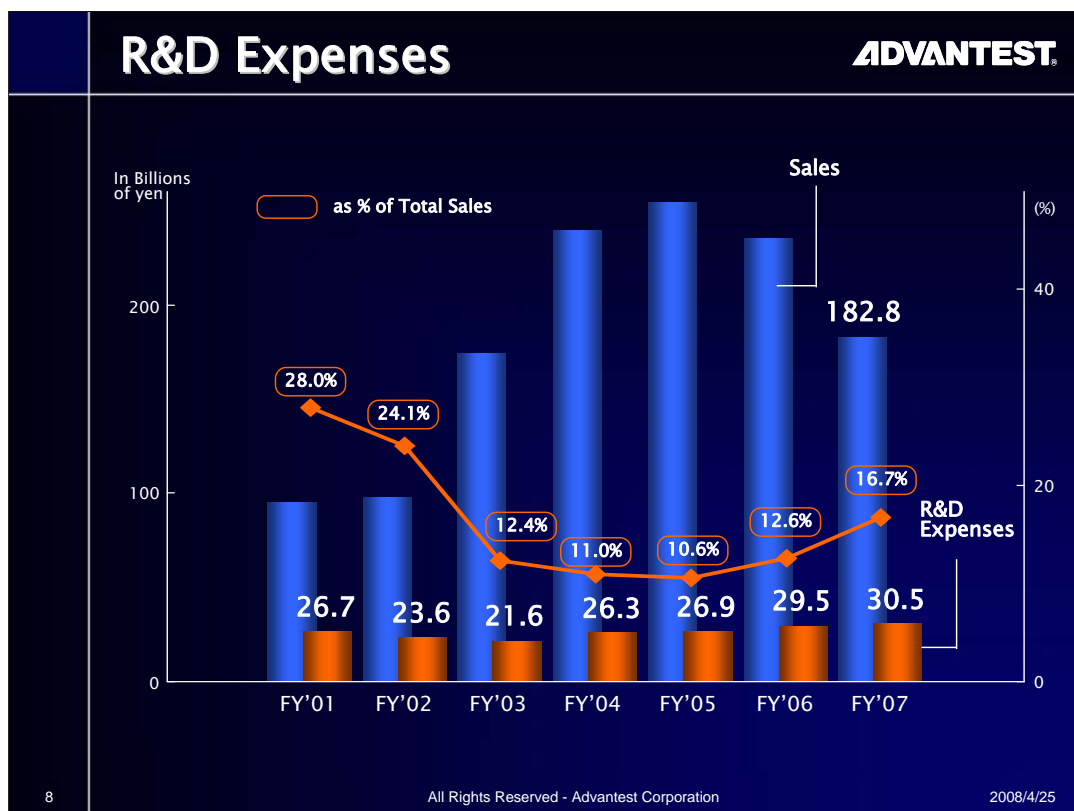


- This graph shows our quarterly sales by geographic region.
- For the fourth quarter of fiscal 2007,
 - Like the previous quarter, sales continued to remain weak across all regions.

In South Korea, in particular, the freeze on capital investment for memory test systems cut sales in half from the third quarter, to only 4.8 billion yen.



- This shows our operating income and loss and our operating income ratio.
- For the fourth quarter of fiscal 2007, we posted an operating loss of 2.9 billion yen. However, if we exclude the loss on revaluation of inventories, which totaled 3 billion yen, our actual operating income posted a slight gain.

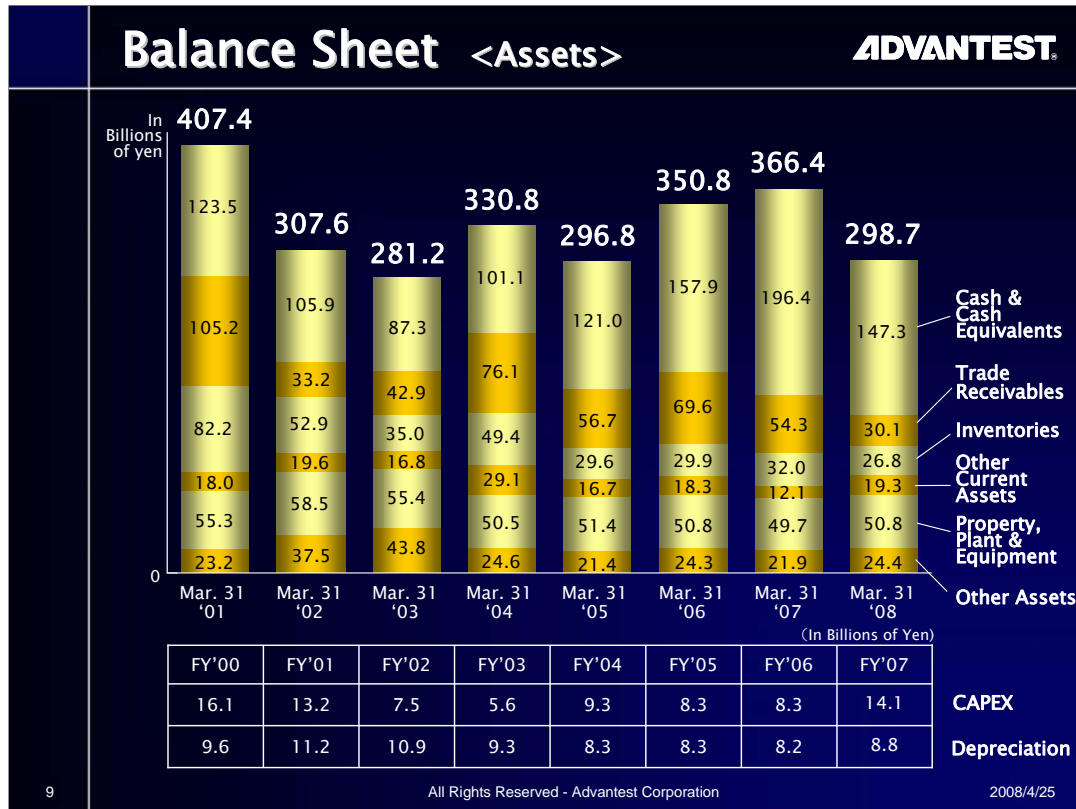


○ This shows the state of our R&D expenses.

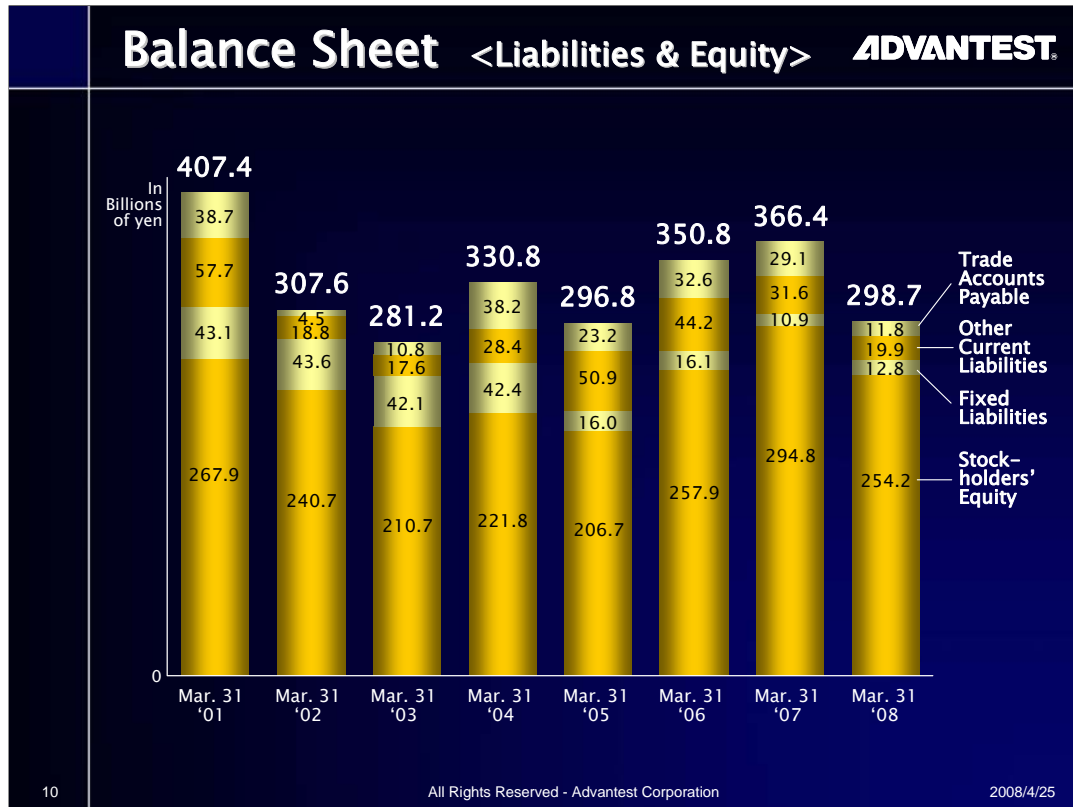
○ For entire fiscal 2007,

Development of new products included the T5781 test system for multi-chip packages, or MCP, T2000 modules for the communication market, and the T6373 test system for LCD driver ICs.

This resulted in R&D expenses at about the same level as the previous year at 30.5 billion yen, and the R&D percentage of net sales was 16.7%.



- Next, this shows our company balance sheet.
- As of the end of March 2008, total assets fell by 67.7 billion yen to 298.7 billion yen from the end of the previous fiscal year.
- Taking a look at a breakdown of our major assets, Cash and cash equivalents fell by 49.1 billion yen to 147.3 billion yen. This was the result of a stock buyback of 19.1 billion yen in May and 17.4 billion yen in November.
- Trade accounts receivable fell by 24.2 billion yen to 30.1 billion yen due to a drop in sales.
- Inventories decreased by 5.2 billion yen to 26.8 billion yen because of further adoption of the Just-in-Time production system.
- For fiscal 2007, Capital expenditures increased by 5.8 billion yen from the previous fiscal year to 14.1 billion yen due to the building of a new cleanroom at our Sendai site and other factors. Depreciation costs were at the same level of the previous year at 8.8 billion yen.



- This graph shows our liabilities and equity.
- First, our trade accounts payable as of the end of March 2008 dropped by 17.3 billion yen to 11.8 billion yen.
- Other current liabilities dropped by 11.7 billion yen to 19.9 billion yen because of corporate income taxes and other payments.
- Fixed liabilities increased by 1.9 billion yen to 12.8 billion yen.
- Stockholder's equity dropped by 40.6 billion yen to 254.2 billion yen due to the company stock buyback and other reasons.
- As a result,
The Equity-to-Assets ratio rose 4.6 points to 85.1%.

		Cash Flow							
		ADVANTEST							
		(In Billions of Yen)							
		FY'00	FY'01	FY'02	FY'03	FY'04	FY'05	FY'06	FY'07
Operating CF		29.6	9.0	4.9	28.2	90.3	59.5	49.0	24.2
Investing CF		-16.1	-18.6	-8.4	-5.1	-8.3	-8.5	-8.0	-16.3
Free CF		13.5	-9.6	-3.5	23.1	82.0	51.0	41.0	7.9
Financing CF & other		-8.4	-8.0	-15.1	-9.3	-62.1	-14.1	-2.5	-57.0
Cash & Cash Equivalents at the end of Period		123.5	105.9	87.3	101.1	121.0	157.9	196.4	147.3

- Our cash flow situation is shown here.
 - For the entire 2007 fiscal year,
 - Cash flow from operating activities was plus 24.2 billion yen.
 - Cash flow from investing activities was minus 16.3 billion yen.
 - As a result, the free cash flow was plus 7.9 billion yen.
 - Also, cash flow from financing and other activities was minus 57 billion yen due to our stock buybacks and payment of dividends.
- As a result, the cash and cash equivalents as of the end of March 2008 were 147.3 billion yen.

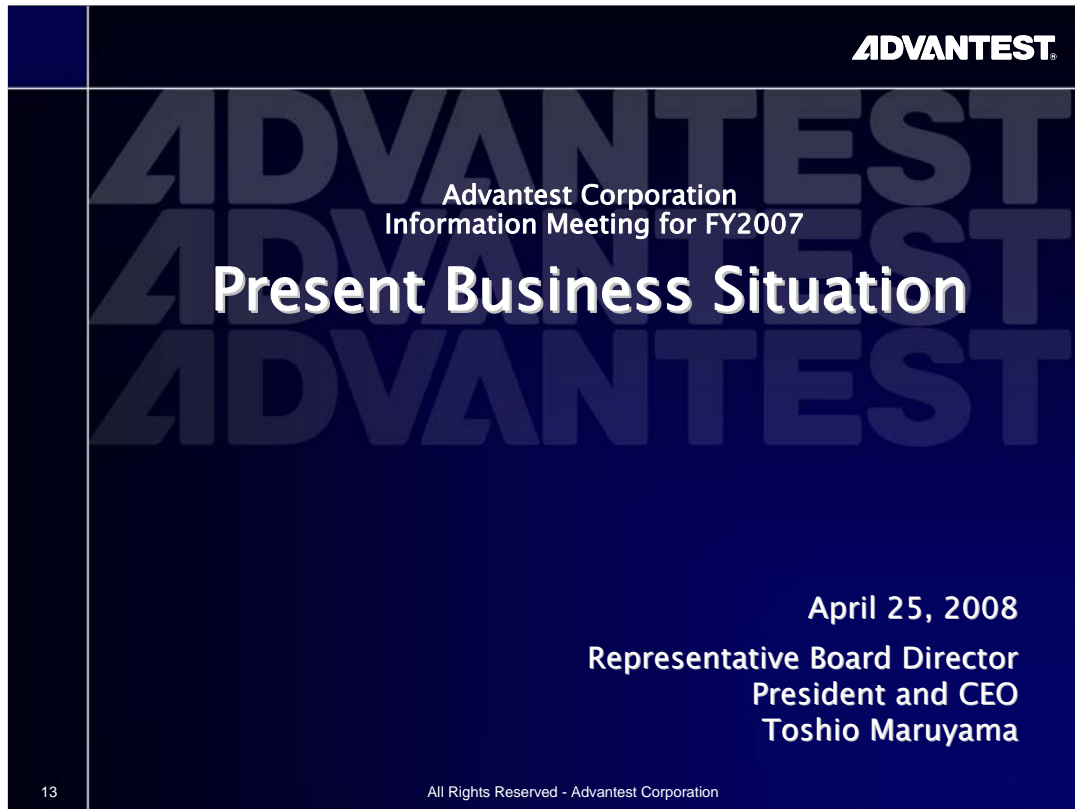
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2008/4/25

- Finally, let me say a few words about our forecast for fiscal 2008.
 - In the last few years, with the diversification of semiconductor applications, manufacturers have been making more frequent changes to their investment plans. At the same time, shakeups in the sector have become more frequent.
 - Under these business conditions, it is extremely difficult to forecast future market conditions. We fear that disclosure of forecasts for our results could have the unwanted effect of confusing the market further.
- For these reason, we have decided to refrain from disclosing our forecasts.
- I sincerely ask you to understand our position on this matter.
 - Next, company president Maruyama will describe our current business conditions.

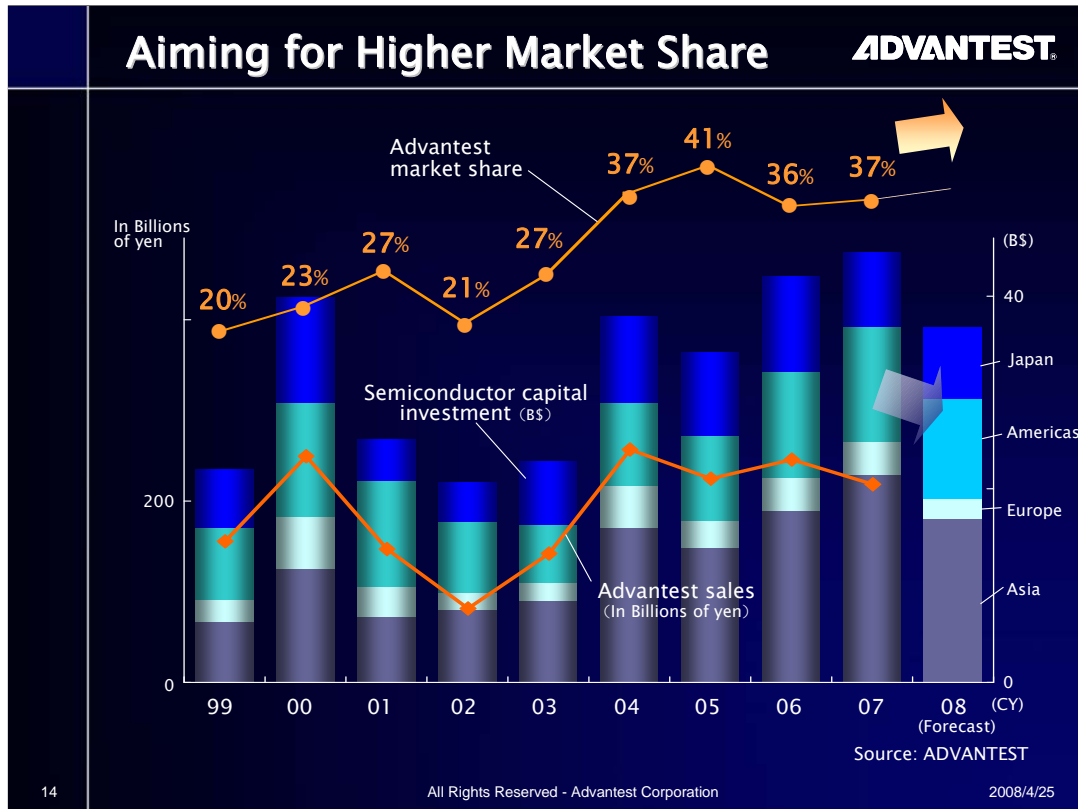


Presentation:

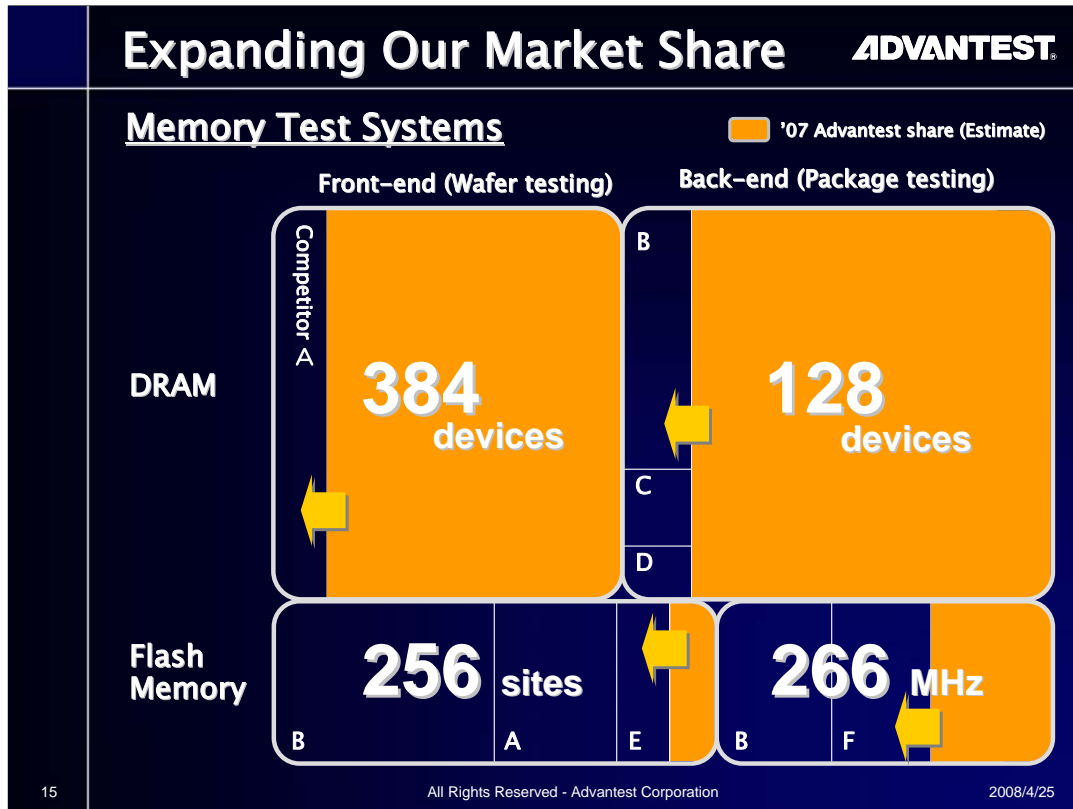
Toshio Maruyama

Representative Board Director, President and CEO

I will talk about our present business situation.



- Our key business of semiconductor test systems is greatly influenced by changes in capital investment made by semiconductor manufacturers, test houses, and foundries.
- This slide shows changes in semiconductor capital investment and the changes in our company's sales and market share. As shown here, our sales have been severely impacted by the severe up-and-down fluctuations in semiconductor capital investment.
 However, regardless of the fluctuations in our results, we have continued to invest in development, and by launching new products, we have been able to keep our market share at over 35% over the last several years.
- As shown here, the semiconductor manufacturers who are our customers, particularly manufacturers in Asia, have dramatically cut back on their 2008 investment plans.
- As a result, we think that there is a possibility that the entire semiconductor test system market may shrink in 2008.
- In this extremely severe business environment, we think that it is important to expand our market share to take a significant leap forward when capital investment enters a recovery phase in the future.



○ And so, I will explain our specific strategies for expanding our market share.

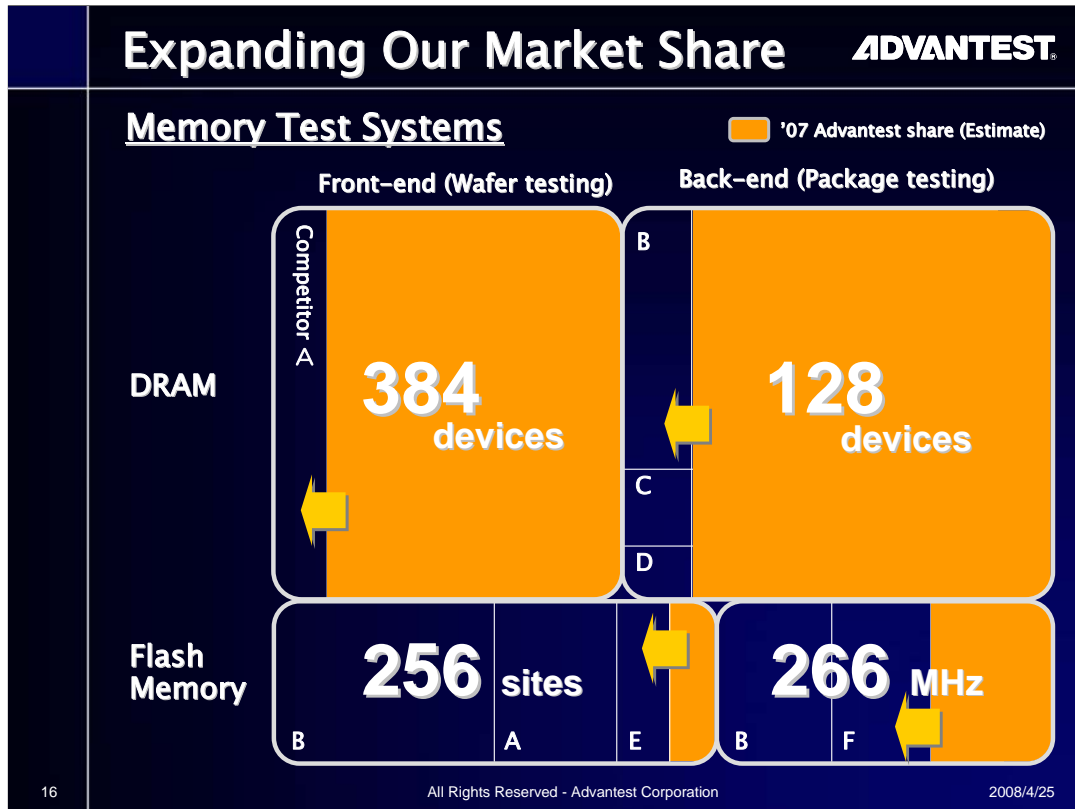
○ The memory test system market can be broadly divided into test systems for DRAM and for flash memory. DRAM occupies about 70% of the memory test system market, and flash memory occupies about 30%.

These last several years, the growth of bit capacity and production volume in flash memory has been remarkable, but you can see that this test system market is less than half the size of the DRAM test system market.

○ First, for DRAM test systems, our share in 2007 was about 85%. To further cut testing costs, customers have been asking for simultaneous measurement of even more devices.

We have already developed the T5383 to meet the market need for simultaneous testing of 384 devices, which surpasses the current mainstream level of simultaneous testing of 256 devices on front-end processes, and in this way, we are continuing to strive to expand our market share through products that stand out from the competition.

- For back-end processes, We will launch our new T5503 test system around August of this fiscal year in step with the start of DDR3 mass production. This enabled us to provide simultaneous measurement of 128 devices, the highest in the industry. In the face of recent competition from our American rival and newer South Korean market entrants, we aim to establish our position as the industry standard by differentiating our testers on quality, performance, and superior cost advantages.



○ Next, in flash memory test systems,

- For front-end processes,
 To cut testing costs, manufacturers have been calling for test systems capable of parallel testing of flash memory cells and that provide a larger number of test sites. We are aiming to increase our market share by using our powerful T5761, which features an industry-high 256 test sites.
 Also, with the recent shift towards using Design for Testability, or DFT for short, we have been studying the development of new test systems to meet this need.
- For back-end processes,
 Due to the rapid drop in flash memory prices, manufacturers are working to provide semiconductors with added value through widespread adoption of multi-chip packages, or MCP, which incorporates both flash memory and DRAM in a single chip design.
 The only test system that is ready to meet this trend is our T5781, which has already started sales, and this should enable us to expand our market share.

Expanding Our Market Share

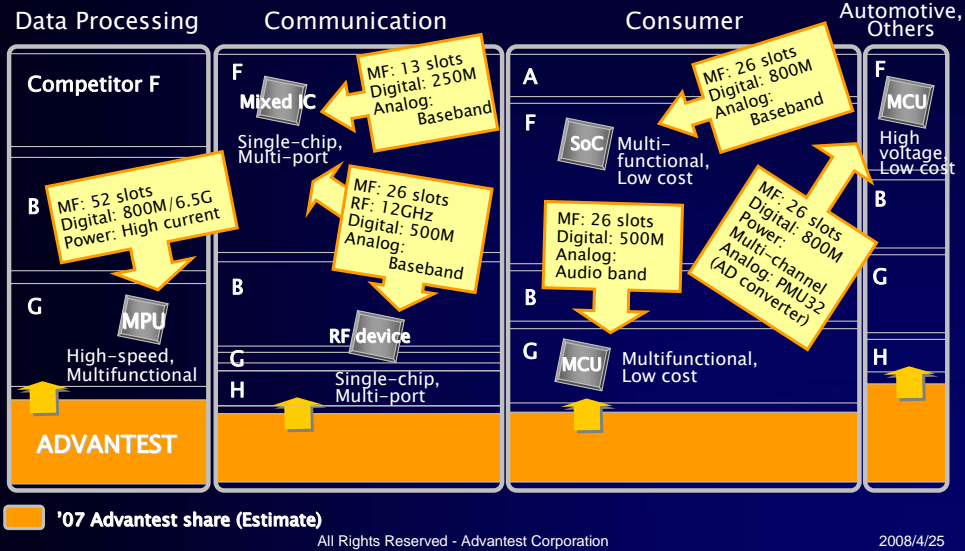
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Non-memory Test Systems

T2000 Solutions



Main frame (MF): 4 types
Digital modules: 4 types
Power modules: 3 types
Analog modules: 3 types
RF modules: 2 types

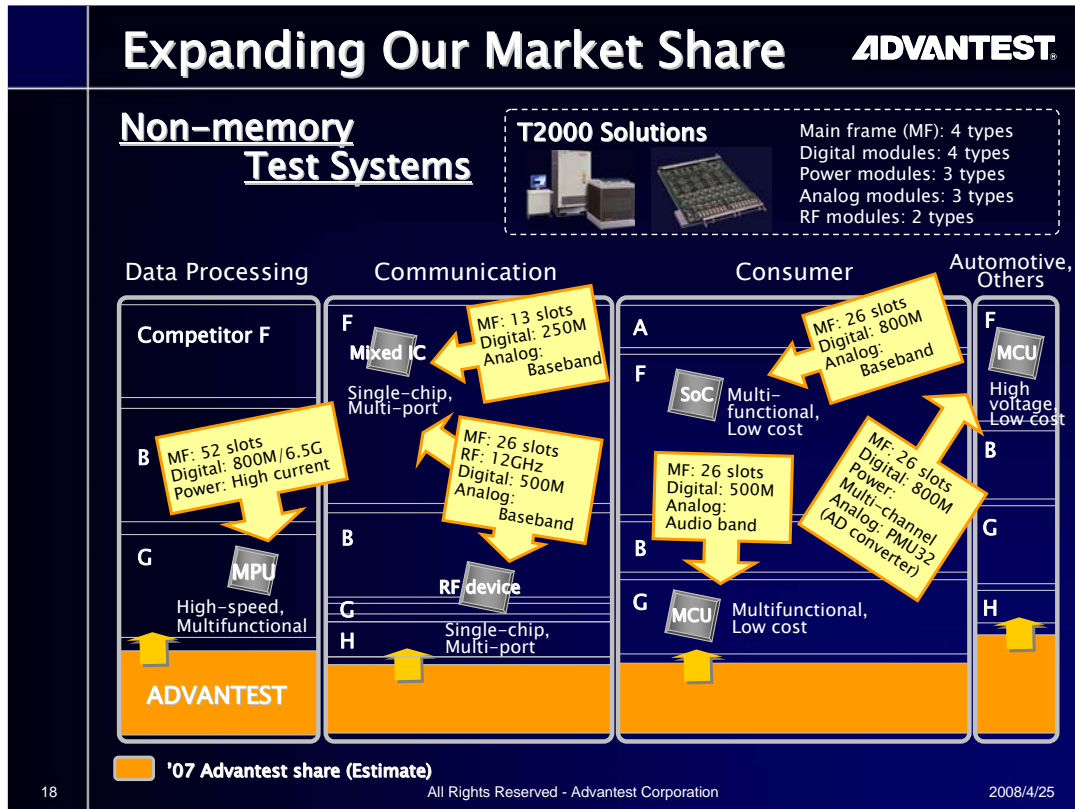


- Next, I will explain our strategy for increasing our share in non-memory test systems.
- The size of the market for non-memory test systems in 2007 was about 1.5 times that of the memory test system market. We think that a stronger market presence in this field is absolutely essential for expanding our sales.
- Looking at the market share in 2007 by dividing into four broad fields, We have a market share of about 20% in test systems for data processing devices used mainly for PCs, About 15% in test systems for communication devices used mainly for mobile phones and wireless LANs, About 15% in test systems for consumer devices used mainly for digital home appliances, and About 20% in test systems for automobile and other devices. This gives us an overall market share of about 17%.

In 2003, we launched the open architecture T2000, and initially, we obtained strong results from a major manufacturer of data processing devices.

For the future, we are aiming for higher sales to another major MPU manufacturer, and we are working to make further inroads into the communication device market and consumer device market.

To accomplish this, as you can see in the slide, we have bolstered our product lineup by developing lower cost mainframes and module groups that incorporate the specific functions required by each market.

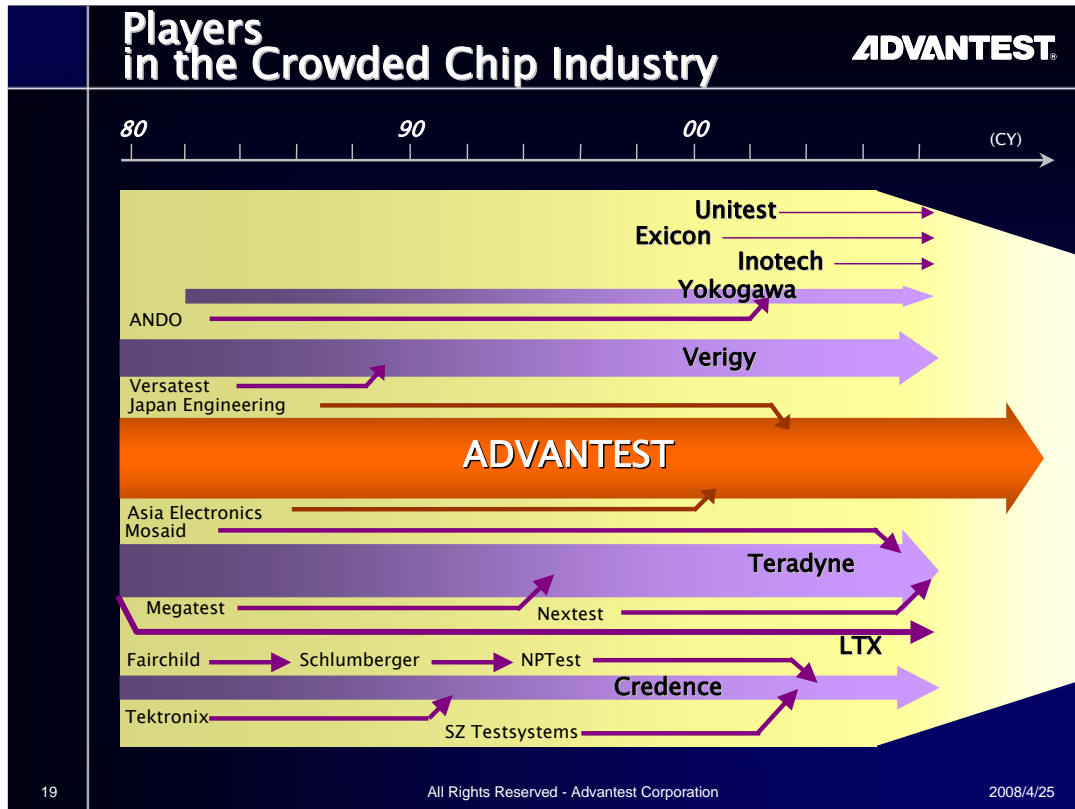


○ For the communication device market and consumer device market, we need to capture both the fabless manufacturers in the United States and foundries in Taiwan.

To this end, we have been strengthening our global ties to our R&D sites in the United States and sales offices in Taiwan.

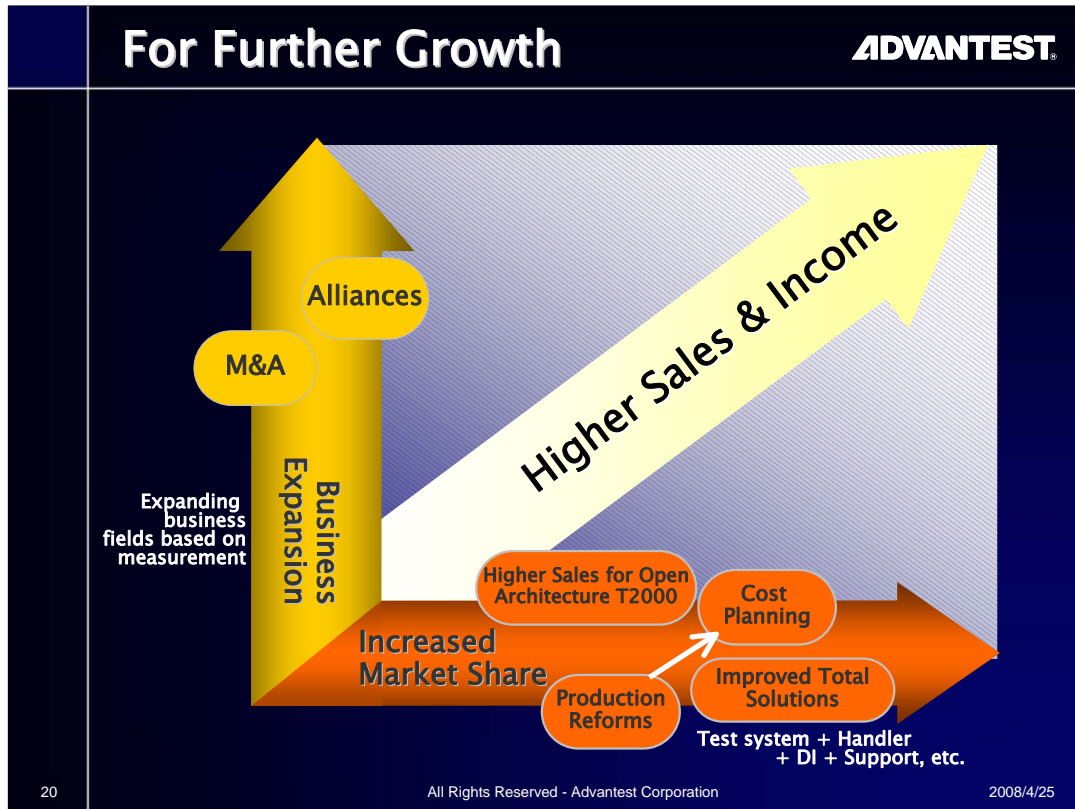
○ The automotive field has unique needs such as multi-channel output power supplies and analog-digital conversion functions.

We are striving to boost our share in the automotive IC market through the development of a wide range of functional modules that meet these needs.



- Here, I want to re-emphasize the importance of increasing our market share.
- Beginning from around last year, semiconductor manufacturers engaged in widespread business reorganization on a global scale through business tie-ups and spin-offs and joint ventures for the purpose of selecting and focusing management in their fields of specialty.
- In the semiconductor test system field, including even the test house market, we are expecting a shift towards reorganization this fiscal year.
- In this type of business environment, increasing the market share becomes an important condition for survival for test system manufacturers as well.

For instance, in the SoC test system market, we think that companies that achieve a market share of at least 30% will ultimately survive.



○ Now, I have told about the importance of increasing our market share.

At Advantest, we are working to increase our market share in memory testers, and in the non-memory field by expanding sales of the open architecture T2000 test system.

This means exposing ourselves to more competition, so to avoid the risk of lowered profit, we have improved productivity through a series of production reforms, and established a “Cost Planning Department” that works to reduce material costs from the design stage and simplify our production process.

By helping us to cut costs and reduce delivery times, this will enable us to lower our break-even point and achieve higher income.

○ In addition,
based on our company’s core competence in the field of measurement, we will also pursue sources of income to expand our test system business through alliances with other companies, mergers and acquisitions, and related business opportunities.

○ 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.