

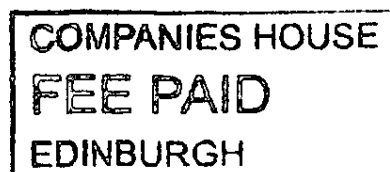
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General Engagement Terms



SF543

Note:

We have issued the audit opinion presented below in compliance with legal and professional requirements subject to the conditions described in the enclosed "Engagement Terms, Liability and Conditions of Use".

If this document is used in electronic form for **publication** in the *Bundesanzeiger* (German Electronic Federal Gazette), only the financial reporting files are to be used for this purpose and, should a statutory audit be required, the audit opinion or corresponding attestation.



Audit opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Advantest Europe GmbH, Munich, for the fiscal year from 1 April 2010 to 31 March 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development.

Munich, 30. Juni 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

[signed]
Dr. Napolitano
Wirtschaftsprüfer
[German Public Auditor]

[signed]
Christ
Wirtschaftsprüfer
[German Public Auditor]

Advantest Europe GmbH, Munich
Balance sheet as of 31 March 2011

Assets	31 Mar 2010		31 Mar 2010		Equity and liabilities		31 Mar 2010	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. Fixed Assets					A. Equity			
I. Intangible assets					I. Subscribed capital			
Software and licenses		295,026.10		531,588.56		10,792,650.00		10,792,650.00
II. Property, plant and equipment					II. Net retained profit		40,968,362.51	36,796,190.76
1. Land, land rights and buildings including buildings on third-party land	4,449,891.48		4,560,500.35				51,761,012.51	47,588,840.76
2. Other equipment, furniture and fixtures	1,948,050.15		1,611,398.07					
		6,397,941.63		6,171,898.42	B. Provisions			
					1. Provisions for pensions and similar obligations	139,023.00		490,092.00
					2. Tax provisions	323,735.10		12,216.84
		6,692,967.73		6,703,586.98	3. Other provisions	2,963,673.59		2,560,333.81
						3,426,431.69		3,062,642.65
B. Current assets					C. Liabilities			
I. Inventories					1. Trade payables	453,979.84		401,289.29
Finished goods and merchandise		2,738,051.13		2,493,231.07	2. Liabilities to affiliates thereof to shareholders:	3,060,038.76		1,262,657.07
II. Receivables and other assets					3. Other liabilities			
1. Trade receivables	6,356,366.67		3,968,824.58		EUR 3,042,766.87 (prior year EUR 1,045k)	746,189.13		706,344.07
2. Receivables from affiliates thereof from shareholders	2,034,257.08		1,485,867.23		thereof for taxes EUR 673,713.88 (prior year EUR 285k)			
3. Other assets	3,518,218.00		5,221,596.82		thereof for social security: EUR 72,475.25 (prior year EUR 57k)			
		11,908,841.75		10,676,288.63		4,260,207.73		2,370,290.43
III. Cash on hand and bank balances					D. Deferred Income			
		38,326,336.66		33,632,918.15		493,995.48		771,215.35
		52,973,229.54		46,802,437.85				
C. Prepaid Expenses								
		275,450.14		286,964.36				
		59,941,647.41		53,792,989.19				
						59,941,647.41		53,792,989.19

Advantest Europe GmbH, Munich
Income Statement for fiscal year 2010/2011

	EUR	EUR	Prior year EUR
1. Revenues	41,958,911.22		28,146,890.70
2. Other operating income	<u>1,611,618.52</u>		<u>1,199,804.44</u>
	43,570,529.74		29,346,695.14
3. Cost of materials			
a) Cost of raw materials, consumables, supplies and of purchased merchandise	-13,948,295.89		-6,456,548.90
b) Cost of purchased services	-1,119,597.94		-825,205.60
4. Personnel expenses			
a) Wages and salaries	-12,774,542.42		-12,162,744.58
b) Social security, pension and other benefit costs thereof for old-age pensions EUR 518,416.21 (prior year EUR 302k)	-2,510,255.02		-2,226,942.05
5. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment	-964,242.86		-910,406.59
6. Other operating expenses	<u>-8,047,754.95</u>		<u>-6,002,125.05</u>
	-39,364,689.08		-28,583,972.77
7. Other interest and similar income	156,132.93		311,040.90
8. Interest and similar expenses	<u>-155.22</u>		<u>-23,016.50</u>
	155,977.71		288,024.40
9. Result from ordinary activities	4,361,818.37		1,050,746.77
10. Extraordinary expense	<u>-98,724.00</u>		<u>0.00</u>
11. Extraordinary result	-98,724.00		0.00
12. Income taxes	-79,752.29		-257,313.38
13. Other taxes	<u>-11,170.33</u>		<u>-10,803.12</u>
	-90,922.62		-268,116.50
14. Net income/loss for the year	<u>4,172,171.75</u>		<u>782,630.27</u>
15. Profit brought forward from prior year	36,796,190.76		36,013,560.49
16. Net retained profit	<u>40,968,362.51</u>		<u>36,796,190.76</u>

Advantest Europe GmbH, Munich

Notes to the financial statements for fiscal year 2010/11

I. General disclosures and accounting and valuation methods

1. General disclosures

The financial statements as of 31 March 2011 of Advantest Europe GmbH, Munich, have been prepared in accordance with the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code] and the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act].

The Company meets the criteria for medium-sized corporations as defined by Sec. 267 (2) HGB. In accordance with Sec. 286 (4) HGB, the Company has elected not to disclose total remuneration of management in the financial statements.

The classification of the balance sheet pursuant to Sec. 266 HGB and use of the nature of expense method for the income statement pursuant to Sec. 275 (2) HGB are unchanged.

2. Accounting and valuation methods

The accounting and valuation methods have essentially remained unchanged in comparison to the prior year.

Intangible assets are recognized at acquisition cost less amortization. A useful life of three years is generally assumed.

Property, plant and equipment are recognized at acquisition cost less depreciation. Additions to moveable fixed assets since 1 January 2001 are depreciated using the straight-line method only. Additions to moveable fixed assets prior to that date were depreciated using either the straight-line method or the declining-balance method. Buildings are depreciated using the straight-line method over the customary useful life of 40 years. Permanent impairment is provided for by extraordinary write-downs. Low-value assets with an individual net value not exceeding EUR 410.00 are fully expensed in the year of acquisition with their immediate disposal being assumed. For convenience, the collective item procedure applied for tax purposes to assets acquired between 31 December 2007 and 1 January 2010 with an individual net value of more than EUR 150.00 but not greater than EUR 1,000.00 is also used in the statutory balance sheet. The total amount of the annual catch-all items is immaterial and subject to depreciation or amortization of 20% p.a. for each item it was set up for over a period of five years pursuant to tax provisions.

Income from and book values of demo systems carried under fixed assets which have been sold are disclosed under revenue and cost of materials.

With respect to **inventories**, systems and spare parts are valued at acquisition cost less allowances for reduced salability as of the balance sheet date. Acquisition costs are recognized at the invoiced amounts for each asset, plus appropriate mark-ups for freight and customs.

Inventories of **raw materials, consumables and supplies** for the production of the Falcon and the Piranha are valued at the lower of average cost or market as of the balance sheet date.

Finished goods and work in process are valued at production cost on the basis of individual product costings derived from the current cost accounting. In addition to the direct cost of materials, direct labor and other special direct costs, production costs include production and materials overheads as well as depreciation.

Adequate allowances provide for all identifiable **inventory** valuation risks resulting from slow-moving stock, reduced usability and lower replacement costs.

Apart from normal retentions of title, no inventories have been pledged as security to third parties.

Receivables and other assets are stated at their nominal value. Risks are accounted for by valuation allowances.

Pursuant to the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act], **pension provisions** are recognized for the German commercial balance sheet in accordance with Sec. 249 (1) Sentence 1 HGB in conjunction with Secs. 253 (1) Sentence 2 and 246 (2) HGB. They were determined using the projected unit credit method (PUC method) based on the 2005 G mortality tables by Klaus Heubeck at an interest rate of 5.14% p.a. Additional trends and valuation parameters were not taken into account. The assets, which serve exclusively to fulfill the pension obligations and which are protected against claims asserted by all other creditors (covering assets as defined by Sec. 246 (2) Sentence 2 HGB), were offset at their fair value against the provisions.

When hedge accounting is used in accordance with Sec. 254 HGB, the following accounting and valuation principles apply:

Economic hedging relationships are accounted for by designating hedges. When it is possible to apply either the "frozen value method," under which offsetting changes in value attributable to the hedged risk are not accounted for, or the "fair value through net income method," where offsetting changes in value attributable to the hedged risk of both the hedged item and the hedging instrument are accounted for, the fair value through net income method is applied. Offsetting positive and negative changes in value are recognized on a gross basis in the income statement.

Other provisions cover all recognizable risks and contingent obligations. They are recorded at the amounts required according to prudent business judgment.

Liabilities are recorded at the amount repayable.

As in the prior year, receivables, liabilities, and cash and cash equivalents in **foreign currency** were valued at the exchange rate valid on the date of the transaction. Losses due to exchange rate fluctuations are taken into account in the course of the year. Foreign currencies were translated at the closing rate. Forward exchange contracts have been concluded to hedge currency positions in JPY and USD.

II. Notes to the balance sheet

1. Fixed assets

The development of the individual fixed asset items, including amortization, depreciation and write-downs for the fiscal year, is shown in the statement of changes in fixed assets (page 9).

2. Receivables and other assets

Receivables from affiliates are primarily due to trade between Advantest Europe GmbH, Munich, and other companies in the Advantest Group.

Receivables and other assets are all due within one year, with the exception of items included under other assets regarding the long-term portion of a discounted receivable amounting to EUR 2,481k (prior year: EUR 2,942k) from the corporate income tax credit. The claim from employer's pension liability insurance of EUR 490k was disclosed under other assets in the prior fiscal year, whereas in the current fiscal year this was done under pension provisions in accordance with the BilMoG.

A bad debt allowance of EUR 364k (prior year: EUR 364k) was recognized to cover receivables from a customer that became insolvent.

Other assets contain receivables due from the tax office of EUR 335k (prior year: EUR 850k) from VAT payables.

3. Other provisions

Other provisions primarily pertain to guarantees and warranties (EUR 568k; prior year: EUR 790k), personnel obligations (EUR 2,057k; prior year: EUR 1,401k) and outstanding invoices as well as legal and consulting fees (EUR 116k; prior year: EUR 121k).

4. Liabilities

As in the prior year, all liabilities are due within a year. No collateral has been provided.

(in EUR k) Type of liability	31 Mar 2011		Total	31 Mar 2010	
	up to one year	Due in more than five years		Due in up to one year	Total
1. Trade payables	349	0	349	401	401
2. Liabilities to affiliates	3,065	0	3,065	1,263	1,263
3. Other liabilities	838	0	838	706	706
- thereof for taxes	245	0	245	285	285
- thereof for social security	72	0	72	57	57

Liabilities to affiliates are primarily due to trade between Advantest Europe GmbH, Munich, and other companies in the Advantest Group.

5. Derivative financial instruments

To secure the receivables and liabilities in JPY and USD as of the balance sheet date, forward exchange contracts (portfolio hedges) were concluded on a sufficient scale.

The fair value and the corresponding nominal value of each forward exchange contract concluded as of the balance sheet date are as follows:

31 Mar 2011				31 Mar 2010			
EUR k	Nominal amount EUR k	Fair value EUR k		EUR k	Nominal amount EUR k	Fair value EUR k	
<u>Hedged item:</u> Receivable	<u>Currency hedged</u> item:	<u>Currency hedged</u> item:		<u>Hedged item:</u> Receivable	<u>Currency hedged</u> item:	<u>Currency hedged</u> item:	
	Sale of foreign currency				Sale of foreign currency		
5,471	4,167	3,961		2,054	2,048	2,088	
<i>of which USD:</i>	876	591	569	1,472	1,504	1,551	
<i>of which JPY:</i>	4,595	3,576	3,392	582	544	537	
Liability	Purchase of foreign currency			Liability	Purchase of foreign currency		
3,114	1,263	1,208		685	199	202	
<i>of which USD:</i>	1,468	164	159	483	176	179	
<i>of which JPY:</i>	1,646	1,099	1,049	202	23	23	

The terms for the forward exchange contracts are between one and six months.

The nominal values refer to the sum of all purchase and sale amounts which the business transactions are based on. The market values refer to the redemption values of the forward transactions as of the balance sheet date and are determined by reference to the foreign exchange rates for forward contracts as of the reporting date. They are assessed on the basis of listed prices. Counter-developments in value from the underlying transactions are not taken into account.

The carrying value of the derivative financial instruments used as currency hedges, which is EUR 151k (prior year: liability of EUR 37k), was recognized as trade payables (EUR 55k) and as trade receivables (EUR 206k) due to hedge accounting.

Specifically, the hedges are portfolio hedges, meaning that the risks arising from each hedged item are for the most part directly covered by a hedge component with the same term. The hedged risks relate to the risk of changes in value due to exchange rate fluctuations.

The changes in value/cash flows attributable to the hedged items and hedging instruments are expected to offset each other over the term of the hedge because according to the group risk policy, risk positions (hedged items) must be hedged promptly after their inception by forward exchange contracts for the same amount, currency and maturity. By the balance sheet date, the changes in value/cash flows attributable to the hedged item and hedging instrument had for the most part offset each other. Receivables and liabilities not yet hedged as of the balance sheet date are hedged in the following month by forward exchange contracts.

The effectiveness of the hedging relationship is determined for each hedged risk either a) prospectively, depending on whether counter-developments in value as part of the hedging relationship will likely be reconciled in the future or b) retrospectively, in which the amount of previous ineffectiveness is calculated.

The critical terms match method is used to assess hedge effectiveness, with the effectiveness of the hedge being assessed in accordance with the parameters of the hedged item and hedge.

6. Contingent liabilities

There were no contingent liabilities as of the balance sheet date which are not disclosed in the balance sheet or the notes to the financial statements or which the Company is required to disclose in the balance sheet or the accompanying notes.

III. Notes to the income statement

1. Revenue

The Company generated its revenue exclusively by selling test systems for semi-conductor products, related maintenance and application services, and services aimed at developing new test components for the automotive market for the parent group. Revenue breaks down by business activity and geographical market as follows:

	Test system revenue (incl. upgrades, DI, etc.)	Maintenance, application, development services	Total
	EUR k	EUR k	EUR k
Other countries	17,712	15,755	33,467
Germany	3,385	5,107	8,492
	<u>21,097</u>	<u>20,862</u>	<u>41,959</u>

2. Other operating income and expenses

Other operating income essentially comprises income from the reversal of provisions of EUR 86k (prior year: EUR 176k) and from exchange rate gains of EUR 949k (prior year: EUR 607k). Other operating expenses mainly include expenses from exchange rate losses (EUR 1,068k; prior year: EUR 769k), travel expenses (EUR 1,425k; prior year: EUR 1,105k), expenses for premises (EUR 910k; prior year: EUR 831k), legal and consulting fees (EUR 968k; prior year: EUR 955k), vehicle costs (EUR 566k; prior year: EUR 499k), expenses from additions to bad debt allowances (EUR 41k; prior year: EUR 40k from the reversal of bad debt allowances) and incidental personnel expenses (EUR 206k; prior year: EUR 106k).

3. Extraordinary write-downs

There were no extraordinary write-downs in the current fiscal year.

4. Extraordinary income and expenses

There was no extraordinary income in the current and prior fiscal year.

In the current fiscal year, there were extraordinary expenses of EUR 99k as of 31 March 2010 stemming from the adjustment to the pension provision pursuant to the BilMoG for the German commercial balance sheet in accordance with Sec. 249 (1) Sentence 1 HGB in conjunction with Secs. 253 (1) Sentence 2 and 246 (2) HGB.

5. Income taxes

Income taxes of EUR 80k (prior year: EUR 257k) relate exclusively to the result from ordinary activities and include a refund for the prior year of EUR 306k.

IV. Other notes

1. Consolidated financial statements

The financial statements of Advantest Europe GmbH, Munich, are included in the consolidated financial statements of Advantest Corporation, Tokyo, Japan, which can be obtained from the registered office of the parent company.

2. Members of management

The following were general managers holding sole power of representation in the fiscal year 2010/11:

- Josef Schrätzenstaller, Pfaffenhofen, Germany, Managing Director of Advantest Europe GmbH
- Hiroyasu Sawai, Tokyo, Japan, Board Director of Advantest Corporation

If only one general manager is appointed, he/she represents the Company alone. If more than one general manager has been appointed, the Company is represented by two general managers or by one general manager acting jointly with an authorized signatory.

Mr. Peter Wewerka may represent the Company jointly with a general manager or with one other authorized signatory.

Pursuant to the articles of incorporation and bylaws, the general managers are exempt from the prohibition to contract with oneself in Sec. 181 BGB ["Bürgerliches Gesetzbuch": German Civil Code] when conducting legal transactions with affiliates.

3. Number of employees

The Company employed an annual average of 172 employees (prior year: 176).

4. Other financial obligations

Other financial obligations primarily relate to orders from suppliers regarding the Falcon and Piranha test systems and the development of test system boards. These are valued at EUR 1,080k (prior year: EUR 1,293k), of which EUR 1,080k (prior year: EUR 1,293k) is due within one year.

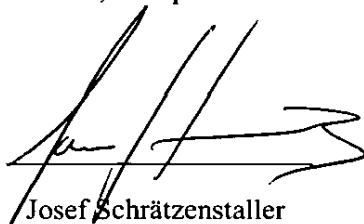
Obligations for rental agreements and leases are due as follows in the fiscal years:

	EUR k
2011/12	649
2012/13	339
2013/14	254
2014/15	108
2015 and thereafter	<u>105</u>
	<u>1,455</u>

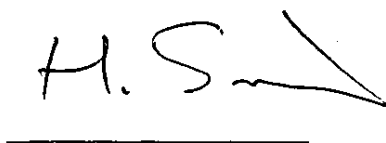
5. Pension provision for former board members

The pension provision of EUR 628k (prior year: EUR 490k) contains EUR 47k (prior year: EUR 40k) for former members of management and is recognized pursuant to the BilMoG for the German commercial balance sheet in accordance with Sec. 249 (1) Sentence 1 HGB in conjunction with Secs. 253 (1) Sentence 2 and 246 (2) HGB. The corresponding cash surrender values (insured pension commitments) of EUR 515k (prior year: 490k) were netted with the pension provision.

Munich, 29 April 2011



Josef Schrätzenstaller
General Manager



Hiroyasu Sawai
General Manager

Statement of changes in fixed assets for fiscal 2010/11

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	Acquisition and production cost		Accumulated amortization, depreciation and write-downs		Net book values	
	01/04/2010 EUR	31 Mar 2011 EUR	01/04/2010 EUR	31 Mar 2011 EUR	31 Mar 2010 EUR	31 Mar 2011 EUR
I. Intangible assets						
Software and licenses	2,460,407.24	57,694.81	122,659.57	2,395,442.48	1,928,718.68	295,026.10
						532
II. Property, plant and equipment						
1. Land, land rights and buildings including buildings on third-party land	9,153,527.89	58,794.26	221,627.51	8,990,694.64	4,593,027.54	4,449,891.48
2. Other equipment, furniture and fixtures	7,098,778.96	871,926.10	1,548,956.85	6,421,748.21	5,509,230.26	1,931,886.68
3. Low-value assets	244,743.59	13,089.65	41,925.19	215,908.05	222,894.22	16,163.47
	16,497,050.44	943,810.01	1,812,509.55	15,628,350.90	10,325,152.02	6,397,941.63
					9,230,409.27	6,172
	18,957,457.68	1,001,504.82	1,935,169.12	18,023,793.38	12,253,870.70	6,692,967.73
					11,330,825.65	6,704

Advantest Europe GmbH, Munich

Management report as of 31 March 2011

Business environment

The turnaround witnessed in the fourth quarter of the prior fiscal year continued in fiscal year 2010/2011. By setting benchmarks in the SoC segment, Advantest Europe GmbH was able to prevail over the competition and win important customers.

As a result, both the order intake and revenue soared by 69.9% and 49.1%, respectively. This is primarily attributable to the increase in merchandise revenue stemming from sales of products from the Advantest Group.

The Advantest Group also posted a 60.9% increase in order intake on a consolidated basis as well as an 87.2% rise in revenue.

In our planning, we assume that this positive trend will improve the Company's revenue and earnings in fiscal year 2011.

Advantest Europe GmbH's long-term, established customers in the SoC and memory segment include STM, Numonyx, Infineon, Intel and EEMS in particular.

Advantest Europe GmbH's list of references in the automotive market segment includes companies such as Bosch, ELMOS, Texas Instruments, ONSem, Maxim and other internationally established manufacturers of semi-conductors.

Business development

Revenue in the fiscal year rose substantially on the prior year, with revenue from test equipment rising on account of the main customers' improved willingness to invest, and service revenue remaining at a high level.

The Company continued to pay careful attention to budgeting and controlling its operating expenses.

Results of operations

The Company's revenue rose by 49.1% from EUR 28,147k to EUR 41,959k.

The order backlog as of 31 March 2011 came to EUR 13,038k.

Other operating income of EUR 1,612k (prior year: EUR 1,200k) primarily relates to exchange rate gains (EUR 949k; prior year: EUR 607k), income from processing a liability claim from a supplier (EUR 280k; prior year: EUR 0k) and the reversal of provisions (EUR 86k; prior year: EUR 176k). Other operating expenses of EUR 8,048k (prior year: EUR 6,002k) mainly include expenses from exchange rate losses (EUR 1,068k; prior year: EUR 769k), purchased services for development work (EUR 1,676k; prior year: EUR 671k), travel expenses (EUR 1,425k; prior year: EUR 1,105k), legal and consulting fees (EUR 968k; prior year: EUR 955k), expenses for premises (EUR 910k; prior year: EUR 831k), vehicle costs (EUR 566k; prior year: EUR 499k), incidental personnel expenses (EUR 206k; prior year: EUR 106k) and other expenses.

The interest result amounts to EUR 156k (prior year: EUR 288k).

The discounted long-term income tax credit was reduced by EUR 462k to EUR 2,481k. The corporate income tax reimbursement of EUR 462k was recorded directly in equity.

At EUR 4,172k, the profit after tax is significantly above the prior-year profit of EUR 783k.

Net assets and composition of equity and liabilities

Capital expenditures on fixed assets totaled EUR 1,002k (prior year: EUR 935k).

Accounts receivable comprising trade receivables and receivables from affiliates increased by EUR 2,936k on the prior year to EUR 8,391k, primarily due to the increase in revenue.

At EUR 2,738k, inventories are up EUR 245k on the prior year. This is also due to the increase in short-term stocked merchandise of EUR 1,166k. Piranha and Falcon inventories were also reduced.

The Company reports a tax provision of EUR 324k (net) for income tax (trade tax and corporate income tax including solidarity surcharge) for the fiscal year (prior year: EUR 12k).

Other provisions rose by EUR 403k. This is due to the increase in personnel provisions.

The increase in liabilities to affiliates of EUR 1,797k is attributable to sales of test system merchandise by the Japanese parent company.

The equity ratio decreased slightly to 86% (prior year: 88%) after the distribution in fiscal 2007/08 and high losses in fiscal 2008/09.

Financial position

Cash and cash equivalents of EUR 38,326k as of the balance sheet date of 31 March 2011 were up 13.9% on the prior year, which is largely attributable to the positive result and successful receivables management.

The Company generated cash flow from operating activities of EUR 5,695k during fiscal year 2010/2011 (prior year: negative cash flow of EUR 2,068k).

Cash and cash equivalents of EUR 1,002k were used for investing activities relating to operations.

Economic situation of the Company

Overall, we believe that the net assets, financial position and results of operations of the Company are stable. Cash and cash equivalents easily cover liabilities.

Compared with the past fiscal year, revenue and earnings and their forecasted development for the coming fiscal year are very positive in view of our customers' increasing investment activities and the marketing activities for our newly developed products.

Branches

The Company has branches in Italy, the UK, Portugal, Ireland and Israel.

Opportunities and risks

Risks relating to future development

As a company with independent operations, Advantest Europe GmbH, Munich, is subject to a large number of risks. Risk management is therefore necessarily an integral part of all decisions and business processes.

In order to respond to potential risks due to diverse regulations and laws which pertain to taxes, competition, patents and the environment, the Company bases its decisions and the design of its business processes on extensive legal counsel, both by its own experts and by qualified external professionals. Management has specified an appropriate approval procedure and signature regulations to guarantee internal monitoring of business transactions.

Procedures have been defined for the main business processes and risk matrices have been prepared and internal controls defined accordingly.

In April 2010, requalification pursuant to DIN ISO 9001 and 14001 was achieved with an excellent result. This result means Advantest Europe GmbH now qualifies as an A-supplier.

System purchases and sales are generally transacted in the same currency to order to avoid foreign exchange exposures, and hedged using corresponding forward exchange transactions.

The Company has concluded adequate insurance policies which are regularly reviewed and, if necessary, adjusted to cover potential cases of damage and liability risks.

Our company undertakes significant business activities Japan. The economic consequences of the natural disaster in March 2011 did not give rise to any events in the fiscal year. Management does not currently know of any reason why this should have any implications.

Opportunities relating to future development

Development activities in the automotive test sector were pressed ahead with as planned in fiscal year 2010. In the last quarter, the first systems with integrated "IPS modules" were delivered to an important Japanese customer and successfully installed. Further benchmark activities at a whole range of customers in the US, Japan, Taiwan and Korea are firmly in the planning and preparation stage. The response of our global customers to the operational modules developed in the fiscal year and currently still in development has been exceptionally positive. Marketing activities and our participation in the Semicon trade shows in Europe, the US and Japan confirm this optimistic assessment.

Financial instruments (risk management objectives and methods)

In the course of business operations, Advantest Europe GmbH, Munich, is subject to exchange rate fluctuation and currency risks. Effects from exchange rate fluctuations and foreign exchange exposures may arise, particularly from sales to customers who are not part of the euro currency area, and from liabilities to affiliates and the diverging terms for receivables and liabilities. The Company counters these risks by actively managing receivables, currencies and cash. Open foreign currency positions in JPY and USD are promptly hedged by forward transactions. Please see the Company's notes to the financial statements for more information on quantitative details concerning derivative financial instruments.

Subsequent events

There were no reportable events after the balance sheet date.

Strategy and outlook

The Company's primary focus in fiscal year 2011 will be on the further tapping of the SoC market (mixed signal, automotive and RF) and the global marketing of the newly developed high-power modules.

We will also focus on the expansion of application services and customer support through service offerings and agreements (CMA agreements).

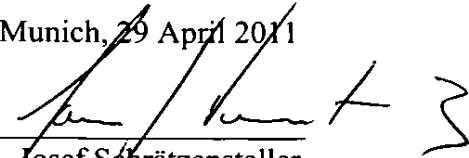
Over the past two fiscal years, we have developed the first modules for the high-power and mixed signal segments in close cooperation with Advantest's development center in Japan. The rev AAA boards were completed on time and a first installation successfully performed at a Japanese key customer. These developments constitute important milestones towards tapping the automotive semi-conductor market, which is particularly well positioned in Europe.

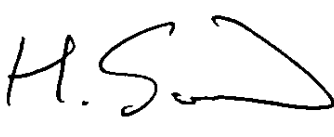
We assume that the first successful benchmarking and placements on the market for the newly developed modules will take place during the next two fiscal years, accounting for a major portion of the revenue forecast for Advantest Europe GmbH and the Advantest Group.

The development of additional key components and application solutions for the automotive, mixed-signal and high-power application segments will also be a key focus in the future.

The Company is also concentrating on penetrating new markets with new products, which includes marketing a test system for measuring diesel particle filters to the automotive industry.

Munich, 29 April 2011



Josef Schrätzenstaller
General Manager

Hirojasu Sawai
General Manager

Engagement Terms, Liability and Conditions of Use

We, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, conducted our audit of these financial statements on behalf of the Company. Besides satisfying the legal disclosure requirement (Sec. 325 HGB ["Handelsgesetzbuch": German Commercial Code]) for statutory audits, the audit opinion is addressed exclusively to the Company and was issued for internal purposes only. It is not intended for any other purpose or to serve as a decision-making basis for third parties. The result of voluntary audits summarized in the audit opinion is thus not intended to serve as a decision-making basis for third parties and must not be used for purposes other than those intended.

Our work is based on our engagement letter for the audit of these financial statements, the Special Engagement Terms for Assurance and Advisory Business of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (dated July 1, 2007) and the General Engagement Terms for "Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften" [German Public Auditors and Public Audit Firms] as issued by the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer": IDW] on January 1, 2002.

To clarify, we point out that we assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the audit opinion to reflect events or circumstances arising after it was issued, unless required to do so by law.

It is the sole responsibility of anyone taking note of the summarized result of our work contained in the audit opinion to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

General Engagement Terms

for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Ensuring independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Protection of the Wirtschaftsprüfer's intellectual property

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – especially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) The liability limitation of § ["Article"] 323 (2) ["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.

(2) Liability for negligence; An individual case of damages

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) Preclusive deadlines

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence.

The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

10. Supplementary provisions for audit engagements

- (1) A subsequent amendment or abridgement of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.
- (2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.
- (3) The client has a right to 5 copies of the long-form report. Additional copies will be charged for separately.

11. Supplementary provisions for assistance with tax matters

- (1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.
- (2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.
- (3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:
 - a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client
 - b) examination of tax assessments in relation to the taxes mentioned in (a)
 - c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
 - d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)
 - e) participation in Einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

- (4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charged separately.
- (5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:
 - a) the treatment of nonrecurring tax matters, e. g. in the field of estate tax, capital transactions tax, real estate acquisition tax
 - b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and
 - c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

(6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisites nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

12. Confidentiality towards third parties and data security

- (1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.
- (2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.
- (3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

14. Remuneration

- (1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.
- (2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

15. Retention and return of supporting documentation and records

- (1) The Wirtschaftsprüfer retains, for ten years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.
- (2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.