

FOR IMMEDIATE RELEASE

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ADVANTEST CORPORATION

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Revision of an Executive Compensation System

Tokyo – May 21, 2021 – Advantest Corporation (the “Company”) hereby announce that the Company resolved at the Board of Directors’ meeting held today to revise compensation amount and the stock-based compensation system for directors and submit proposals for these revisions (the “Revisions”) to the 79th Ordinary General Meeting of Shareholders held on June 23, 2021.

I. Purpose of the Plan

Based on our corporate mission of " Enabling Leading-Edge Technologies" and our vision of " Adding Customer Value in an Evolving Semiconductor Value Chain" we have created an executive compensation system that contributes to the further enhancement of corporate value and we decided to review it. The ground rules of the system are as follows.

(1) Compensation mix and compensation level that shall attract international human resources who support the Company's global business development.

In order to continue to grow globally in the complex and rapidly evolving semiconductor industry, we will appoint talented people from all over the world and compensate them appropriately by global standards.

(2) Bonus that is strongly linked to business performance

Given the inevitability of fluctuations in business performance, strongly indexing bonuses to performance will fully reward the contributions of officers when business performance is strong and will reduce the burden on the Company during downturns in business performance.

(3) Stock compensation that incentivizes directors and officers to share values with shareholders and promotes management from a medium- to long-term perspective

We will combine transfer-restricted stock compensation, which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders, and performance-linked stock compensation, which promotes the achievement of medium-term management goals that lead to corporate value improvement.

II. Outline of the Revisions

The ratio of fixed compensation (cash), performance-linked bonuses (cash), and stock compensation will be operated to be approximately 1: 1: 1 for directors (excluding outside directors and directors who are Audit and Supervisory Committee members) with the Revisions. And the total amount of fixed compensation for the relevant directors for FY2021 will be reduced from FY2020.

1. Revision of cash compensation amount for directors (excluding directors who are Audit and Supervisory

Committee members)

The amount of cash compensation for the directors of the Company (excluding directors who are Audit and Supervisory Committee members) has been set within 600 million yen per year. Regarding performance-linked bonuses (not paid to outside directors), we will expand the fluctuation range from "0% to 100%" to "0% to 200%" of the annual fixed compensation. To respond to the increase in bonuses when business performance is favorable, the amount of compensation of directors (excluding outside directors and directors who are Audit and Supervisory Committee members) is set to 900 million yen or less per year, and the compensation amount of outside directors (excluding directors who are Audit and Supervisory Committee members) is set to 60 million yen or less per year.

2. Revision of the stock-based compensation system for directors (excluding outside directors and directors who are Audit and Supervisory Committee members)

The current stock-based compensation system consists of stock options and the performance-based stock remuneration plan.

As part of the review of the executive compensation system, for the purpose of promoting further value sharing with shareholders and the Company's directors (excluding outside directors and directors who are Audit and Supervisory Committee members; hereinafter referred to as "Target Directors") and encouraging management promotion from a medium- to long-term perspective, we will introduce a new stock-based compensation system consisting of two types, one is the Restricted Stock Compensation Plan (hereinafter referred to as "System I") and the other is the Performance Share Unit Compensation (hereinafter referred to as "System II". System I and System II hereinafter collectively referred to as "the System") described in the following "Outline of the System I" and "Outline of the System II". After the Revision, stock acquisition rights will not be newly allocated and additional trusts will not be set for the existing stock options and performance-based stock remuneration plan.

The amount of cash compensation receivables or cash to be paid to the Target Directors shall be 200 million yen or less per year for the System I and 600 million yen or less per year for the System II. However, as a general rule, the compensation amount under the System II is assumed to be paid in a lump sum equivalent to the consideration for the execution of duties over the three business years covered by the medium-term management plan. Therefore, the payment is equivalent to 200 million yen per business year. In addition, the total number of common shares of the Company to be delivered to the Target Directors based on this Agenda is within 50,000 shares per year for the System I, and within 150,000 shares per year for each medium-term management plan (three business years) for the System II. The dilution rate is suppressed to a maximum of 0.1% per year, at the time of the resolution by the General Meeting of Shareholders. (Regarding the current stock options and the performance-based stock remuneration plan for the relevant director, the amount of cash compensation receivables or cash to be paid to the Target Directors is 200 million yen or less per year each, and the total number of common shares of the Company to be delivered to the Target Directors is within 50,000 shares and within 150,000 shares per year, respectively.)

(1) Outline of the System I

Based on the resolution of the Board of Directors of the Company, the Target Director shall pay all of the cash compensation claims provided by this Agenda as in-kind contribution property and receive the issuance or disposal of the common shares of the Company.

Regarding the issuance or disposal of the Company's common shares and the payment of cash compensation receivables as its in-kind contribution property, a restricted stock allotment agreement (the "Agreement") is subject to be concluded between the Company and the Target Director and the Target Director shall not transfer, set of collateral rights or otherwise dispose of the Company's common shares allotted under the Agreement from the date of the allotment under the Agreement to the time immediately after he/she resigns from either position as a director or an executive officer of the Company.

(2) Outline of the System II

The System II is a performance-linked stock compensation system that sets and delivers cash compensation claims for delivering the number of common shares of the Company in accordance with the achievement rate of the numerical target, etc. as compensation for the Performance Evaluation Period (hereinafter defined). Under the System II, the Board of Directors of the Company sets numerical targets such as the Company's performance during the performance evaluation period consisting of the business year corresponding to the Company's mid-term management plan (hereinafter referred to as the "Performance Evaluation Period") for the Target Directors in advance. The initial Performance Evaluation Period will be three business years, from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024, which is the period of the Company's medium-term management plan.

The specific mechanism of the System II is as follows.

- ① The Board of Directors of the Company will determine each numerical target used in the System II, performance-linked coefficient, and the indicators required for the specific calculation of the Number of Shares to be Delivered.
- ② After the Performance Evaluation Period has expired, the Company will determine the number of common shares of the Company to be allocated to each Target Director according to the achievement rate of each numerical target during the Performance Evaluation Period.

The Company will, based on the resolution of the Board of Director of the Company, pays to the Target Director cash compensation receivables of which amount is calculated in accordance with the number of common shares of the Company to be allocated to each Target Director. The amount of the payment is within the total amount to be paid as the System II compensation during the Performance Evaluation Period, and each Target Director will be allotted the number of common shares of the Company by paying all of the cash compensation receivables by the method of in-kind contribution.

III. Others

In addition to the Target Directors, the Company plan to introduce the System I and II for the executive officers of the Company and the system I for some of the employees of the Company Group.

End of Document

<Reference> Image of Revision of a Compensation Amounts

① Current Compensation Amounts

Directors (excluding directors who are Audit and Supervisory Committee members)

Directors (excl. Outside Directors)	Cash Compensation ※1 Within 600 million yen per year	Stock Option Compensation Within 200M yen /year and within 500K shares	Performance-based Stock Remuneration Plan Within 200 M yen /year and within 90K shares
Outside Directors		(Not applicable)	

Directors who are Audit and Supervisory Committee members

Directors who are Audit and Supervisory Committee members	Cash Compensation Within 100 million yen per year	(Not applicable)	
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② Compensation Amounts after Revision (red fonts)

Directors (excluding directors who are Audit and Supervisory Committee members)

Directors (excl. Outside Directors)	Cash Compensation ※1 Within 900 million yen per year	Restricted Stock Compensation Within 200M yen /year and within 50K shares	Performance Share Unit Compensation ※2 Within 200M yen /year and within 50K shares
Outside Directors	Cash Compensation Within 60M yen/ year	(Not applicable)	

Directors who are Audit and Supervisory Committee members

Directors who are Audit and Supervisory Committee members	Cash Compensation Within 100 million yen per year	(Not applicable)	
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※1 Cash Compensation includes fixed compensation and performance-linked bonuses (excluding outside directors).

※2 Performance Share Units will be granted in a lump sum for 3 years. The proposed Compensation Amount for business execution for three years is 600 million yen and 150,000 shares, but the compensation for one year is as described above.