

Governance

Corporate Governance	94
Management Structure	94
Executive Compensation System	102
Internal Control System	104
Risk Management	105
Risk Management System	105
TCFD-based Climate Change-related Information Disclosure	106
Business Continuity Initiatives	109
Compliance	111
Initiatives to Promote Ethical Business Practices	111
Export Control	113
Tax Compliance	114
Information Security	115

Corporate Governance

We aim to achieve a sustainable level of business development and enhancement of our corporate value through transparency of management and proactive disclosure of relevant information.

Management Structure

Our Basic Policy of Corporate Governance

Advantest's Purpose & Mission is "Enabling Leading-Edge Technologies." Advantest constantly strives to improve so that we can offer products and services that will satisfy customers around the world, and contribute to the future of society through the development of the most advanced technologies.

In accordance with the corporate mission described in the preceding paragraph, by being open, honest and respectful at all times with all stakeholders, Advantest aims to achieve a sustainable level of business development and enhance corporate value over the mid-to-long term. Advantest always strives to find the best solution to issues, by seeking out root causes and defining their "essence". To that end, Advantest will establish a fair, efficient and transparent governance system.

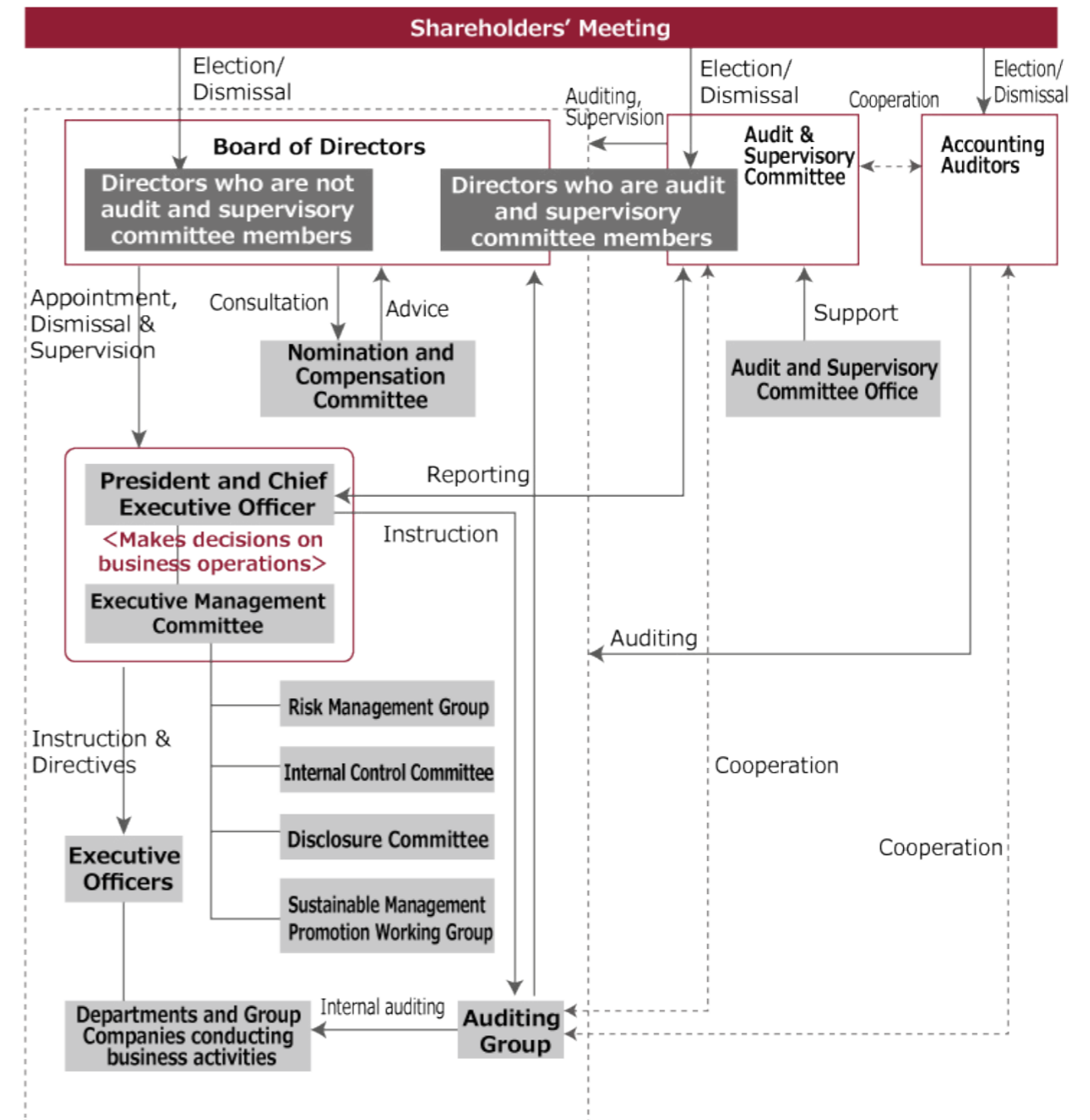
 [Advantest Corporate Governance Policy \(PDF 183KB\)](#)

Corporate Governance System

The global business environment is changing more rapidly than ever before, due to factors such as technological advancement and impact of geopolitical risks. To continuously increase our corporate value and competitiveness in today's world, we emphasize swift decision-making and execution. We also place an emphasis on sound, highly transparent business operations in compliance with relevant laws and regulations. In order to meet these challenges, we draw clear lines of authority within our organization and set responsibilities in accordance with each management function, assigning each role to the best person for the job.

We have become a company with an Audit and Supervisory Committee since June 2015. Advantest further strengthened its corporate governance and Board of Directors' audit function as a company with an Audit and Supervisory Committee, where the committee members use their voting rights in Board of Directors Meetings with the aim of further increasing our corporate value. Furthermore, we have established a structure that can quickly respond to the rapidly changing business environment, and in order to strengthen our corporate governance, we introduced an Executive Officer system in 2003.

Corporate governance structure



List of Governance Systems (As of June 24, 2022)	
Structure	Company with an Audit and Supervisory Committee
Number of Directors	9
Number of Outside Directors	5(55.5%)
Number of Non-Japanese Directors	2(22.2%)
Number of Female Directors	2(22.2%)
Term of Office for Directors who are Not Audit and Supervisory Committee members	1 year
Term of Office for Directors who are Audit and Supervisory Committee members	2 years
Number of Directors who are Audit and Supervisory Committee members	3
Number of Outside Directors	2
Chairperson of Audit and Supervisory Committee	Outside Director
Nomination and Compensation Committee	In place
Nomination and Compensation Committee Members	3 Directors (Two of which are outside Directors)
Nomination and Compensation Committee Chair	Outside Director
Performance-linked Remuneration System	In place
Executive Officer System	In place
Executive Officers	25
Non-Japanese Executive Officers	13

Please see the information below for the Corporate Governance Report.

 [Corporate Governance Report \(PDF 838KB\)](#)

Board of Directors

The Board of Directors of Advantest, as the management decision making body, shall make decisions on significant matters with respect to the management policies and management strategies for Advantest Group, and in its capacity to supervise management, the Board of Directors shall monitor and supervise the status of exercise of duties by Executive Officers. Advantest strengthens the oversight and supervisory functions of the Board of Directors so as to appoint multiple outside directors as members of the Board of Directors.

Regular Board of Directors meetings are held once a month and last about 3 to 5 hours, giving directors time to discuss important matters. In addition, Advantest holds offsite meetings where board members discuss mid-to-long term issues that cannot be discussed within the time limits of Board of Director meetings. The Board of Directors met 14 times at the office and twice off-site in FY2022, and all members attended all meetings. At the Board of Directors meetings, directors with a wealth of knowledge and experience expressed their opinions from each point of view on various agendas, and active discussions took place.

In FY2022, the main discussion and reporting items of the Board of Directors meetings and offsite meetings were as follows.

- The Board of Directors discussed the progress of the Second Mid-Term Management Plan (MTP2), confirmed the importance of growth investments such as M&A and digital transformation, and reviewed the financial model of MTP2.
- Advantest's changing business environment, including changes in the semiconductor market and geopolitical risks caused by the US-China conflict, were reported on and measures to address the issues were discussed.
- Monthly reports on the current status of sales, profits, inventory levels, cash flow and other relevant factors are made to the Board of Directors to monitor the execution of business operations.
- More effective financing methods were discussed in the agenda of commitment line agreements and long-term borrowing.
- M&As were discussed as growth investments, and the Board decided on the M&A of CREA [Collaudi Elettronici Automatizzati S.r.l.] and Shin Poo Technology Co., Ltd..
- Internal audit reports and compliance reports were made to the Board of Directors twice a year. The reports included reports from Advantest's internal audit system, items pointed out by internal audits and compliance incidents from helpline notifications.
- IR reports were made to the Board of Directors twice this year, which included status of communication with investors and investors' awareness of issues.
- ESG reports were made to the Board of Directors twice this year, which included status of Advantest's climate change initiatives and other ESG initiatives.

Attendance at meetings of the Board of Directors and important committee meetings in fiscal year 2022 is as follows.

Classification		Name	Attendance at Board of Directors meetings (14 times)	Attendance at Nomination and Compensation Committee meetings (14 times)	Attendance at Audit and Supervisory Committee meetings (13 times)
Inside Director	Executive Director	Yoshiaki Yoshida	100% (14 times)	100% (14 times)	—
		Douglas Lefever	100% (14 times)	—	—
		Koichi Tsukui	100% (14 times)	—	—
		Soichi Tsukakoshi	100% (14 times)	—	—
		Atsushi Fujita	100% (14 times)	—	—
Outside Director	Non-Executive Director	Yuichi Kurita	100% (14 times)	—	100% (13 times)
		Osamu Karatsu	100% (14 times)	—	—
		Toshimitsu Urabe	100% (14 times)	100% (14 times)	—
		Nicholas Benes	100% (14 times)	—	—
		Kouichi Nanba	100% (14 times)	—	100% (13 times)
		Sayaka Sumida	100% (14 times)	100% (14 times)	100% (13 times)

As of June 27, 2023, the Board of Directors is composed of 3 executive directors (inside directors), 1 non-executive director (inside director), and 5 non-executive directors (outside directors) for a total of 9 members (including Directors who are Audit and Supervisory Committee members), of which 2 directors have non-Japanese nationalities, and 2 female directors. In order to maintain seamless communication despite the diversification of Directors, Advantest has arranged for simultaneous interpretation at the Board of Directors meetings so that Board members can speak freely in both Japanese and English. Materials and minutes are also translated into English.

Evaluation of the Board of Directors' Effectiveness

At a Board of Directors' meeting, all directors answered a questionnaire to evaluate the effectiveness of their roles and obligations. Their opinions on the structure of the Board of Directors, operation, and discussion status were collected and analyzed.

(Results in FY2021 and action in FY2022)

Our evaluation of the effectiveness of the Board of Directors in FY2021 indicated that greater awareness of the external environment was required in reporting to the Board of Directors, the method of evaluation itself should be reviewed, and more time should be devoted to discussion versus to reporting. In response to the above, Advantest implemented the following measures in FY2022.

- Regarding the evaluation of the effectiveness of the Board of Directors, the questions have been significantly revised to address the following points:
 - whether the Board of Directors was able to appropriately incorporate external knowledge, and
 - whether the discussions at the Board of Directors were being utilized by the executive side
- We are trying to allow more time for discussion by the Board of Directors by requiring presenters to use an executive summary and provide a concise statement.

(Results in FY2022)

Our directors have diverse backgrounds. In our FY2022 effectiveness evaluation, revising some questions revealed that each director often discusses matters from a different perspective than other members. The company believes that this shows that the diversity of the Board of Directors has been ensured and has advantages. On the other hand, the following points were raised as improvements to make the Board of Directors more effective.

- Regarding changes in the external environment (changes in the business environment of our company), Advantest management is already accustomed to a certain degree of sensitivity to cycles in the semiconductor testing industry to which our group belongs. On the other hand, it is advisable that the company's sensitivity to other aspects of the external environment (i.e. society, politics, economy, industry in general, etc.) should be enhanced.
- It is preferable that matters to be discussed should be clearly stated in materials reported to the Board of Directors.

Skill Matrix

In the nomination and selection of Directors and Senior Executive Officers, the Company recognizes that noteworthy issues around the corporate management and communication with stakeholders have to be taken into consideration, in addition to our Purpose & Mission, management strategies, and business strategies. Our business is indispensable for the manufacturing of semiconductors, which support the development of our society, and also assumes the important function of supporting the stable operation of the facilities and systems in our society and industries, creating great opportunities for growth even in the surrounding areas. The Company has selected the following nine areas for management activities which are considered important for the Company to grow the business in the medium to long term and realize the improvement of our corporate value: "Management & Corporate Strategy," "Semiconductor," "Technology," "Sales & Marketing," "Finance & Accounting," "Legal & Compliance," "Human Capital Management," "Global Business," and "Digital Transformation." The Board of Directors and the Nomination and Compensation Committee have discussed the essential "insight and experiences" required for the execution of duties and the fulfilment of the responsibility of supervision in the nine areas, and established the required skill sets for Directors and Senior Executive Officers.

Details of Skill

Areas for management activities		Items	Experience, knowledge, and abilities expected
①	Management & Corporate Strategy	Top management	Management experience at a company or legal entity (as a chairperson, president, representative director or equivalents)
		Management strategy	Experience as a head of a management strategies department ^{1,2}
		Experience and knowledge of business investment and M&A	Experience and knowledge of business investment and M&A
②	Semiconductor	Knowledge of the semiconductor-related industries	Experience in semiconductor-related industries and knowledge of the semiconductor industry
③	Technology	Knowledge of the industries & technologies (incl. Environment and Energy)	Knowledge of the electrical/electronics related industry and ICT technologies
		Research & development	Experience as a head of an R&D department ^{1,2}
		SCM ³ , production, and quality assurance	Experience as a head of SCM ³ , production, production engineering, and quality assurance departments ^{1,2}
④	Sales & Marketing	Sales and marketing	Experience as a head of a sales and marketing department ^{1,2}
⑤	Finance & Accounting	Finance and accounting	Experience as a head of a finance and accounting department ^{1,2} or as a certified public accountant
		Communication with the capital market	Experience as a head of the department responsible for communicating with investors and shareholders ^{1,2} , such as a head of IR (Investor Relations) or SR (Shareholder Relations) department
⑥	Legal & Compliance	Legal affairs, risk management, and compliance	Experience as a head of a legal affairs, risk management, or compliance department ^{1,2} or as an attorney at law
⑦	Human Capital Management	Human capital management	Experience and knowledge as a head of an HR department ^{1,2} , or in recruiting & developing human capital, and talent management
⑧	Global Business	Global business	Experience at a global organization or experience working in a foreign country
⑨	Digital Transformation	IT & DX	Experience as a head of an IT department ^{1,2} , and as a head of a DX promotion department ^{1,2}

*1 The head of a large company or a company with complicated businesses or operations

*2 The executive of a specialized service company in the relevant field

*3 Supply Chain Management

The skills of the Directors and Senior Executive Officers will be as shown in the table below.

Basic management activity areas that are important for the execution, guidance, and supervision of the Company's management																			Areas of particular importance to the Company's immediate management issues	
① Management & Corporate Strategy						② Semiconductor		③ Technology				④ Sales & Marketing		⑤ Finance & Accounting		⑥ Legal & Compliance	⑦ Human Capital Management	⑧ Global Business	⑨ Digital Transformation	
		Attributes				Management		Experience and expertise in business investment and M&A	R&D/Semiconductor industry/ Industry/Technology			SCM/ Production/ Quality assurance	Sales & Marketing	Interaction with Finance/Accounting/ Capital Markets		Legal affairs/ Risk management/ Compliance	Human Capital Management	Global Business	IT・DX	
		Gender	Nationality	Audit and Supervisory Board Member	Independent Director	Top management	Business Strategy		Insight of semiconductor related industries	Industry and technology know-how and expertise (including global environment and energy)	R&D			Finance/ Accounting	Interaction with Capital Markets					
Inside	Yoshiaki Yoshida	Male	Japan			○	○	○	○				○		○			○		
	Douglas Lefever	Male	United States			○	○	○	○	○			○					○		
	Koichi Tsukui	Male	Japan			○	○		○				○		○			○		
	Yuichi Kurita	Male	Japan	○			○	○	○					○	○			○		
Outside	Toshimitsu Urabe	Male	Japan		○	○	○	○									○	○	○	
	Nicholas Benes	Male	United States		○		○	○							○	○		○		
	Naoto Nishida	Male	Japan		○				○	○	○	○						○		
	Sayaka Sumida	Female	Japan	○	○									○		○		○		
	Sayaka Sumida	Female	Japan	○	○											○		○		

* Skills of the Senior Executive Officers (excluding those concurrently serving as Directors) as of June 27, 2023 are as follows.

Basic management activity areas that are important for the execution, guidance, and supervision of the Company's management																	Areas of particular importance to the Company's immediate management issues										
① Management & Corporate Strategy																	② Semiconductor	③ Technology			④ Sales & Marketing	⑤ Finance & Accounting		⑥ Legal & Compliance	⑦ Human Capital Management	⑧ Global Business	⑨ Digital Transformation
		Attributes				Management		Experience and expertise in business investment and M&A	R&D/Semiconductor industry/ Industry/Technology			SCM/ Production/ Quality assurance	Sales & Marketing	Interaction with Finance/Accounting/ Capital Markets		Legal affairs/ Risk management/ Compliance	Human Capital Management	Global Business	IT・DX								
		Gender	Nationality	Audit and Supervisory Board Member	Independent Director	Top management	Business Strategy		Insight of semiconductor related industries	Industry and technology know-how and expertise (including global environment and energy)	R&D			Finance/ Accounting	Interaction with Capital Markets												
Senior Executive Officer	Soichi Tsukakoshi	Male	Japan					○			○	○					○										
	Keith Hardwick	Male	United States				○	○					○			○	○										
	Yasuo Mihashi	Male	Japan				○	○				○		○			○										
	Juergen Serrer	Male	Germany					○		○							○										
	Sanjeev Mohan	Male	United States					○				○					○										
	Richard Junger	Male	Germany					○			○						○	○									
	Yong Xu	Male	China					○				○					○										
	Makoto Nakahara	Male	Japan					○			○	○					○										

Reasons of Appointment of Outside Directors

Name	Reasons of Appointment
Toshimitsu Urabe	Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company and a nonbank financial institution, particularly overseas experience in the United States and Asia, experience in business investment decisions, etc., and extensive experience in administrative management, for example human resources and IT. He is expected to reflect his knowledge in Advantest Group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, Advantest believes that he is a suitable person as an outside director.
Nicholas Benes	Mr. Nicholas Benes has extensive knowledge and experience about corporate governance matters, and experience in investment banking including M&A transactions. He is expected to reflect his knowledge of corporate governance and the shareholder-oriented perspective in Advantest Group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, Advantest believes that he is a suitable person as an outside director.
Naoto Nishida	Mr. Naoto Nishida has a wealth of knowledge and experience as a laser technology expert, in addition to his experience in the fields of technology, supply chain management (SCM), production, and research & development at a global company deeply involved in semiconductors. He is expected to reflect his insights into our business, industry and technology and the perspectives on strategic innovation in Advantest Group's global management, thereby contributing to the sustainable enhancement of corporate value and invigoration of the activities of the Board of Directors. Thus, Advantest believes that he is a suitable person as an outside director.
Sayaka Sumida	Ms. Sayaka Sumida has not been directly involved in the management of a company in the past, but she has a wealth of knowledge and experience in finance and accounting gained through her engagement for many years in accounting/auditing services and internal control-related services as a certified public accountant at an accounting firm. She is expected to reflect her knowledge of finance and accounting in Advantest Group's audit and supervision, thereby contributing to the enhancement of corporate accounting and internal controls. Thus, Advantest believes that she is a suitable person as an outside director who is an audit and supervisory committee member.
Tomoko Nakada	Although Ms. Tomoko Nakada has not been directly involved in the management of a company in the past, she has a wealth of experience and a high level of expertise in law as a judge and as a lawyer, engaging in the practice of corporate legal affairs, general civil cases, and domestic and international inheritance cases. She is expected to reflect her knowledge of laws in Advantest Group's audit and supervision, thereby contributing to the enhancement of compliance. Thus, Advantest believes that she is a suitable person as an outside director who is an audit and supervisory committee member.

[Directors and Executive Officers](#)

Director Training

It is stated in the "Director Training Policy" as follows;

Director Training Policy
<p>1. Advantest provides and arranges following actions for new Directors to acquire necessary knowledge on the Advantest's business, finances, organizations and other matters so as to enhance their understanding of their roles and responsibilities:</p> <ul style="list-style-type: none"> (1) To explain the roles and responsibility required for Directors; (2) To explain Advantest group's business, finances, organizations, major internal regulations, corporate governance structure, and internal control systems; (3) To update above (1) and (2) for incumbent Directors as necessary. <p>2. Advantest should provide and arrange training opportunities suitable for each director as necessary.</p>

In FY2022, Advantest provided explanations for our foreign directors on their responsibilities under Japanese law. All Executive Directors have taken an external training program on governance. Because governance skills are important, we are expanding the scope of the training to Executive Officers who are not directors.

Audit and Supervisory Committee

Pursuant to the audit policies, audit plans, priority audit items, allocation of duties, etc., and in coordination with the internal audit division and other relevant departments with jurisdiction over internal control, members of the Audit and Supervisory Committee attended important meetings such as Executive Management Committee, Business Plan Meeting, Internal Control Committee, received reports from Directors, Executive Officers and employees on the performance of their duties, requested further explanations as deemed necessary, reviewed important approval-granting documents, and inspected the state of business operations and assets at the head office and other important branch offices. With respect to subsidiaries, members of the Audit and Supervisory Committee communicated with and exchanged information via interviews with directors of the subsidiaries and opinion exchange meetings with corporate auditors of the subsidiaries and received business reports from subsidiaries as deemed necessary, and conducted audits of Advantest's main consolidated subsidiaries overseas (by interviewing via face to face or web conferences), and confirmed their state of business operations and assets. As a result of these investigations and audit activities, members of the Audit and Supervisory Committee shared our views with the directors and department heads on what we recognized as issues needing feedback.

Advantest's Audit and Supervisory Committee is composed of 1 inside director and 2 outside directors whom are Audit and Supervisory Committee members (of which one is a full-time Audit and Supervisory Committee member)* and is chaired by an outside director. Directors who are Audit and Supervisory Committee members are appointed by the General Meeting of Shareholders separately from other Directors who are not Audit and Supervisory Committee members. The Audit and Supervisory Committee, the Auditing Group and other internal control departments, the Accounting Auditors, and the corporate auditors

of each Advantest Group company collaborate with one another so as to carry out regular discussions and timely meetings.

* The number of people given is correct as of June 27, 2023.

Accounting Auditors

Accounting Auditors perform accounting audits of the consolidated financial statements, accounting documents, etc., and produce an audit report. Regarding accounting audits, Advantest has audited with Ernst & Young ShinNihon LLC and received predetermined audits. EY Shin Nihon LLC Audit Corporation (formerly Daiichi Audit Office) has been conducting listing audits of Advantest since 1983, when Advantest was listed on the Second Section of the Tokyo Stock Exchange. The certified accountants who executed the accounting audit work of Advantest in 2022 are Mr. Toshiyuki Matsumoto, Mr. Minoru Ota and Mr. Hiroyuki Nakada. The rotation of the certified public accountants is conducted appropriately at Ernst & Young ShinNihon LLC and no certified public accountants are involved in accounting audits of same company for more than seven consecutive fiscal years. Lead certified public accountants are not involved in accounting audits of the same company for more than five consecutive fiscal years. If a certified public accountant is involved in accounting audits of the same company for seven consecutive fiscal years, he or she will be involved in accounting audits of that company only after an interval of five fiscal years. Lead certified public accountants who are involved in accounting audits of the same company for five consecutive fiscal years will not be involved in accounting audits of that company again. In addition, assistants performing Advantest's accounting audit work include those with expert knowledge such as system experts, with CPAs as the main constituents.

Internal Audits

Advantest has established an internal auditing team that comprises the Auditing Group in head quarter and overseas subsidiaries. To verify whether the company's day-to-day operations are carried out appropriately and efficiently in accordance with the requirements of relevant domestic and overseas laws ordinances, and internal rules, the internal auditing team implements operational auditing, compliance auditing and internal controls auditing. Besides evaluating the efficiency of the internal controls system, the internal auditing team also provides support to assist in making improvements at individual business locations, when necessary. The internal auditing team hold appropriate qualifications (such as Certified Public Accountant, Certified Internal Auditor, or Qualified Internal Auditor), and all team members are committed to enhancing auditing quality.

Nomination and Compensation Committee

In 2005, Advantest established a Nomination and Compensation Committee as a discretionary institution. The Nomination and Compensation Committee consists of three Directors (including two outside Directors selected by the Board of Directors' resolution), with an outside Director serving as the chairperson of the committee. The Nomination and Compensation Committee, in consultation with the Board of Directors, discusses matters related to the nomination and compensation of Directors and Executive Officers, and makes proposals to the Board of Directors. The Committee met 14 times during FY2022. All the members were present at every Nomination and Compensation Committee meeting.

* The number of people given is correct as of June 27, 2023.

The main discussion agenda of the Nomination and Compensation Committee is as follows.

- **Candidates for Directors and Executive Officers and the Management Structure**

Under the structure of directors and managing executive officers since June 2022, the Committee has considered appropriate candidates and proposed them to the Board of Directors. The management structure for strengthening the CxOs was discussed and proposed to the Board of Directors.

The Committee discussed management structure in response to changes in the business environment including business expansion, acceleration of further growth, and preparation for future generational changes, and proposed transition to a three-member representative director structure to the Board of Directors.

Under the organizational structure for directors and managing executive officers after June 2023, the Committee considered appropriate candidates and a management structure with three representative directors, and proposed them to the Board of Directors.

- **Succession Plan for CEO**

After analyzing management issues and personnel requirements for the CEO and management team, the Committee held discussions after receiving reports and assessment of some of the Senior Executive Officers and a survey on external human resources from an external HR consulting firm. In these discussions, the Committee referred to the annual CEO assessment by non-executive directors and interviews with non-executive directors and Senior Executive Officers. Based on discussions with the non-executive directors, the Committee decided on a succession candidate and a transition plan and proposed both to the Board of Directors.

- **Experience, knowledge, and abilities required of Directors and Senior Executive Officers (skill matrix)**

Recognizing that the Skill Matrix is a tool to consider the most appropriate executive team and board structure, the Committee has set the elements of experience, knowledge, and abilities required of Directors and Senior Executive Officers based on discussions with non-executive directors.

- **Operation of Fixed Compensation, Performance-based Bonuses and Stock Compensation**

Individual evaluations of executive bonuses for FY2021 were discussed and finalized.

The Committee discussed and proposed to the Board of Directors the fixed compensation, performance indicators for performance-linked bonuses and stock compensation for FY2022.

In addition, the Committee established a process to define the roles and expected performances of each Director/Officer and evaluate the results.

Based on that, the Committee discussed fixed compensation for FY2023.

We have established a policy and procedures to assure the objectivity and transparency of the nomination and compensation of Directors, which are publicly available on the website.

 [Directors and Executive Officers Nomination/Dismissal Policy and Procedures \(PDF 180KB\)](#)

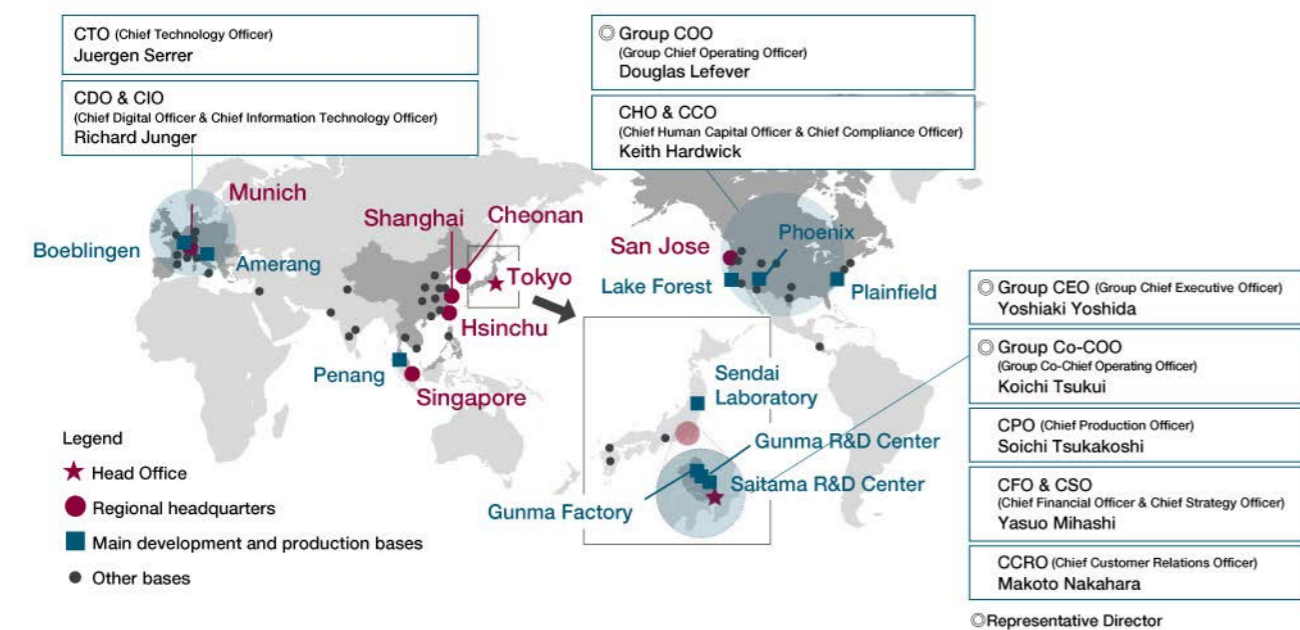
 [Policies and Procedures for Determining Compensation for Directors and Executive Officers \(PDF 61KB\)](#)

Executive Management Committee

Advantest delegates the necessary authorities to ensure the prompt and efficient performance of duties and the Executive Management Committee is positioned as a decision-making body for Advantest's important business execution matters. Among Executive Officers, those who are deemed capable of leading the group management are nominated as Senior Executive Officers who serve as members of the Executive Management Committee. Half of the members are executive officers of non-Japanese nationality, and Mr. Yoshiaki Yoshida is the chairperson. Meetings of the committee are held about twice a month, mainly online.

CxO System

We have introduced a CxO system to clarify management accountability in order to reinforce a global HQ management system further. As of July 2023, six CxOs are responsible for nine CxO functions, with the Group CEO, Group COO, and Group Co-COO sharing responsibility for each CxO. We have designated the CxOs as individuals who are suitable to assume these functions from a global perspective, and strive to build a system that enables management as a unified group.



Management

Executive Compensation System

Advantest's executive compensation system consists of fixed compensation (monetary), performance-linked bonuses (monetary), and stock compensation (non-monetary). The Nomination and Compensation Committee proposes our executive compensation system to the Board of Directors, which is operated following approval by the Board of Directors and the General Meeting of Shareholders.

[Policies and Procedures for Determining Compensation for Directors and Executive Officers \(PDF 61KB\)](#)

Basic Concept of the Executive Compensation System

The basic concept of the executive compensation system is as follows.

1. Establish a compensation mix and level that attracts international human resources who can support our global business development
In order to continue growing in the semiconductor industry, which is complex and swiftly-evolving on a global level, we will appoint talented human resources from all over the world and compensate them according to global standards.
2. Well-balanced bonuses linked to performance
Given that Advantest's business performance fluctuates, we will reward the contribution of officers when business performance is good, and reduce the burden on our company when business performance is declining.
3. Stock compensation that encourages executives to share the shareholder perspective and promotes a medium/long-term perspective on management
We combine restricted stock compensation (RS), which encourages executives to pursue the medium/long-term corporate value improvement that shareholders desire, and performance share unit compensation (PSU), which encourages the achievement of medium-term management goals that lead to the improvement of corporate value.

Compensation Structure

As the ratio fluctuates depending on business performance, the ratio of remuneration is as follows, using standard remuneration as an example. However, if s/he concurrently serves as a director, director remuneration will be paid separately.

Senior Executive Officers (including the president)	Fixed compensation: performance-linked bonuses: stock compensation = approximately 1:1:1
Other Executive Officers	Fixed compensation: performance-linked bonuses: stock compensation = approximately 1:0.8:0.8

Fixed Compensation

Fixed Compensation (cash compensation) for the Directors and Executive Officers (including the president) shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data.

Performance-linked Bonuses

Advantest believes that performance-linked bonuses for the Directors and Executive Officers (including the president) should improve corporate value by increasing the range of linkage.

Performance-linked bonuses are short-term incentives for the results of a single year, and are paid once a year after the performance of the Advantest Group for the relevant business year is confirmed. The distribution according to performance indicators and individual evaluations is as follows:

Performance indicators	With the annual profit plan target achievement rate as a KPI, bonuses vary from 0% to 200% of the individual's standard amount. * The standard amount of Senior Executive Officers is 100% of fixed compensation. The standard amount of other Executive Officers is 80% of fixed compensation.
Individual evaluation	Up to 30% of the total amount of performance-linked bonuses for executive officers is redistributed based on individual evaluations conducted by the president. Evaluation and redistribution proposals are discussed and approved by the Nomination and Compensation Committee and reported to the Board of Directors. In principle, the president's performance-linked bonus is calculated based on the results of performance indicators, but if the Board of Directors deems it necessary and clearly states their reasoning, it may be increased or decreased.

Stock Compensation

As far as stock compensation for the Directors and Executive Officers (including the president) is concerned, in order to encourage management from a medium/long-term perspective, we have introduced a restricted stock compensation plan (RS), which is granted on the condition that the company holds shares during the term of office, and performance share unit compensation plan (PSU), which is based to the achievement status of the mid-term management plan.

Restricted Stock compensation (RS)

- 50% of stock compensation for the Directors and Executive Officers (including the president) is RS.
- It is granted every year, with restrictions on transfer during the recipient's term of office (obligation to continue holding).

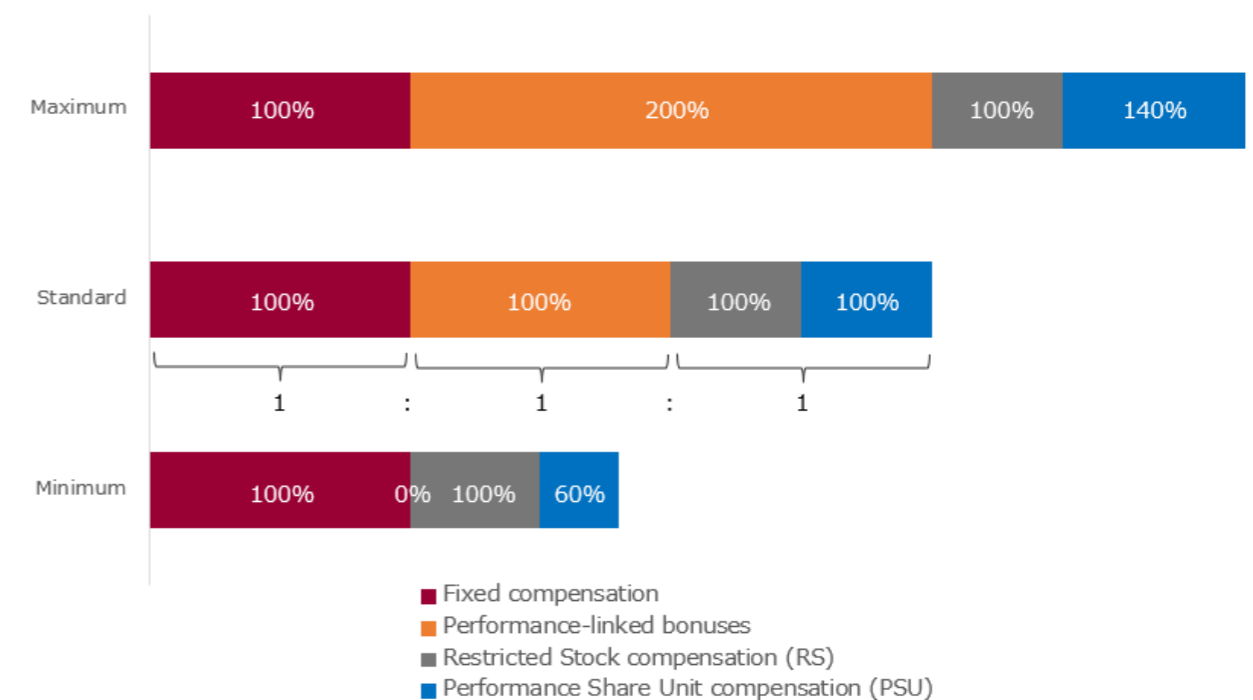
Performance Share Unit compensation (PSU)

- 50% of stock compensation for the Directors and Executive Officers (including the president) is performance-linked stock compensation.
PSU may fluctuate between 60 to 140% of the standard units according to how close actual results come to mid-term management targets (KPIs) over a three-year period.
- The KPIs are the following three items, and the weight of each item is as follows.

EPS growth rate	The target is 14% average annual EPS growth over the three years of the mid-term management plan with fluctuations between 70% and 130% of the standard units.
Relative Total Shareholders Return (r-TSR)	Comparison between the TSR of TOPIX with our TSR (our TSR ÷ TOPIX – TSR) with fluctuations between -5% to 5% of the standard units.
ESG evaluation	Evaluation scores of the S&P Global Corporate Sustainability Assessment are used as an index with fluctuations between -5% to 5% of the standard units.

- Three years' worth of PSU will be vested all at once after the completion of the mid-term management plan.
- Officers who take office or retire in the second or third years of the med-term management plan will be prorated according to the length of time they have served.

Visualization of compensation for Senior Executive Officers (including the president)



* Before redistribution of performance-linked bonuses (30%) based on individual evaluation

Return of Remuneration

In the event of a violation of relevant laws or regulations or internal regulations by the Directors and Executive Officers (including the president), the Board of Directors may decide to reduce future remuneration or refund past remuneration (clawback provision).

Internal Control System

Internal Control System

The internal control system is a framework for directors, executive officers, and employees to discipline themselves, aimed for Advantest to fulfill our social responsibilities and achieve growth. Various initiatives support sound corporate management so as to ensure that no one working at Advantest is engaged in injustice or wrongdoing.

Initiatives for Everyone Working in Advantest

- Spreading awareness of The Advantest Way to all employees
- Conducted "Leading with INTEGRITY" workshops for managers worldwide. Promoted support for the exercise of leadership based on the Core Values INTEGRITY.
- Implemented various e-learning programs once a year (education related to The Advantest Way, compliance education, information security education, etc.)

Please refer to "[Initiatives to Promote Ethical Business Practices](#)" for details.

Initiatives for Business Execution

- In accordance with the Regulations of the Board of Directors, the Board of Directors is responsible for management decision-making and supervision.
- Executive officers and employees shall perform their duties in accordance with the global organization and Global Authorization Statement.
- The Executive Management Committee shall be the decision-making body for important business execution matters.
- Help line contact points shall be established in Japan and overseas and thoroughly inform employees of its existence.

Please refer to "[Reporting and Consultation Framework \(Whistleblower Office\) for Human Rights Issues](#)" for details.

Cross-organizational Initiatives

- The Internal Control Committee shall check the status of autonomous risk management in each Unit, the responses to company-wide risks, and shall report to the Board of Directors.
- The Disclosure Committee shall supervise and ensure appropriate disclosure and shall report to the Board of Directors.
- The Risk Management Group shall be responsible for emergency responses during floods and pandemic.
- The Health and Safety Committee shall promote the prevention of occupational accidents and injuries, create of a comfortable working environment, and promote employee health.

- The Global Information Security Committee shall consider and implement measures to protect personal information and prevent leakage of confidential documents, and shall maintain and improve the security of our IT systems.

Please refer to "[Risk Management System](#)" and "[Information Security](#)" for details.

Non-executive Initiatives

- The Audit and Supervisory Committee shall ensure appropriate business operations by understanding important matters and cooperation with the audit (accounting and internal audit) departments.

Please refer to "[Audit and Supervisory Committee](#)" for details.

Initiatives for Group Governance

- Establishes and operates a homogeneous internal control system in each company of the Advantest Group for performance evaluation based on consolidated financial results.
- The Auditing Group shall conduct internal audits of subsidiaries and report the audit results to the President and Chief Executive Officer, the Audit and Supervisory Committee, and the Board of Directors.

Please refer to the Corporate Governance Report "Matters Related to the Internal Control System."

 [Corporate Governance Report \(PDF 838KB\)](#)

Risk Management Structure by the Internal Control Committee

Advantest has established an Internal Control Committee in which the Representative Director acts as the chairperson and outside Directors are observers. This committee identifies and analyzes significant risks for the whole company, and clarifies the responsible department and procedures for responding to each risk. Regarding the Internal Control System, the execution status of implementation of the system to ensure the appropriateness of business is reported directly to the Board of Directors once a year. Furthermore, if a material weakness is found in the internal control system development and operating status and the internal control evaluation process, it is reported to the Board of Directors.

Please refer to "[Risk Management System](#)" for details.

Risk Management

Advantest is building a risk management system around the Internal Control Committee. We continue to practice the plan-do-check-action cycle.

Risk Management System

Approach to risk management

Because more than 90% of Advantest sales depend on overseas markets, we must implement risk management across multiple countries and regions. We believe that the key to quick response is a management system that addresses risks both top-to-bottom and bottom-to-top.

Risk management system and organization

At Advantest, each unit carries out risk management under the risk control policy designated by the Internal Control Committee, and the Internal Control Committee supervises and assesses the statuses of each unit before offering feedback.

Compliance risks are reported to the Chief Compliance Officer (CCO) in a timely manner or a regular basis, and CCO reports risks to the Executive Management Committee and the Board of Directors. Certain types of risk information are reported directly to the Executive Management Committee, Board of Directors, and the Audit and Supervisory Committee.

Emergency response is allocated to the Risk Management Group.

Process of risk management

At Advantest, management supervises risk analysis and risk response implemented at the unit level, and at the same time, regarding corporate-level risks, the Board of Directors or the Executive Management Committee makes timely decisions and gives instructions to relevant departments. Thus, risk management processes at Advantest consist of bottom-up and top-down approaches.

Bottom-up risk management

Based on the management plan formulated by the Board of Directors and the Executive Management Committee, each unit formulate the measures of its own division. The Internal Control Committee defines the factors that may hinder achievement of those measures as risks. Each unit autonomously conducts risk management based on the risk management policy established by the Internal Control Committee and reports to the Internal Control Committee twice a year. The Internal Control Committee supervises and evaluates the management status and provides feedback to each unit. In addition, the secretariat of the Internal Control Committee assists each unit in autonomous risk management.

Top-down risk management

Corporate-level risks are reported to the Executive Management Committee or the Board of Directors in a timely manner, through the director in charge, and the relevant departments take prompt actions according to the instructions from management.

In the case of an emergency, necessary measures are taken in accordance with the directions given by the Risk Management Group.

TCFD-based Climate Change-related Information Disclosure

Initiatives for the TCFD recommendations

Guided by "The Advantest Way," Advantest implements climate change mitigation and adaptation measures from a long-term perspective, aiming to help solve important environmental issues through our business. In April 2020, Advantest announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and is engaged in analyzing and disclosing information on business risks and opportunities attributed to climate change.

Governance

Advantest newly established the Sustainable Management Promotion Working Group (SMWG) in FY2020. With the Group CEO as the general leader, and strategic managers and global leaders (executive officers) assigned to E, S, and G, the SMWG is composed of managers of each Business Unit, Functional Unit, and Regional Unit. The SMWG identifies and evaluates issues related to climate change. Goals and priority measures are summarized in the ESG Action Plan 2021-2023, which promotes specific activities. The implementation status of the ESG Action Plan 2021-2023 is reported to the Executive Management Committee and the Board of Directors twice a year for discussion and assessment. In addition, the SMWG manages company-wide risk by sharing information in a timely and appropriate manner with other committees in the company's corporate governance system.

Strategy

Advantest has conducted scenario analysis to consider strategies for adapting to events predicted to occur in the future due to climate change. We began by referring to the Shared Socioeconomic Pathways (SSP) 1-1.9, 1-2.6, and 5-8.5, greenhouse gas emissions scenarios that cover the range of plausible emissions futures, of the United Nations Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report and NZE (Net Zero Emissions by 2050 scenario) and APS (Announced Pledges Scenario) of the International Energy Agency (IEA). We identified the risks that can occur by 2050, which will have a particularly large financial impact on our business, including upstream and downstream of the value chain, and considered the 1.5-degrees/well below 2-degrees Celsius and the 4-degrees Celsius warming scenarios.

1.5-degrees/well below 2-degrees Celsius warming scenario:

Under the 1.5-degrees/well below 2-degrees Celsius framework, we assume that climate regulations, such as the introduction of carbon pricing, would be strengthened, helping to achieve Net Zero. We also expect that companies' responses to Net Zero policies will have a greater impact on the decisions of customers and investors, and that insufficient response will increase transition risks, such as loss of customers and increased reputational risk.

On another front, in a low-carbon economy, the demand for semiconductors will increase substantially, leading to an anticipated expansion of our business opportunities, as well as greater adoption of renewable energy and products that contribute to Net Zero targets, such as electric vehicles.

Given that climate change is already thought to be affecting weather events and natural disasters even today, where temperatures are 1.1-degrees Celsius higher than in the pre-industrial era, we predict that physical risks could occur even if the temperature increase is limited to less than 1.5-degrees/well below 2-degrees Celsius. However, the physical risks are predicted to be relatively low compared to the 4-degrees Celsius warming scenario.

4-degrees Celsius warming scenario:

We assume that climate change countermeasures would not be strengthened and that no progress will be made toward Net Zero. Therefore, we assume that the transition risk is low.

We also assume that we may be physically affected in an acute or chronic manner by the effects of climate change such as the intensification of extreme weather events and severe, frequent natural disasters, which will have a greater impact on our supply chains, production lines, and logistics. In addition, it is expected that significant funds will be required for adaptation measures to cope with and restore the situation in the event of possible physical effects.

Climate change risks and opportunities

In order to respond to the effects of climate change, climate change risks and opportunities were deliberated under the TCFD categories. These risks and opportunities were assessed according to their "priority" and "impact", and were categorized into time spans of "short-term (now until 2027)", "mid-term (now until 2030)", and "long-term (now until 2050)".

Risks related to climate change

Two scenarios described in the TCFD categories were examined regarding business risks related to climate change.

(1) "Risks related to the transition to a decarbonized society" and "risks related to the physical effects of climate change", which occur mainly in the 1.5-degrees/well below 2-degrees Celsius scenario

(2) "Risks related to the physical effects of climate change", which occur in the 4-degrees Celsius scenario

Assumed risks in the 1.5-degrees/well below 2-degrees Celsius scenario

Category		Major risks	Response/strategy	Time axis
Transition	Policies and regulations	Increased business costs due to laws and regulations (Carbon tax / chemical substances)	<ul style="list-style-type: none"> Reduction of greenhouse gas emissions throughout the supply chain Product development that does not use environmentally harmful substances 	Short-term
	Technology and market	Loss of sales opportunities due to delays in technological development (Energy saving technology, test technology for new semiconductors is yet to be implemented)	<ul style="list-style-type: none"> Further energy-saving performance (low power and compact sizes) alongside improvements in testing performance Development of new testing methods and testing devices Generating human resources for next-generation energy-saving research and development 	Short- to mid-term
	Reputation	Decrease in reputation among stakeholders (due to delays in GHG emissions reduction plans)	<ul style="list-style-type: none"> Promotion of ESG management (achievement of ESG Action Plan 2021-2023 targets) 	Short- to mid-term
Physical effects	Acute/chronic events	Disruption of the supply chain due to large-scale typhoons and torrential rainfall	<ul style="list-style-type: none"> Response based on the business continuity plan 	Short-, mid-, and long-term

Assumed risks in the 4-degrees Celsius scenario

Category		Major risks	Response/strategy	Time axis
Physical effects	Acute/chronic events	Disruption of the supply chain due to large-scale typhoons and torrential rainfall	<ul style="list-style-type: none"> Response based on the business continuity plan 	Short-, mid-, and long-term

Climate change opportunities

While the market is expected to continue to expand based on the semiconductor long-term forecast through 2030, the market for semiconductor test equipment is also expected to grow.

Amidst expectations of further semiconductor market growth, which is expected to be driven not only by climate change, but also by various factors such as economic growth and GDP growth in each country, Advantest has laid out direct business opportunities resulting from climate change as follows.

Semiconductors will contribute to Net Zero, which calls for stringent climate change countermeasures to be imposed. We can assume that the quantity of manufactured semiconductors will continue to grow in the future due to factors such as the expansion in semiconductor demand accompanying the digital transformation. Meanwhile, the quality and quantity of semiconductor testing will increase in hand with the sophistication and technological evolution of semiconductors. It is thought that demand for semiconductor test will increase because such demand will be multiplied by the two factors of enhanced test content per chip and the increase in the physical quantity of semiconductors, and so Advantest recognizes the Net Zero movement to be an opportunity presented by climate change.

Advantest will make investments to achieve the necessary technological advancements, such as in research and development and in developing the next generation of human resources, as part of our efforts to contribute to Net Zero through semiconductor test and product development of new semiconductor technologies.

Climate change-related opportunities

Category	Major opportunities	Response/strategy	Time axis
Products & services/ market	Growth in test demand outpacing market growth for core semiconductors where energy efficiency is important	<ul style="list-style-type: none"> • Further energy-saving performance (low power and compact sizes) alongside improvements in testing performance • Development of new testing methods and testing devices 	Short- to mid-term
Products & services/ market	New test demand introduced by power semiconductors, which are required by the final demands such as EV	<ul style="list-style-type: none"> • Development of new testing methods and testing devices 	Short- to mid-term
Products & services/ market	Sales growth by providing green products	<ul style="list-style-type: none"> • Introduction of energy-efficient products based on the ESG Action Plan 2021-2023 and steady implementation of the energy-saving plan 	Short- to mid-term

Risk management

At Advantest, we consider the factors that may hinder business management to be risks and have established a company-wide risk management system. Management risks posed by climate change are also managed within this system. With the support of the SMWG, we analyze and evaluate urgent and anticipated risks posed by climate change. Using the company-wide risk management system that we have already established, we implement countermeasures to avoid and mitigate those risks to ensure continuity of our business activities in the face of adversity. The SMWG makes timely decisions, and can launch a Task Forces consolidating efforts from related departments to rapidly tackle risks or opportunities, which may be recognized as particularly critical.

Metrics and targets

The metrics and targets for measures taken in respect to risks and opportunities brought about by climate change are managed by the ESG Action Plan 2021-2023. The achievement status of the ESG Action Plan 2021-2023 is reported to the Executive Management Committee and the Board of Directors twice a year for discussion and evaluation. Based on their evaluation, the SMWG will review and update the indicators and goals of the ESG Action Plan 2021-2023.

As our mid-term climate change countermeasure target, Advantest has set a goal to reduce greenhouse gas emissions as covered in Scopes 1 and 2 by 60% by FY2030 compared to FY2018, and to reduce greenhouse gas emissions covered in Scope 3 by 15% by FY2030 compared to FY2018. In addition, our long-term target is to achieve net-zero greenhouse gas emissions in Scopes 1 and 2 by FY2050. These goals have been approved by the Science Based Targets Initiative (SBTi), acknowledging that our greenhouse gas reduction targets are based on scientific evidence. While we are making steady progress in reducing emissions from Scope 1 and 2 through the adoption of renewable energy and other measures, progress on Scope 3 is lagging behind our target as of FY2022 due to a significant increase in sales compared to our expectations at the time the target was set. We will further strengthen our efforts to develop products with lower CO₂ emissions and promote collaboration throughout the value chain, aiming to achieve our emission reduction targets.

Business Continuity Initiatives

This page introduces the measures taken by the Risk Management Group in dealing with disasters and incidents.

Please refer to Supply Chain Management for information on our efforts to address parts procurement risks.

[Supply Chain Management](#)

Systems for Disasters and Other Emergency Situations (Risk Management Group)

In December 2001, Advantest established the Risk Management Group, wherein the president assumes the position of general manager. In the event any of the following crises occurs, the Risk Management Group will centralize collection of information, conduct an initial assessment, direct the initial response, implement planning for recovery, etc., by acting promptly and appropriately until recovery is complete:

1. If damage is caused to buildings or facilities, or if networks and systems stop functioning, thereby making it difficult to continue our business operations, or if there is the possibility of this type of situation occurring due to a disaster or accident;
2. If our executives or employees are in danger or possibility of danger of death or bodily injury due to a disaster or accident;
3. If there is a scandal or incident that may become a matter of public concern; or,
4. In addition to those described above, if there is any event, which may cause a significant impact on the business of the Advantest Group due to a disaster or accident.



Business Continuity Plan

The Advantest Group established the following basic policy in fiscal 2007 for large-scale natural disasters. We have devised our business continuity plan based on this policy.

Business Continuity Plan (BCP) – Basic Policy

- We will place top priority on ensuring human safety should a major disaster strike.
- We will minimize the adverse effect to our suppliers and other stakeholders, and fulfill our corporate responsibility.
- We will cooperate with local society in regular disaster prevention activities, and will assist the recovery of local society in case of disaster.

Determining specific measures for BCP

After the Great East Japan Earthquake in March 2011, we reviewed our disaster prevention arrangements. In fiscal 2012, we rebuild our Business Continuity Plan (BCP) to take into account the possibility of an earthquake in Tokyo and flood along the Tone River, and to ensure the integrity of our supply system even in the event of such disasters. Under the BCP, the following measures are stipulated in line with the basic policy.

Basic Policy	Specific Measures
1. Ensuring human safety	In addition to the regular disaster prevention and safety confirmation drills, we will strengthen crisis management and business continuity systems, making human safety the top priority.
2. Fulfillment of supply responsibilities	In case of an earthquake, we will continue to supply systems from our main manufacturing plant (i.e. the Gunma Factory) . In the case of a flood, we will continue to supply systems from alternative 3rd party manufacturing sites.
	In preparation for cases where workplace attendance is temporarily impractical because of damage to offices or infrastructure, we will establish remote work environment.
3. Contributions to local society	Our Gunma R&D Center has been designated by Meiwa Town as an evacuation shelter in case of flooding, and we contribute to the area by keeping the site ready for flood evacuees.

Measures Implemented in Fiscal 2022

In April 2022, with the support of an external consulting organization, we initiated a project to rebuild the business continuity plan for the entire Advantest group. As the first phase of the project, from April 2022 to October 2022, we developed a Crisis Management Plan, which provides guidelines and responses in the event of a major crisis, and a Business Continuity Plan, which describes the organization and activities necessary for the continuation of our business and for early restoration. As the second phase, from

November 2022 to May 2023, we worked on the formulation of BCPs for each department at major business sites in Japan that stipulate measures for the continuation of operations and early restoration, as well as response plans presupposing the loss of functions (infrastructure) necessary for the operation of these business sites.

Disaster Responses

May 2023	Noto region of Ishikawa Earthquake: All companies in Japan carried out safety confirmation.
----------	---

COVID-19 Countermeasures

The Risk Management Group is making efforts to collect information on the pandemic situation both in Japan and overseas in order to inform employees of COVID-19 countermeasures while reporting to management as necessary.

In Japan

In Japan, telecommuting has been recommended since February 2020 as a safety consideration for employees. As a general rule, during the state of emergency periods, employees of offices in applicable regions and residents of applicable regions were required to telecommute. In addition, business trips and visitors were prohibited as a general rule. Furthermore, we conducted e-learning activities to educate employees about COVID-19, and we had employees with symptoms (e.g., fevers) report their conditions to the Risk Management Group through their superiors, enabling us to respond promptly in the event of COVID-19 infection.

Countermeasures implemented in offices have included installation of thermal cameras at regular entrances and service entrances, taking of body temperatures, and confirming wearing of masks upon arrival at work. Employees with fevers are required to stay home, and masks are provided for employees who need them. Hand-sanitizing stations have been installed at company entrances, and some office areas where employees are in close proximity have installed acrylic plates. Antiviral coating has been applied to common spaces (e.g., meeting rooms) to reduce the risk of infection through contact. Offices with cafeterias have changed their hours to disperse crowds and have reduced the number of chairs available to ensure social distancing.

In the event that an individual is confirmed to have COVID-19, temporary office closures and disinfection of areas used by the infected individual are implemented in accordance with the infected individual's commuting status.

From the beginning of 2023, when human traffic was gradually easing, COVID-19 antigen test kits were distributed in the event of face-to-face meetings with more than a certain number of people, as measures to prevent the spread of infection.

The utmost care is being taken so that nothing interferes with production at the Gunma Factory, which is the main production factory for semiconductor test equipments. As a countermeasure in the event that someone becomes infected, workers are provided with smartphones that have the contact-tracing app released by the Ministry of Health, Labor, and Welfare installed to enable them to confirm whether they have had any contact. We have also recommended installation of this contact-tracing app on employees' personal smartphones and requested employees' cooperation in confirming any contact with infected individuals.

Overseas

Our overseas Group subsidiaries follow government ordinances for commuting in their respective countries.

Each business base has been providing education on COVID-19 through informational posters in addition to providing masks and hand sanitizer; reviewing the scope of cleaning; ensuring regular disinfection, ventilation, and social distancing; and enhancing IT infrastructure to boost telecommuting work efficiency. Furthermore, business trip schedules are prepared in consideration of quarantine periods so as to ensure appropriate response to customer requests.

When a COVID-19 infection is confirmed at an overseas Group subsidiary, countermeasures similar to those taken in Japan are implemented to prevent the spread of infection, and the risk management leader of the subsidiary makes use of the notification/information sharing systems to inform the Risk Management Group at the Head Office.

Compliance

We take measures to ensure that all Advantest employees fulfill their duty to society through the maintenance of high ethical standards, thereby helping to ensure that Advantest continues to enjoy the trust of stakeholders.

Initiatives to Promote Ethical Business Practices

Our Stance and Basic Policy on Compliance

Companies aiming for sustainable growth need employees who fulfill their social responsibilities and who possess a strong sense of ethics. They also need to earn the trust of stakeholders. Based on this belief, Advantest has established The Advantest Way as a basic principle for our management and business execution, which lays out our corporate mission, vision, core values, corporate mantra, ESG for sustainability, and specific ethical standards, in order to enhance our ethical awareness.

[The Advantest Way](#)

Compliance Promotion System

Advantest gives guidance and advice to all Group employees to ensure that they fully understand and comply with The Advantest Way and has established a global management structure.

The Chief Compliance Officer (CCO), who is the officer in charge of compliance, is responsible for collecting compliance-related information such as legal compliance, human rights protection, information security, and Corporate Ethics Helpline for the entire Group, and corrective actions are taken under the supervision of the CCO. Aggregated information is also reported to the Board of Directors through the CCO. Information gathered is also reported to the Executive Management Committee and the Board of Directors by the CCO.

In addition, the Compliance Committee, which assists the CCO, plays a central role in strengthening the compliance system of the entire Group.

Moreover, in order to fulfill our responsibilities as a member of international society, regular compliance auditing is conducted by the global audit team to confirm whether business is being conducted appropriately under each country's laws and regulations.

Compliance Education

When globally deploying its business, Advantest believes that it is important to ensure thorough legal compliance worldwide and to pay attention to compliance across the Group, after obtaining a good understanding of the different laws and regulations in each country.

In fiscal 2023, we systematized basic compliance education common to the entire Advantest Group and began its implementation as the Global Compliance Education Program. Educational programs on "The Advantest Way," "ESG," "Fair disclosure/Anti-insider trading," "Anti-corruption and Anti-bribery," "Export control," "Intellectual property," "Information security," "Personal information," "Prevention of anti-competitive action," and "Prevention of embezzlement and breach of trust" are implemented once a year on a global basis. To ensure that all employees of the multinational Group can accurately understand the content, the training is translated into up to 16 languages.

Moreover, training is implemented in each country based on the relevant country's ordinances.

Advantest has signed a Memorandum of Understanding with waste management companies in its efforts toward the exclusion of anti-social forces

The Tokyo metropolitan government and other regional governments have issued organized crime exclusion ordinances, and each company is obligated to make efforts to stipulate in writing that it will terminate contracts if the business partner is found to be an anti-social force.

Furthermore, as a request for a comprehensive overhaul of corporate behavior and as a method to exclude anti-social forces, the Japanese Business Federation (Keidanren) recommends concluding the above memorandum.

To comply with the organized crime exclusion ordinances and the recommendations of Keidanren, the Advantest Group signs a Memorandum of Understanding that stipulates it will terminate contracts if the business partner is found to be an anti-social force with all partner waste management companies.

Prevention of Bribery and Compliance with the Anti-Monopoly Act

The basic philosophy of the Advantest Group, which is embodied in The Advantest Way, attaches great importance to the awareness of one's responsibilities to society, and to the maintenance of integrity in one's conduct. Advantest implements a variety of measures to prevent the occurrence of bribery or other corrupt practices, and to prevent anti-competitive behavior.

[The Advantest Way](#)

Prevention of Bribery and Other Corrupt Practices

As a supplement to The Advantest Way, Advantest has also formulated an Anti-corruption and Anti-bribery Policy, which clarifies, in detail, Advantest's rules in relation to the prevention of bribery and other forms of corruption throughout the world.

All Group employees participate in annual "anti-corruption and anti-bribery training" (e-learning) to enable all employees to fully comprehend this policy and to behave in a manner that does not violate any laws or regulations of the country they are in.

In fiscal 2022, Advantest was not the subject of any legal action relating to bribery or other corrupt practices.

 [Anti-corruption and Anti-bribery Policy \(PDF 319KB\)](#)

Compliance with the Anti-Monopoly Act

Advantest educates its employees about all aspects of anti-competitive behavior prevention as part of its Code of Conduct training, which places particular emphasis on the need to comply with the Anti-Monopoly Act. Education on the Act is provided to personnel in all relevant departments, including procurement divisions, along with management and new recruits. Going forward, Advantest intends to continue providing education and training aimed at ensuring fair business practices. In addition, Advantest's Internal Auditing Department samples purchasing transactions to verify that there are no violations of any kind.

Advantest was not subject to any legal action for anti-competitive behavior in fiscal year 2022.

Community Engagement

Advantest engages in business activities as a member of the community and society, and our stakeholders include various organizations, governments, and local government as well. Our goals are the sustainable growth of Advantest, participating in businesses that will resolve social issues, and contributing toward the attainment of a sustainable society through collaborations with these organizations, institutions, and local communities.

Economic and Industry Organizations

Through our participation in various organizations and associations related to the business and trade, semiconductor and electronics industries, Advantest collects information on elements such as next-generation technology standards and enforcement of further social regulations which will lead to future business opportunities and risks, in our efforts to enhance the sustainability of our company. We also make efforts in expanding our contributions toward a sustainable society by deepening our understanding of various social issues through participation in various organizations.

Of the organizations Advantest participates in, such as the Keidanren (Japan Business Federation), SEMI, and Semiconductor Equipment Association of Japan, some may make proposals regarding political and social issues. Participation in organizations does not necessarily imply that we fully endorse that organization's perspective concerning various policies.

Political Contributions and Sponsorships

There are cases in which Advantest makes donations, etc. to various organizations. When doing so, screening and decisions are made in accordance with our internal regulations with regard to purpose and public interest, including whether the initiative contributes to social development and the degree of contribution made toward social missions. These donations, etc. are properly implemented under the relevant laws and regulations of each country.

Export Control

In order to keep products and technologies out of the hands of nations and terrorists that threaten the safety of the international community, the Advantest Group pays the utmost caution to laws and regulations regarding security export control, along with self-management. In the unlikely event of an illegal export, legal sanctions such as temporary export bans will be imposed, which will call into question the social responsibility of the company that made the illegal export and lead to severe damage. Advantest has a basic policy of global compliance with laws and regulations, and has established in-house regulations that require export control to be implemented based on each country's laws and regulations.



In international society, which is changing rapidly, security issues such as terrorist attacks and the development of weapons of mass destruction are becoming more serious by the day. As many Japanese products incorporate advanced technologies, it is necessary to implement measures that prevent leakage to countries and organizations that are subject to international sanctions. The Advantest Group carries out appropriate business practices by having export control officers collect information based on updated laws and orders, etc., based on laws, preventing mishandling by applying them to the entire company system, and incorporating this information into on-site education and training programs.

An export control system in compliance with laws and regulations

At Advantest, the Representative Director (Group CEO) serves as the chief executive for export control, in accordance with the Foreign Exchange Law and other relevant laws and regulations. The control system has been constructed and is operated under the leadership of top management since a failure to implement security export control may create a situation that endangers the company's survival.



The Export Control Division of the Head Office regularly audits whether export procedures are being conducted properly in accordance with the basic policy/rules and regulations on export control, and the results are reported to the Chief Export Control Officer and the Export Control Manager.

Export control in the case of US-China trade friction

The working group in the figure considers and takes measures against the trade friction between China and the US. Although this is an issue in terms of international law, US export control regulations are applied extraterritorially to Japan. For this reason, working groups with the participation of related domestic and overseas parties have been established to regularly share information and to ensure that there are no violations of laws or regulations that the US would regard to be problematic.

The specific operations of the working group are as follows:

- For transactions with specific customers
 - Checking the percentage of U.S.-origin items and direct product regulations to determine whether the product is subject to the regulations while considering the strengthening of regulations under the U.S. Export Administration Regulations (EAR).
- For concerns about the objectives of our products
 - In addition to the confirmation of conventional use, obtaining a written assurance that the product does not fall under any further restricted use.

Export control education

As the vast majority of Advantest employees operate globally, we provide e-learning that outlines export control along with annual training on export control concepts and necessary procedures. All employees in Japan and overseas participate. The content of these initiatives include "the business environment," "export control for security," "targets of export control," "Advantest's export control policy," "points of caution upon export," "export of technology (provision of services)," and "EAR." We will continue to develop and implement more practical content, such as rules reinforcement and addressing important topics.

Risk management related to international affairs

Amid today's rapidly changing business environment, whilst the US diplomacy towards China and the Russian-Ukrainian crisis, it is only natural that risks are also becoming more complex and diversified. Advantest has become a supporting member of the Center for Information on Security Trade Controls for the purpose of obtaining information on changes in the international situation and amendments to laws and regulations and reflecting our own requests during direct dialogues with regulatory authorities or when expressing opinions or making recommendations from the industry. In addition, we have a system in place to consult with outside experts such as lawyers, as necessary, when there is an introduction or amendment of laws and regulations that may have an adverse effect on our business.

Tax Compliance

Basic policy on tax

We fulfill its corporate social responsibility by appropriately paying taxes based on compliance with national and regional laws, and tax guidelines published by international organizations such as the OECD and the BEPS (Base Erosion and Profit Shifting) Action Plan. We do not engage in contrived arrangements for the purposes of avoiding tax.

Secure transparency

We shall have appropriate disclosures like Annual Financial Report in accordance with the Financial laws and regulations. With respect to taxes, we disclose tax information based on laws and regulations in disclosed reports.

Build relationship of trust with tax authorities

We strive to reduce tax risks by building a strong trustworthy relationship with national tax authorities by responding appropriately and cooperatively to their requests for information disclosure.

Appropriate management of the transfer pricing taxation

We recognize the importance of the transfer pricing taxation and executes inter-company transactions based on arm's length principle. We will also pay taxes in proportion to the contribution of the added value created in each country / region.

Tax Havens

We do not engage in deliberate tax avoidance through the use of tax havens (i.e., countries or jurisdictions with no or significantly lower tax rates).

Information Security

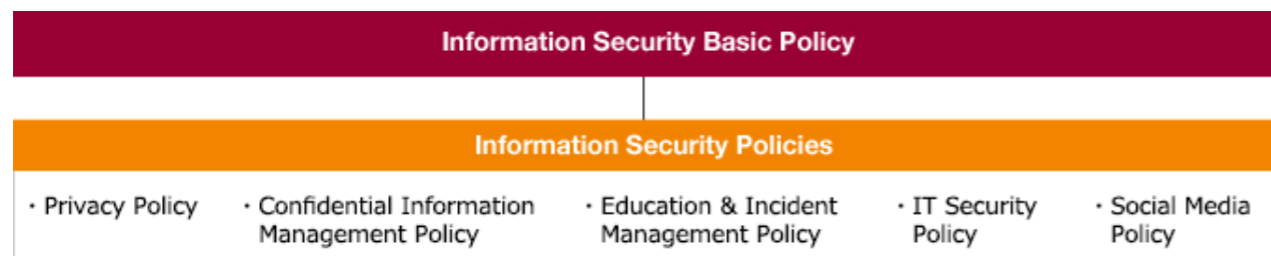
Advantest considers information security management to be an important management issue, and is implementing measures to ensure information security.

Our Commitment to Information Security

The Advantest Group recognizes information received from customers and clients, in addition to our company's technology and sales information, to be valuable information resources. We are committed to proper management of information through the security measures of the Global Information Security Committee, which include establishing regulations, constructing control systems, and providing employee education.

Policies and Rules Related to Information Security

Advantest has established an Information Security Basic Policy. Rules are specified in five policies: our Privacy Policy, Confidential Information Management Policy, Education & Incident Management Policy, IT Security Policy, and Social Media Policy. Each policy will be reviewed by the responsible department, as necessary.

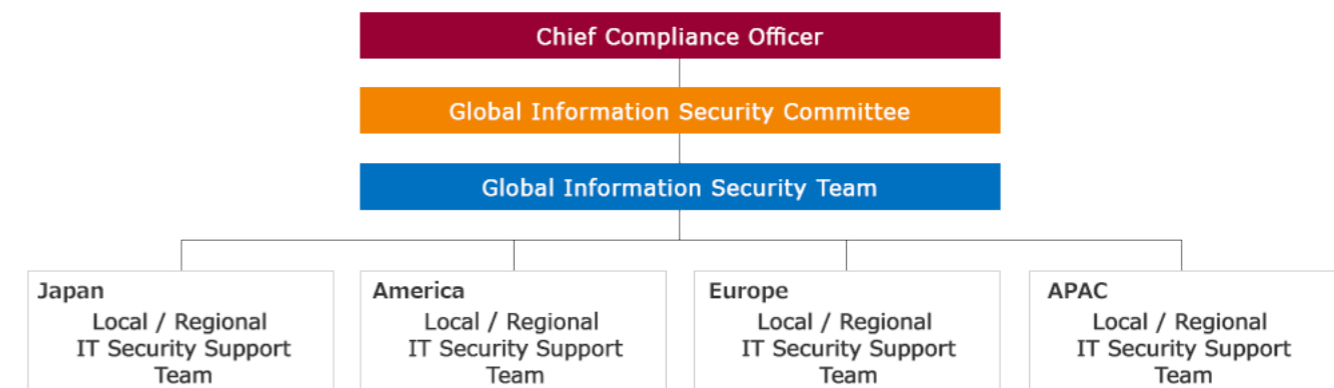


Organization of the Information Security Management System

Advantest recognizes information security management to be a critical business management issue, and has instated the Chief Compliance Officer (CCO) as the Information Security Officer within a global system.

Under the CCO are the Global Information Security Committee and Global Information Security Team, with local/regional IT security support teams in each country/region.

The Global Information Security Committee deliberates on information security measures to be applied to the entire Group from various angles, and examines the establishment/revision/abolition of policies and rules, which are then deployed to each country/region. Individual security requirements from each country/region are also examined by the Global Information Security Committee and unified responses are taken.



System for Responding to Information Security Incidents

In FY2020, Advantest formed the Advantest CSIRT¹ to reinforce initial response systems for information security incidents. Furthermore, a SOC² security monitoring system that operates 24 hours a day, 365 days a year has also been incorporated to facilitate early detection and swift response to global cyberattacks.

Cooperation between related parties in case of damage by a cyberattack is regularly checked. We also determine whether responses to information security incidents are properly functioning by conducting cyberattack training.

If employee discovers a security incident, the employee will report to manager immediately. Upon receipt of the report, the manager will contact the IT team of their company or regional headquarters. If the employee cannot reach his/her manager, the employee will contact the nearest IT team.

*1 CSIRT (Computer Security Incident Response Team)

*2 SOC (Security Operation Center)



Efforts to protect information

Information Security Training

Based on our belief that people are the last line of defense in information security, our Group is working to ensure that our information security policies and relevant regulations are thoroughly understood. Information security training, in which all employees participate, is based on the policies of "Personal Information Protection", "Confidential Information Management", "Training and Incident Response" and "IT Security" along with training that includes simulations of actual cyberattacks. From FY2021, we changed the information security training platform to provide an environment where employees can take lessons in an easier manner and deepen their understanding.

Furthermore, information on information security is published on the company website to provide information to employees in a timely manner.

Training/Awareness Raising as Part of the Information Security Training

- Information Security Training through e-learning for all employees: 1
- Targeted email threat training: 1
- Broadcast of information to raise awareness: 7

Initiatives for Strengthening Information Security

- The Advantest Group has established a system in which our audit division conducts information security audits. This enables more objective checks to be carried out based on specified rules and provides a way for the divisions that have been audited to give feedback.
- Since FY2019, we have been making efforts to further reinforce security by configuring multi-factor authentication in order to prevent identity theft.
- Security risk assessments and vulnerability tests conducted by external organizations are carried out to objectively evaluate our information security measures, and the results enable us to narrow down the points that need improvement in order to raise our level of security.
- As security measures, enhanced filtering functions and adding warnings on emails sent from outside the company have been added.
- Acquired ISO27001 certification to ensure continuous implementation of PDCA to reinforce our level of security. Efforts are underway to achieve certification among the entire Advantest group, including our overseas bases.

Acquisition status of ISO27001 certification

Japan	August 20, 2021	Semiconductor test system related departments (R&D, manufacturing, sales, maintenance)
Germany	July 29, 2022	Semiconductor test system related departments (R&D, sales, maintenance)

Confidential Information Protection

Our Information Security Basic Policy defines confidential information as information that has been disclosed by clients under contract along with information that is important to the company. Moreover, the policy stipulates that such information must be handled in accordance with relevant regulations.

Accordingly, we are committed to ensuring that confidential information is not divulged outside the company by ensuring that it is protected through the use of adequate controls governing its storage, disclosure and handling. In fiscal 2022, there were no incidents involving the unauthorized disclosure of important confidential information, etc.

Personal Information Protection

We consider the confidentiality of all personal information entrusted to us to be very important, and accordingly we take steps to ensure that such information is properly protected and managed.

Our commitment to safeguarding personal information entails posting personal information managers in divisions that handle such duties, and ensuring that those managers carry out their duties properly with regard to overseeing such information. Furthermore, we perform regular audits of personal information management and usage practices in each division, and make improvements whenever deficiencies are discovered.

In Group companies outside of Japan, Regional Information Security Officers work to protect and manage personal information in accordance with the laws, regulations, and demands of each respective country or region.

There were no major cases of personal information leaks in FY2022.

[Privacy Policy](#)