Sustainability

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39  Further Enhancement of ESG Initiatives
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The Advantest Way, which defines our management philosophy, sets *Sustainability through ESG Promotion* as one of our management guidelines. Under our second mid-term management plan (MTP2), which started in FY2021, we aim to further advance our ESG initiatives through the formulation and implementation of the ESG Action Plan 2021 to 2023.

**Our Approach to Sustainability Issues**

One key to the sustainable growth of our core business, semiconductor test, is widespread recognition and acceptance of its value. We have various stakeholders, but our business will not grow sustainably unless we provide value that society needs, nor will we be able to produce results that satisfy other stakeholders. The public value of semiconductor test is hard to perceive for many people, because we deliver value in an indirect way. Semiconductors whose performance and reliability are guaranteed by our leading-edge test technology are incorporated into final products and used throughout our society and daily lives, contributing to global safety, security, and comfort. Moreover, aside from the social value derived from technological aspects of semiconductors such as their functions and performance, highly efficient devices that consume less power can also help to combat climate change. Successful semiconductor manufacturers of the present and future will provide devices that deliver public value on this and other fronts, and we will continue to support them with our testing expertise. In other words, semiconductor test, our core business, plays a leading role in sustainability-related global initiatives such as the battle against climate change, and when this and other values of semiconductor test are recognized by society, that can also contribute to the sustainability of our business. It is all interconnected. Ultimately, who is sustainability for? It is for everyone, including us. It is a global responsibility we are honored to share.
Contributing to the Realization of Social Value

For us to meet the expectations of society and contribute to humanity’s sustainable future, we believe that (1) shareholder value, (2) stakeholder value, and (3) ESG value are indispensable axes of value. As shown in the figure above, the improvement of corporate value that we aim for is the sustainable development of future earnings through the growth on all three axes of matrix in a well-balanced manner. In particular, the growth of ESG value is positioned as an important value that promotes the growth of the other two axes.

ESG Promotional Structure and ESG Action Plan 2021 to 2023

We have established our ESG Basic Policy* as our basic philosophy on ESG activities. Under this policy, we have set mid/long-term goals and KPIs to address environmental, social, and corporate governance priority issues, and are promoting initiatives aimed at business growth that help foster our sustainable future. Specifically, in order to develop ESG activities on a global scale, we have established a company-wide Sustainable Management Promotion Working Group (SMPWG), led by the leaders of all business units, functional units, and regional units, and we are committed to developing ESG action plans.

*ESG Initiatives Basic Policy: https://www.advantest.com/sustainability/advantest-sustainability/ESGpolicy.html
# ESG Action Plan 2021-2023

<table>
<thead>
<tr>
<th>ESG</th>
<th>Key Issue</th>
<th>Executive in charge</th>
<th>Goal</th>
<th>KPI</th>
<th>Target Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate Change (Scope 1+2)</td>
<td>Reduce GHG emissions from business activities by 80% by 2030 (vs. FY2018)</td>
<td>Co-CSO</td>
<td>GHG emissions reduction amount/rate</td>
<td>35% 34% 38% 40% 60%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Raise renewable energy usage to 70% by 2030, Group-wide</td>
<td>Co-CSO</td>
<td>Coverage rate by renewable energy</td>
<td>50% 54% 53% 55% 70%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reduce production times 30% through production process reviews (vs. FY2020)</td>
<td>CPO</td>
<td>Production time reduction rate for target models (vs. FY2020)</td>
<td>15% 21% 25% 30% TBD**</td>
<td></td>
</tr>
<tr>
<td>Value Chain (Scope 3)</td>
<td>Promote the use of renewable energy by suppliers and contractors</td>
<td>CPO</td>
<td>Number of suppliers who have introduced renewable energy</td>
<td>10 12 20 40 TBD**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reduce CO₂-equivalent emissions (basic unit) per test by 50% by 2030</td>
<td>CTO</td>
<td>Reduction rate in basic units (vs. FY2018)</td>
<td>Set basic unit calculation definition 20% 50%</td>
<td></td>
</tr>
<tr>
<td><strong>Green Products</strong></td>
<td>Develop products that are free from polluting substances</td>
<td>CTO</td>
<td>Total elimination of PFAS in coolant</td>
<td>New methodology in development plan Announce release plan Total elimination of PFAS in next-generation models</td>
<td></td>
</tr>
<tr>
<td><strong>Resource Recycling</strong></td>
<td>Improve in-house recycling rate by promoting the SFs</td>
<td>CFO</td>
<td>Waste recycling rate (Japan/overseas)</td>
<td>JPN: 90% Other regions: 73% or more</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maintain Group-wide water usage at FY2016 levels</td>
<td>CFO</td>
<td>Water resource usage</td>
<td>288,000 m³/year 236,405 m³/year 288,000 m³/year</td>
<td></td>
</tr>
<tr>
<td><strong>Biodiversity</strong></td>
<td>Promote nature conservation activities (protection of endangered species in biotope, tree planting, beach clean-up, etc.)</td>
<td>Co-CSO</td>
<td>Planning and implementation rate of nature conservation activities</td>
<td>10 activities planned, 6% implemented 11 activities planned, 73% implemented 14 activities planned, 8% implemented 18 activities planned, 8% implemented 20 activities planned, 8% implemented</td>
<td></td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>Share and solve/mitigate ESG issues (risk management, human rights/occupational safety, environment, fair trade, compliance, etc.)</td>
<td>CPO</td>
<td>Due diligence implementation rate for major suppliers</td>
<td>90% 100% 95% 100% 100%</td>
<td></td>
</tr>
<tr>
<td>Diversity, protection, and respect for human rights</td>
<td>Fair treatment in gender</td>
<td>CHO</td>
<td>Female manager ratio</td>
<td>9.0% 9.6% 10.0% 10.5% 17.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Edification and practice of human rights</td>
<td>CHO</td>
<td>Participation rate of educational training</td>
<td>100% 99.5% 100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Work-life balance</td>
<td>CHO</td>
<td>Return-to-work rate after maternity leave (JPN) Exercice rate of childcare leave by males (JPN)</td>
<td>100% 100% 100% 100% 100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Conflict minerals elimination</td>
<td>CPO</td>
<td>Percentage of suppliers confirmed to be free of conflict minerals**</td>
<td>100% 63.4% 100% 100% 100%</td>
<td></td>
</tr>
</tbody>
</table>

*1: Set products and target values considering future product lifecycles
*2: Set target values based on investigation of future major suppliers
*3: KPIs are changed according to actual activities
## ESG Action Plan 2021-2023

<table>
<thead>
<tr>
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<th>Executive in charge</th>
<th>Goal</th>
<th>KPI</th>
<th>Target Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>S</strong></td>
<td>Customer satisfaction, employee engagement</td>
<td>CCRO</td>
<td>Raise customer satisfaction under New Normal circumstances</td>
<td>Ranking of TechnInsights customer satisfaction survey</td>
<td>1st</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CHO</td>
<td>Edification and improvement of attractive corporate culture</td>
<td>Score of Gallup survey</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>G</strong></td>
<td>Investing in human resources</td>
<td>CFO</td>
<td>Maintaining and enhancing occupational safety and health</td>
<td>Occupational accident rate (frequency rate)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CHO</td>
<td>Promotion of health management</td>
<td>To be selected in White 500 (JPN)</td>
<td>In Process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CHO</td>
<td>Employee capacity building</td>
<td>Education and training expenses (100MY)</td>
<td>—</td>
</tr>
<tr>
<td><strong>G</strong></td>
<td>Board Effectiveness</td>
<td>CEO</td>
<td>Provide outside directors with updates on business and management issues</td>
<td>3 times/year</td>
<td>In Process</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Intensify discussion through Off-site meetings by board members</td>
<td>2 times/year</td>
<td>In Process</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Succession planning</td>
<td>Policy/process making, planning, updates</td>
<td>In Process</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Diversity of board members</td>
<td>Outside directors must include female representation (&gt;40%)</td>
<td>In Process</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Add ESG performance assessment to compensation</td>
<td>Start from FY2021</td>
<td>In Process</td>
</tr>
<tr>
<td><strong>G</strong></td>
<td>Corporate culture and Code of Conduct, compliance, risk management</td>
<td>CFO</td>
<td>Work Shop/training for all employees (The Advantest Way, Law, Regulations, Information securities, etc.)</td>
<td>Participation rate for e-learning (100%)</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Strengthening Internal Control</td>
<td>Regularly discuss internal control issues</td>
<td>In Process</td>
</tr>
<tr>
<td><strong>G</strong></td>
<td>Promotion &amp; support of ESG management (Sustainable Management Working Group)</td>
<td>Co-CSO</td>
<td>Support &amp; Report group-wide Policy, Strategy, Plan and implementation</td>
<td>Report to Executive Management Committee and BoD (once a year)</td>
<td>In Process</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Timely and appropriate disclosure (Integrated Annual Report, Sustainability Databook)</td>
<td>Issuance every year</td>
<td>In Process</td>
</tr>
</tbody>
</table>

*CEO: Chief Executive Officer  
CPO: Chief Production Officer  
CFO: Chief Financial Officer  
CTO: Chief Technology Officer  
CHO: Chief Human Capital Officer  
CCRO: Chief Customer Relations Officer  
Co-CSO: Co-Chief Strategy Officer*
Environmental Initiatives

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. We also analyze and disclose information regarding business risks and opportunities related to climate change in alignment with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures).

ESG Action Plan: “E (Environment)”

With the implementation of our ESG Basic Policy, Advantest formulated our Environmental Action Plan under the “E (Environment)” category of the ESG Action Plan and launched it in fiscal 2021. Advantest continuously makes efforts to set long-term goals for environmental priority issues through our business. We have clarified KPIs for the three-year period of our second mid-term management plan (MTP2) (2021 to 2023), with the goal of contributing to climate change mitigation and society-wide CO2 emissions reduction.

Climate Change Initiatives

Advantest actively engages in international initiatives on climate change. As a global company, we have set goals linked to international norms and are implementing climate change mitigation measures.

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<td>10 12 20 40 TBD*2</td>
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*1: Set products and target values considering future product lifecycles
*2: Set target values based on investigation of future major suppliers

Outline of International Initiatives and Advantest Initiatives on Climate Change

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<th>Advantest’s Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TCFD</strong></td>
<td>Based on the IPCC scenario for global temperature increase, Advantest will continue to analyze management risks and opportunities related to our business activities stemming from climate change, together with the relevant laws and regulations, and will enhance our information disclosure</td>
</tr>
<tr>
<td><strong>SBTi</strong></td>
<td>With respect to the temperature goal stipulated under the Paris Agreement, we have established a CO2 emissions reduction target based on scientific knowledge and are working to implement the reduction.</td>
</tr>
<tr>
<td><strong>RE100</strong></td>
<td>We have formulated a plan to shift the electricity used in business operations to renewable sources and have begun implementing it.</td>
</tr>
<tr>
<td><strong>CDP</strong></td>
<td>We are actively disclosing information on our initiatives addressing risks caused by climate change based on the recommendations by the TCFD, SBTi, and RE100.</td>
</tr>
</tbody>
</table>
TCFD-based Climate Change-related Information Disclosure

Efforts Supporting the Recommendations of TCFD
In April 2020, Advantest announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Advantest implements climate change mitigation and adaptation measures from a long-term perspective and discloses important information related to climate change in alignment with the recommendations of the TCFD. We aim to help solve important environmental issues through our business based on “The Advantest Way.”

Governance
Advantest newly established the Sustainable Management Promotion Working Group (hereinafter SMWG) in FY2020. With the Director of Sustainable Management as the general leader and strategic managers and global leaders (executive officers) assigned to E, S, and G, the SMWG is composed of the 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 that promotes specific activities. The SMWG reports on the implementation status of the ESG Action Plan to the Executive Management Committee and the Board of Directors twice a year for discussion and assessment. In addition, the SMWG shares information with related company-wide committees in the company’s corporate governance system in a timely and appropriate manner, manages the progress of the entire Group, and performs risk management.

Strategy
Advantest has conducted scenario analysis to consider strategies for adapting to future events stemming from climate change. We began by referring to global warming emissions scenarios such as the Representative Concentration Pathways (RCP) 8.5, RCP6.0, and RCP2.6 of the United Nations Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report and SDS of the International Energy Agency (IEA). We identified the risks that are expected to arise by 2050, that will have a particularly large financial impact on our business, including in the upstream and downstream of the value chain, and considered the well below 2-degrees Celsius and the 4-degrees Celsius warming frameworks.

2-degrees Celsius warming framework:
Under the well below 2-degrees Celsius framework, we assumed that climate change incentives, such as the introduction of carbon pricing, would be strengthened and that there would be no acute or chronic physical impact of climate change at levels that would impact our business. Meanwhile, in a low-carbon economy, the demand for semiconductors will increase substantially, leading to an anticipated expansion of business opportunities.

4-degrees Celsius warming framework:
However, under the 4-degrees Celsius framework, where climate change countermeasures are not strengthened, we assumed 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.

Business Risks and Opportunities Brought About by Climate Change
Based on the guidance and classification for TCFD, Advantest has identified and considered environmental risks and opportunities relating to the Advantest Group’s business activities that may be brought about by climate change. These risks and opportunities are evaluated according to “importance” and “impact,” and classified under the following three temporal axes: “short-term (from now to 2027),” “mid-term (from now to 2030),” and “long-term (by 2050).”

Major Risks Brought About by Climate Change
Advantest analyzed impacts of climate-change risks and business opportunities using the following two scenarios in line with the TCFD classification: (1) “risks related to the transition to a low-carbon economy” that arise mainly in the 2-degrees Celsius or lower scenario, and (2) “risks related to the physical impacts of climate change” that arise when the 4-degrees Celsius scenario is reached due to failure to reduce global CO2 emissions.

Well below 2-degrees Celsius scenario: Risks transitioning to a decarbonized society

<table>
<thead>
<tr>
<th>Category</th>
<th>Major risks</th>
<th>Response/strategy</th>
<th>Time axis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies and regulations</td>
<td>Increased business costs due to laws and regulations (Carbon tax / chemical substances)</td>
<td>Reduction of greenhouse gas emissions throughout the supply chain (achievement of SBTi certified target)</td>
<td>Short-term</td>
</tr>
<tr>
<td>Technology and market</td>
<td>Loss of sales opportunities due to delays in technological development (Energy saving technology, test technology for new semiconductors is yet to be implemented)</td>
<td>Further energy-saving performance (low power and compact sizes) alongside improvements in testing performance</td>
<td>Short- to mid-term</td>
</tr>
<tr>
<td>Reputation</td>
<td>Decrease in reputation among stakeholders (due to delays in GHG emissions reduction plans)</td>
<td>Promotion of ESG management (achievement of ESG Action Plan 2021-2023 targets)</td>
<td>Short- to mid-term</td>
</tr>
</tbody>
</table>

4-degrees Celsius scenario: Physical risks of climate change

<table>
<thead>
<tr>
<th>Category</th>
<th>Major risks</th>
<th>Response/strategy</th>
<th>Time axis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute/chronic events</td>
<td>Disruption of the supply chain due to large-scale typhoons and torrential rainfall</td>
<td>Response based on the business continuity plan</td>
<td>Long-term</td>
</tr>
</tbody>
</table>
Opportunities Related to Climate Change
Semiconductors will contribute to achieving a low-carbon economy by contributing to efficient methods for users to cope when stringent climate change countermeasures are imposed. We can assume that the quantity of manufactured semiconductors will continue to grow due to factors such as the expansion in semiconductor demand accompanying the digital revolution. Meanwhile, the quality and quantity of semiconductor test will increase in step with the sophistication and technological evolution of semiconductors. It is thought that demand for semiconductor test will increase due to the two factors of enhanced test content per chip and the increase in the semiconductor production volumes, and so Advantest recognizes this shift to a low-carbon economy to be an opportunity related to climate change. Advantest will make investments to achieve these technological advancements, such as in research and development and in developing the next generation of human capital, as part of our efforts to contribute to the future low-carbon economy through semiconductor test and development of new semiconductor technologies.

Risk Management
At Advantest, we consider 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 prepare for and enable continuity of our business activities in the face of adversity. The SMWG makes timely decisions and can launch task forces consolidating efforts from related departments into full-scale initiatives to tackle risks or opportunities which may be recognized as particularly critical.

Indicators and Targets
The indicators and targets for measures taken in respect to risks and opportunities brought about by climate change are managed through the ESG Action Plan. The achievement status of the ESG Action Plan is reported twice a year to the Executive Management Committee and Board of Directors for discussion and evaluation. Based on the results, the SMWG will review and update the indicators and targets of the ESG Action Plan. Advantest has set a target of zero greenhouse gas emissions by 2050. In addition, as mid/long-term climate change countermeasure targets, we have set targets to reduce greenhouse gas emissions 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. These targets have been approved by the Science Based Targets Initiative (SBTi), acknowledging that our greenhouse gas reduction targets are based on scientific evidence. We will actively promote activities to reduce environmental impact throughout the value chain, aiming to achieve our emission reduction targets.

Climate change-related opportunities

<table>
<thead>
<tr>
<th>Category</th>
<th>Major opportunities</th>
<th>Response/strategy</th>
<th>Time axis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products &amp; services/market</td>
<td>Growth in test demand outpacing market growth for core semiconductors where energy efficiency is important</td>
<td>Further energy-saving performance (low power and compact sizes) alongside improvements in testing performance</td>
<td>Short- to mid-term</td>
</tr>
<tr>
<td></td>
<td>New test demand introduced by power semiconductors, which are required by the final demands such as EV</td>
<td>Development of new testing methods and testing devices</td>
<td>Mid-term</td>
</tr>
<tr>
<td></td>
<td>Sales growth by providing green products</td>
<td>Development of new testing methods and testing devices</td>
<td>Mid-term</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Introduction of energy-efficient products based on the ESG Action Plan 2021-2023 and steady implementation of the energy-saving plan</td>
<td>Mid-term</td>
</tr>
</tbody>
</table>
Advantest’s Global CO₂ Emissions

When addressing climate change, the efforts of individual companies alone may be of limited benefit. Activities that involve entire supply chains or industry groups are necessary. The Advantest Group will proactively deploy measures to reduce our environmental footprint in the medium to long term throughout the value chain in order to achieve our CO₂ emission reduction targets. In our entire value chain, Scope 3 “Category 1: Purchased goods/services” and “Category 11: Usage of products” account for the majority of CO₂ emissions. In addition to CO₂ (Scope 1+2) emissions reduction, CO₂ emissions reduction in categories 1 and 11 is promoted as a priority item for the environmental targets in the ESG Action Plan. In terms of measures related to these priority items, we have launched a task force to promote CO₂ emissions reduction activities from FY2021. We are accelerating CO₂ emissions reduction activities throughout our value chain, aiming to achieve the SBTi certification targets for Scope 1+2 and Scope 3.

CO₂ Emissions in Advantest’s Supply Chain

<table>
<thead>
<tr>
<th>Upstream</th>
<th>In-house</th>
<th>Downstream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 3</td>
<td>Scope 1+2</td>
<td>Scope 3</td>
</tr>
<tr>
<td>Purchased goods/services</td>
<td>Financial-related activities</td>
<td>Disposal of post-lifecycle products</td>
</tr>
<tr>
<td>Capital goods</td>
<td>Transportation, distribution</td>
<td>Usage of products</td>
</tr>
<tr>
<td>Energy-related activities</td>
<td>Direct emission from our own industrial processes</td>
<td>Disposal of post-lifecycle products</td>
</tr>
<tr>
<td>Business travel</td>
<td>Employee commuting</td>
<td>Leased assets</td>
</tr>
<tr>
<td>Waste generated in operations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Advantest CO₂ emissions ratio (FY2021 results)

<table>
<thead>
<tr>
<th>Products sold</th>
<th>Parts purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>32%</td>
<td>4%</td>
</tr>
<tr>
<td>64%</td>
<td></td>
</tr>
</tbody>
</table>

Task Force to Promote CO₂ Emissions Reduction Activities

<table>
<thead>
<tr>
<th>Task Force</th>
<th>What it affects</th>
<th>Details of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>TF1</td>
<td>Scope3 C11 Usage of products</td>
<td>CO₂ emissions reduction in product development</td>
</tr>
<tr>
<td>TF2</td>
<td>Scope3 C1 Purchased products /services</td>
<td>CO₂ emissions reduction through cooperation with our business partners</td>
</tr>
<tr>
<td>TF3</td>
<td>Scope3 C11 Usage of products</td>
<td>CO₂ emissions reduction through cooperation with our customers</td>
</tr>
<tr>
<td>TF4</td>
<td>Scope1+2 Direct emissions from our industrial processes such as purchased electricity</td>
<td>Reduction of CO₂ emissions from business activities through the introduction of energy-saving equipment and renewable energy</td>
</tr>
</tbody>
</table>
Task Force 1: CO₂ Emissions Reduction in Product Development (Scope 3 Category 11)

Task Force 1 will collaborate with our R&D departments worldwide to promote the reduction of CO₂ emissions through the development of next-generation products with low power consumption and high efficiency. Specifically, we aim to reduce CO₂ emissions per test (basic unit) from our products during utilization at our customers’ sites by 50% by FY2030. Our Scope 3 “Category 11: Use of products” accounts for the largest amount of CO₂ emissions, accounting for 64% of the entire value chain. Reducing these individual CO₂ emissions is essential for reducing CO₂ emissions throughout our value chain. The amount of CO₂ emissions from the use of our products is significantly affected by market fluctuations such as sales. We will contribute to reducing CO₂ emissions through our products by setting targets for reducing emissions per unit of production that are linked to our mid/long-term business plans, and reviewing them annually.

<table>
<thead>
<tr>
<th>Key Issue</th>
<th>Goal</th>
<th>KPI</th>
<th>Target Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value chain (Scope 3)</td>
<td>Reduction of CO₂-equivalent emissions (basic unit) per test</td>
<td>Intensity reduction rate (Compared to FY2018)</td>
<td>Calculation of emission basic unit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Defined decision</td>
</tr>
</tbody>
</table>

Task Force 2: CO₂ Emissions Reduction Through Cooperation with Business Partners (Scope 3 Category 1)

Task Force 2 collaborates with procurement departments to promote the use of renewable energy by suppliers aiming to reduce their CO₂ emissions. Specifically, we intend to increase the number of suppliers who have introduced renewable energy to 40 by FY2023. We ask our key suppliers to respond to our “Supply Chain CSR Questionnaire” once a year. From FY2021, we added questions on renewable energy sourcing status and greenhouse gas emissions, enhancing our questionnaires to gather more information on suppliers’ efforts to address climate change. This enables us to not only grasp our suppliers’ renewable energy sourcing rates, but also obtain an understanding of the necessity and importance of reducing greenhouse gas emissions through individual feedback based on the analysis and evaluation of the questionnaire results. We will continue to promote the use of renewable energy by our suppliers and contribute to the reduction of CO₂ throughout the supply chain.

<table>
<thead>
<tr>
<th>Key Issue</th>
<th>Goal</th>
<th>KPI</th>
<th>2021 Target Value</th>
<th>2021 Results</th>
<th>2022</th>
<th>2023</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value chain (Scope 3)</td>
<td>Promote the use of renewable energy by suppliers and contractors</td>
<td>Number of suppliers who have introduced renewable energy</td>
<td>10</td>
<td>12</td>
<td>20</td>
<td>40</td>
<td>(*)</td>
</tr>
</tbody>
</table>

(*) Targets for key future suppliers based on research

Task Force 3: CO₂ Emissions Reduction Through Collaboration with Customers (Scope 3 Category 11)

Task Force 3 works along with our sales departments to promote the reduction of CO₂ emissions through the collaboration with our customers. We ask our customers to respond to a questionnaire on their policies and goals regarding climate change once a year, including their requests and expectations towards Advantest as their supplier. Based on this information, we will clarify the role that we should play and the issues that should be addressed in our strategies, and reflect them in our ESG activities. We aim to understand our customers’ response to climate change and contribute to the achievement of their goals as a member of the supply chain.
**Task Force 4: Reduction of CO₂ Emissions in Business Activities Through Adoption of Energy-Saving Equipment and Renewable Energy (Scope 1+2)**

Task Force 4 will promote a 60% reduction in CO₂ emissions from the Advantest Group’s business activities by FY2030 (compared to FY2018) through the adoption of energy-saving equipment and renewable energy. We aim to increase our renewable energy sourcing rate to 70% by FY2030. As of FY2021, we achieved 100% renewable energy sourcing in Europe, the U.S.A., and at Gunma Factory, our production facility in Japan. Regarding our Asian locations, we are investigating regulatory systems for the adoption of renewable energy in each country and promoting its adoption. In FY2022, we expect to introduce new sources of renewable energy at our Sendai Factory and Laboratory in Japan, and at our Taiwan office.

<table>
<thead>
<tr>
<th>Key Issue</th>
<th>Goal</th>
<th>KPI</th>
<th>Target Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change (Scope 1+2)</td>
<td>Reducing GHG emissions from business activities</td>
<td>GHG emissions reduction rate 35% 34% 38% 40% 60%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Renewable energy introduction rate</td>
<td>Renewable energy introduction rate 50% 54% 53% 55% 70%</td>
<td></td>
</tr>
</tbody>
</table>

| Total CO₂ emissions : 25,043 t  
(Depends on fuel and electricity usage)  
Renewable energy introduction rate : 53.5%  
(As of March 31, 2022) |
ESG Education

The Advantest Group provides a general environmental education program globally with the aim of encouraging all of our employees to continuously engage in environmentally conscious activities. In addition, we offer our in-house social networking platform, “My LIFE.ON.,” to provide a place for sharing individual employees’ efforts.

General Environmental Education

The course materials for the general environmental educational program explain five initiatives of our environmental policies and their environmental impact. The final section of the materials includes multiple questions on the learning content that are designed to assess employees’ understanding. We achieved a 97.0% attendance rate in FY2021.

<table>
<thead>
<tr>
<th>FY2021 General Environmental Education Attendance Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirement</td>
</tr>
<tr>
<td>Domestic</td>
</tr>
<tr>
<td>Overseas bases</td>
</tr>
<tr>
<td>Group Total</td>
</tr>
</tbody>
</table>

Videos for Better Understanding

From FY2022, we have created ESG educational videos to further enhance environmental education as part of our ESG education. The video is divided into three dedicated parts: “Part 1 ESG Basics,” “Part 2 Climate Change and Human Rights,” and “Part 3 Sustainability Initiatives.” Using easy-to-understand narrated animation makes ESG an approachable subject for employees.

Global Educational Activities on Our Internal Social Networking Platform “My LIFE. ON.”

The Advantest Group runs an internal social networking platform, “My LIFE. ON.” This social networking platform enables our employees to enjoy contributing to the SDGs by posting activities that are beneficial for people, the environment, and society and “liking” and commenting on each other’s posts to demonstrate their support for such activities.

In FY2021, the ESG Promotion Office launched an Environmental Painting / Photo Contest to commemorate “World Environment Day” on June 5. A total of 353 environmental-themed paintings and photographs were submitted by Advantest employees and their families around the world. These artworks were posted on “My LIFE.ON.” and shared among the entire Group. This event helped not only to raise the environmental awareness of our employees, but also to improve communication among peers.

As a result of our active support for employee contribution activities through “My LIFE.ON.,” employees around the world have posted many activities related to their environmental and social contributions.

Activity Report on My LIFE. ON. of an Employee Aiming to Make 100 Blood Donations

Since 2020, one employee has continuously posted on “My LIFE.ON.” about his goal to make 100 blood donations. This activity has received a great response, with about 400 views and more than 50 likes, bringing together many friends who are also conscious of the SDGs.
Advantest proactively implements measures to solve social issues throughout our business, based on The Advantest Way and our corporate mission statement, “Enabling Leading-edge Technologies.”

Our ESG Basic Policy, formulated in 2021, sets forth our social responsibility as a global company and our commitments to our stakeholders. Meanwhile, our ESG Action Plan describes specific themes, goals, and KPIs to support and promote company-wide activities and to disclose information.

Please refer to our Sustainability Data Book for details of the above activities.

### Investment in Human Capital

Our understanding of “human capital” represents a shift from thinking about people as something we use as a resource to thinking about them as something we invest in. We must secure the necessary human capital in response to changes in our business environment, and invest in it so as to help our employees become the sources of future value creation.

We place particular emphasis on education and training, which are important elements of investing in human capital, as they are directly linked to individual strengths.

The Advantest Development Framework defines the fundamental skills, advanced skills, manager skills, and senior management skills that Advantest seeks for employees to acquire. We provide educational programs and training courses to support the development of the required abilities based on this Framework.

#### Accessible Training System

We have also introduced easily accessible online learning platforms across the Group, offering multiple courses rich in content recommended by the company with various difficulty levels. Contents range from Microsoft Office tools tutorials to time management, coaching, communication, and determining team vision and strategies. Employees can immediately put this hands-on training into use in their work.

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**Table:**

<table>
<thead>
<tr>
<th>Key Issue</th>
<th>Executive in charge</th>
<th>Goal</th>
<th>KPI</th>
<th>Target Value 2021</th>
<th>2022</th>
<th>2023</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESG management at Supply Chain</strong></td>
<td>CPO</td>
<td>Share and solve/mitigate ESG issues (risk management, human rights/occupational safety, environment, fair trade, compliance, etc.)</td>
<td>Due diligence implementation rate for major customers</td>
<td>90%</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Diversity, protection, and respect for human rights</strong></td>
<td>CHO</td>
<td>Fair treatment in gender, Edification and practice of human rights, Work-life balance</td>
<td>Female manager ratio, Participation rate of educational training, Return-to-work rate after maternity leave (JPN), Exercise rate of childcare leave by males (JPN)</td>
<td>9.0%</td>
<td>9.6%</td>
<td>10.0%</td>
<td>10.5%</td>
</tr>
<tr>
<td></td>
<td>CPO</td>
<td>Conflict minerals elimination</td>
<td>Percentage of suppliers confirmed to be free of conflict minerals*</td>
<td>100%</td>
<td>63.4%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Customer satisfaction, employee engagement</strong></td>
<td>CCRO</td>
<td>Raise customer satisfaction under New Normal circumstances</td>
<td>Ranking of TechInsights customer satisfaction survey</td>
<td>1st</td>
<td>1st</td>
<td>1st</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CHO</td>
<td>Edification and improvement of attractive corporate culture</td>
<td>Score of Gallup survey</td>
<td>3.5</td>
<td>3.64</td>
<td>3.75</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Investing in human resources</strong></td>
<td>CFO</td>
<td>Maintaining and enhancing occupational safety and health, Promotion of health management</td>
<td>Occupational accident rate (frequency rate), To be selected in White 500 (JPN)</td>
<td>0</td>
<td>0.35</td>
<td>In Process</td>
<td>On Track</td>
</tr>
<tr>
<td></td>
<td>CHO</td>
<td>Employee capacity building</td>
<td>Education and training expenses (100MY)</td>
<td>—</td>
<td>3.9</td>
<td>5.0</td>
<td>6.0</td>
</tr>
</tbody>
</table>

* KPIs are changed according to actual activities

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P.29 Human Capital: CHO Message
Human Rights Initiatives

Advantest has participated in the United Nations Global Compact since 2019, which commits us to supporting the Ten Principles of the UN Global Compact, covering human rights, labor, the environment, and anti-corruption, and promoting efforts to recognize and improve issues within the company and in our supply chain.

In 2021, we broadly set forth our approach to human rights and awareness of top-priority issues in the Advantest Group Human Rights Policy and the Advantest Group Priority Issues Related to Human Rights document. We have identified risks from the perspectives of human rights due diligence with respect to Advantest’s own well-being and in our supply chain, as part of our efforts to promote and resolve these issues.

Global Initiatives (TF5)

In June 2022, we launched a task force (TF5) with the goal of “promoting human rights and the SDGs” to address the issue of human rights, a global concern that is gaining in prominence. TF5 consists of members from the administration department, the Production Group, and the ESG Promotion Office. Members have discussed the priority themes, KPIs, and target values of our ESG Action Plan, and updated them appropriately.

Efforts for the Promotion of Female Employees

“INCLUSION AND DIVERSITY” is one of Advantest’s core values. We believe that creating a comfortable and inclusive workplace environment and instilling working practices that maximizes employee capabilities while balancing work and home is imperative for our company.

As of March 2022, the percentage of female employees to total employees is 20.8% (20.2% in the previous fiscal year), and the percentage of female managers to total managers is 9.6% (8.3% in the previous fiscal year). At the Advantest Corporation (parent), the percentage of female employees is 16.5% (16.3% in the previous fiscal year), and the percentage of female managers is 3.4% (2.8% in the previous fiscal year). Although these ratios have improved from the previous fiscal year, increasing the number of female employees and managers still remains an urgent task.

Advantest will move forward with initiatives to raise the female employee ratio and establish systems for long-term employment designed to help female employees reach management positions.

Focus on conveying our strengths to women pursuing technology careers, and enhancement of PR activities aimed at women

In FY2021, Advantest participated in a roundtable discussion titled “Listening to Young Employees in the Semiconductor Industry,” a joint project between SEMICON JAPAN and the manufacturing YouTuber “Monozukuri Taro,” and asked one of our female technical employees to share her experiences working at Advantest. This video of a female employee freely offering her opinions on the nature of her work creates an opportunity for young people, especially women, to take an interest in the semiconductor device materials industry, including Advantest.

From FY2018, Advantest has set numerical targets to boost the ratio of women in management positions until it meets or exceeds the industry average based on the Act on Promotion of Women's Participation and Advancement in the Workplace. In November 2020, we acquired “Certification level 2 (two stars)” of the ‘Eruboshi’ certification based on the Act on Promotion of Women’s Participation and Advancement in the Workplace, along with Advantaossa Co., Ltd., which obtained it in July 2022.

Enhancing Learning Experiences about Support to Enable Good Work-Life Balance

In FY2021, we established a system that allows working mothers to participate in external seminars that mainly focus on career education. Together with streamlining our system that allows female employees to continue working after they become mothers, this has also led to the strengthening of a corporate culture that supports women's engagement with work.
Social Initiatives

Work-Life Balance Programs for Childcare and Caregiving

At Advantest, pregnant employees can receive 100% compensation during prenatal checkups and pregnancy complications leave, and are offered the choice to work shorter hours if instructed by a doctor. Advantest offers childcare leave and caregiving leave that exceeds legal standards. Other leave programs are also widely used, such as the accumulated holiday program, which can be taken for a variety of reasons, by fathers as well as mothers, including for childbirth, childcare, fertility treatment, and other caregiving responsibilities.

Furthermore, Advantest offers shorter work hours for employees who are raising children or looking after ill relations. Shorter working hours for childcare can be used until the employee’s youngest child reaches sixth grade, and this option is currently being used by many parents. There is no restriction on the period in which employees can work short hours in order to care for ill family members, so that employees can best balance their jobs with their home lives. As there are certain cases in which employees resign their jobs during life transitions, Advantest has established a re-employment program for employees who meet certain criteria.

It should be noted that re-employment of female employees following childcare leave, as a result of these efforts, was 100% for the second consecutive year in FY2021. We are also working on support for fathers, which includes the provision of personal consultations for male employees with children and their supervisors.

In fiscal 2021, we aimed to enhance our support system, which began by asking our eligible male employees if they intended to take childcare leave.

As a result of these efforts, the ratio of male employees taking childcare leave in fiscal 2021 was 16.0%, a significant increase from 5.1% in the previous fiscal year. We will continue to implement proactive initiatives to encourage more men to use our childcare leave systems.

Promotion of Health and Productivity Management

Advantest formulated a Declaration of Health and Productivity Management Policy in September 2019, embodying our focus on initiatives for health and productivity. Followed by the spread of COVID-19, top management sent out the message that employee health should be made a priority, and has been taking thorough measures to prevent the spread of infection including the enhancement of remote work productivity. As a result of these efforts, Advantest has recently been selected for the first time as one of the brands in the 2022 Health & Productivity Stock Selection, which are jointly selected by Japan’s Ministry of Economy, Trade, and Industry (METI) and the Tokyo Stock Exchange. At the same time, METI certified Advantest as one of the “White 500” (large listed corporation section), the top 500 corporations certified under METI’s 2022 Health and Productivity Management Awards, for the second consecutive year.

Declaration of HPM Policy

In order to realize Advantest’s mission, we will strive to create a workplace where every employee can work in optimal physical and mental health, and to contribute to humanity’s sustainable future as a corporate citizen.

Supply Chain CSR Questionnaire

Based on our ESG Action Plan, we conduct a CSR Questionnaire every March for business partners who account for 85% of the transaction value of all Advantest Group companies.

The contents of the FY2021 questionnaire mainly referred to international norms such as the RBA Code of Conduct and the 10 principles of the United Nations Global Compact along with reports on the introduction of renewable energy and limitation of greenhouse gas emissions with the goal of mitigating climate change. We were able to obtain responses from all of the companies that received the questionnaire. Among them were mentions of the difficulty of reporting greenhouse gas emissions, while others responded that their measures to mitigate climate change remained undecided. We plan to coordinate with our business partners to share our understanding of these issues and progress toward resolution.

From FY2021, we launched an initiative to share information with our business partners and offer exclusive support so that the entire supply chain could address social issues. We aim to enhance supplier engagement not only by providing materials summarizing the results of the questionnaire for each business partner, but also by supplying feedback on points that were highly evaluated as well as requests for improvement.

Responsible Mineral Procurement

Advantest’s Procurement Policy requires our business partners to eliminate conflict minerals (tin, tantalum, tungsten, gold) that can be sources of funding for armed groups in the Democratic Republic of Congo and adjacent countries.

Advantest has been implementing an annual survey of our business partners using the Conflict Minerals Reporting Template (CMRT) tool developed by the Responsible Minerals Initiative (RMI). This survey was also conducted in FY2021. We will continue to promote efforts toward avoidance of conflict minerals.

Customer Satisfaction

Every year, Advantest participates in a customer satisfaction survey conducted by TechInsights, the world’s leading semiconductor market-research firm, in order to objectively grasp how our customers perceive our efforts. The survey has been conducted since 1988 and is known as the only survey in the industry to receive direct customer feedback.

In the 2021 Customer Satisfaction Survey, Advantest captured the No. 1 spot of global semiconductor equipment suppliers for the third consecutive year. The company was also named on the 10 BEST Suppliers list of large suppliers of test equipment for the 34th consecutive year. Advantest
also achieved superior customer ratings for Recommended Supplier, Trust in Supplier, Technical Leadership, Partnering, and Field Engineering Support and was once again the only semiconductor test equipment supplier to receive a TechSights Five-Star designation.

P.86 External Recognition

Initiatives to Enhance Employee Engagement

Advantest believes that individual and organizational strengths are the two “wheels” that drive employee engagement. In addition, we regard the enhancement of employee engagement as human rights due diligence in a broad sense, and aim to boost individual strength by working on both psychological and physical ease of work at the company.

We conducted our first Global Employee Engagement Survey using the platform of Gallup, Inc. in 2018. Unfortunately, the result for the entire Group was below the level of comparable companies. Advantest Japan in particular reported a remarkably low score. With the aim of remediating the situation, these results were first communicated to each department, asking them to deeply share, discuss, and hear employees’ opinions. At the same time, at the company-wide level, we implemented reforms to boost our organizational strength by establishing our INTEGRITY Core Values to foster a new corporate culture and introducing “Leading with INTEGRITY” to gain a better understanding of leadership.

Gallup Survey 2021 Results

Three years later, in the fall of 2021, we repeated the Gallup survey. The results showed significant improvements over 2018, including an increase in scores for all items in Q12 (12 questions for engagement measurement derived from the findings of Gallup, Inc.). The overall average score was 3.64, an increase of 0.16 points from the previous survey. This is by far the biggest improvement among companies who consecutively completed the Gallup survey. We also saw an improvement in awareness and opportunities related to the category of Recognition (the need to know that efforts are recognized and valued) and Development that were highlighted during the previous survey, marking 26% for the ratio of Engaged (diligent) employees, a 6-point increase from the previous survey. This survey confirmed that the engagement level of Advantest Group companies is considerably higher than the standard for each country. These are clear indications of each of our employees’ efforts to understand the importance of engagement, and shows how they have embraced and implemented our corporate reforms such as “INTEGRITY” and “Leading with INTEGRITY,” yielding measurable results.

Working with Gallup Survey Results

Our overall score is not high, when compared to other companies participating in Gallup’s survey, and there is still room for improvement. After sharing information with each department, where department leaders discussed the factors that may have led to these results, we drew up action plans to address each issue.

Some departments have introduced tools to measure employee condition and motivation, while improvement activities have expanded even further by strengthening cross-divisional collaboration with other departments. Meanwhile, some departments, who used this survey as an opportunity to objectively measure degrees of engagement, have been implementing mid/long-term human capital development plans aimed at fostering a learning organization. We can see that our new corporate culture, which we have been working on for several years, is gradually taking shape.

Engagement varies considerably depending on the customs and cultures of each country. While localized efforts are necessary, our INTEGRITY Core Values, which are the foundation of our corporate philosophy, The Advantest Way, are shared globally. We believe that it is essential to enhance engagement by executing action plans that address the characteristics and challenges of each department, sharing information about activities across the entire Group, and
promoting investment in human and economic resources aiming to foster our corporate culture.

A third Gallup survey is scheduled to be conducted in 2023. This survey plays a meaningful role not only in confirming activity results in numerical terms, but also in terms of instilling an awareness of engagement as part of our corporate culture.

Office Building Renovated to Support New Workstyles
Based on the new norm of remote or hybrid workstyles, Advantest has promoted a switch to a completely “free address” office that incorporates the ABW (Activity Based Working) concept, so that employees can freely select from among various types of seats depending on what activities they have to do. We held a workshop during the design phase consisting of employees from designated departments that would be affected by the renovation, and finalized the concept of the new office after repeated discussions.

There are electric lift seats whose height can be changed, “intense focus” seats surrounded by sound-insulating partitions, and seats where you can collaborate while exchanging opinions with your neighbors, making the office an environment rich in variation. Since the seats are not fixed, it is easier to communicate across departments and floors.

Efforts are also being made to improve operational efficiency and increased convenience of the office through IT, including attendance management and conference room reservation systems as well as through the introduction of next-generation Wi-Fi standards and large displays in meeting areas.

Office renovations incorporating the ABW concept have also been implemented at the Sendai Office where Advantest Laboratories is located, and during the relocation of the Advantest (Singapore) Pte. Ltd. head office. We plan to deploy our workstyle reforms at all of our offices around the world over the next few years.

Promotion of Digital Workplace Activities #myADV
Advantest has been continuously promoting #myADV digital workplace activities (#myADV), which started in May 2020, in order to encourage global business development and diverse ways of working for employees.

#myADV is promoted by the Global IT Collaboration team and supports volunteer #myADV guides (over 200 guides as of the end of June 2022). The Global IT Collaboration team conducts regular coaching sessions for #myADV guides, as well as organization-specific use case analysis and training for specific business entities to support company-wide dissemination and use of collaboration tools.

Going forward, training for employees across the entire Group will be implemented to boost tool usage, along with the development of new tools and functions, aiming to maximize team collaboration using digital technology.

Example: Efforts to Improve Employee Engagement at the Gunma Factory
Protecting shipments from the impact of COVID-19 is a top priority at the Gunma Factory, so we have reduced the number of people coming to the factory as much as possible. Many employees are working from home, making it difficult to communicate face-to-face, and face the dilemma of demand for shipping increasing while parts are difficult to procure.

In December 2020 we began collecting opinions from the factory’s 500 employees on the situations they were facing, using a questionnaire function of the collaboration tool, to help us better understand and relate to them. For employees who had to come to work, we cooperated with the administration department to make improvements so as to relieve
their anxiety and concerns over COVID-19, and provided feedback on the measures taken.

In addition, during COVID-19, it became difficult to communicate management’s thoughts to our broad employee base, as it was no longer possible to hold our monthly all-hands assemblies. We began online distribution of messages from the Product Group Leader from January 2021, and conducted a questionnaire thereafter. About 40% of the employees responded to the questionnaire. After that, the message from the Product Group Leader began to include answers to questions raised by our employees, improving the quality of two-way communication.

### Initiatives for Occupational Health and Safety

Advantest Group recognizes that health and safety (H&S) is one of the important aspects of our business operation. The Advantest Group Health and Safety Policy is intended to ensure every Advantest employee’s health and safety.

Every year we convene a “Health and Safety Committee Meeting” which decides the health and safety related direction and policy for the entire group. Our approach to health and safety is based on the main activity themes set at this meeting. Based on this, the health and safety committees at each location define their annual targets and plans.

We also regularly hold health and safety committee secretariat meetings throughout the company, and strengthen each location’s health and safety activities through this sharing of information about relevant activities.

The promotion of collaboration tools and the INTEGRITY workshops throughout the entire Group have also provided opportunities for two-way communication with employees in remote environments and reached all the way to our manufacturing sites. Since the production departments have a wide variety of occupations and organizational forms, it is necessary to implement measures and support to enhance engagement in line with each department’s needs. We will continue to make improvements in creating comfortable workplaces by enhancing our corporate culture, as well as by strengthening the connections between our employees, with the expectation that this will lead to greater productivity.

Advantest Europe GmbH (Germany) has participated in the surveys of the international human resources consulting agency “Great Place to Work®” every other year since 2017, and has once again been recognized as a “Great Place to Work®” for FY2021.

Advantest Test Solutions, Inc. (U.S.A.) (ATS) also received the Top Workplaces award in 2021 from the Orange County Register, a local newspaper publication in Southern California. The qualification is based on the results of a confidential employee questionnaire regarding corporate culture, management, and leadership. This is the third year in a row that ATS received this award.

In FY2021, there were no fatalities on the job (zero accidents). Safety assessments for our domestic business sites were also conducted by external organizations, which contributed to the reduction of our hazard risks.

In addition, the rate of occupational accidents (frequency) was 0.4 for FY2021 when including both domestic and overseas Group companies.

For FY2022, we will continue our safety awareness initiatives with a greater focus on safety. We will establish an occupational safety and health management system at the Gunma Factory aiming to acquire ISO 45001 certification.
Advantest’s corporate 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, and in response to our mandate from stakeholders, Advantest emphasizes open, honest and respectful dialogue with all stakeholders at all times, to achieve a sustainable level of business development for the Advantest Group and to enhance corporate value over the mid-to-long term. To that end, the Advantest Group will establish a fair, efficient, and transparent governance system.

Our Corporate Governance Basic Policy is published on our website:
https://www.advantest.com/sustainability/governance/governance.html

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### Corporate Governance Structure

#### General Meeting of Shareholders

- **Election/Dismissal**
  - Directors who are not audit and supervisory committee members
  - Directors who are audit and supervisory committee members

- **Proposal Consultation**
  - Nomination and Compensation Committee
  - Risk Management Group
  - Internal Control Committee
  - Compliance Committee
  - Sustainable Management Promotion Working Group

- **Report**
  - Internal auditing

- **Support**
  - Audit and Supervisory Committee Office

- **Cooperation**

---

### Initiatives to Strengthen Corporate Governance Structure

- **2003**
  - Introduction of executive officer system

- **2006**
  - Abolition of retirement allowance system
  - Appointment of first outside directors

- **2011**
  - 1st meeting of the Nomination and Compensation Committee

- **2015**
  - Appointment of first foreign directors

- **2017**
  - Transitioned to the “company with audit and supervisory committee” format

- **2018**
  - First appointment of a female director
  - Established stock compensation system and reviewed stock option compensation system

- **2020**
  - General Review of Executive Compensation System, CxO System

- **2021**
  - Abolition of advisor system

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ADVANCEST Integrated Annual Report 2022
Corporate Governance

Governance Highlights

- **Board of Directors**
  - Internal (managing executive directors): 45%
  - Internal (non-managing executive directors): 10%
  - Outside (managing executive directors): 33%
  - Outside (non-managing executive directors): 67%

- **Composition Ratio of Audit and Supervisory Committee**
  - Internal (managing executive directors): 33%
  - Outside (managing executive directors): 67%

- **Nomination and Compensation Committee**
  - Internal (managing executive directors): 33%
  - Outside (managing executive directors): 67%

- **Activity Results (FY2021)**
  - Board of Directors: 13 times
  - Audit and Supervisory Committee: 13 times
  - Nomination and Compensation Committee: 13 times
  - Off-site meeting: 3 times

- **Term of Office for Directors (Total)**
  - As of June 24, 2022
  - 1 to 5 years: 8 directors
  - 6 to 9 years: 1 director
  - 10 years or more: 2 directors

ADVANCEST Integrated Annual Report 2022
**Off-Site Meetings**
Discussing important issues such as mid-term management plans, succession plans, and M&A requires time and focus. To effectively discuss these and other issues, the Board of Directors holds off-site meetings to provide information and exchange opinions. In FY2021, all Directors discussed the optimal composition of the Board of Directors and succession plans, as well as ESG promotion and our 2nd mid-term management plan, over a two-day off-site meeting.

**CxO System**
In FY2021 Advantest introduced a CxO system. At off-site meetings, discussions were held to create a more effective CxO structure, and in FY2022, the Board of Directors resolved to reorganize the CxO structure in order to further promote global business development.

**Post Merger Integration of Acquisitions**
The profit and loss of businesses that have been expanded through acquisitions, etc. are monitored monthly by the Board of Directors. In order to further grow acquired businesses, the Board of Directors discussed investment in expansion of the US manufacturing capabilities related to these businesses in FY2021.

**Share Repurchases**
In July 2022, following on from the previous fiscal year, we resolved to acquire treasury stock with the aim of improving shareholder returns and capital efficiency, as well as acquiring shares to be allocated under our future restricted stock compensation plan.

**Share Cancellation**
In September 2022, we canceled 8,000,000 shares of treasury stock to improve shareholder returns and capital efficiency.

**Advance Disclosure of Annual Securities Reports**
Given that the General Meeting of Shareholders is a place for constructive dialogue with shareholders, the Board of Directors discussed the disclosure of annual securities reports before the General Meeting. Based on this discussion, we now disclose our annual securities reports before the general meeting, so that shareholders can use it as a reference when exercising their voting rights.

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**Shareholders’ Meeting**
Advantest regards the annual General Meeting of Shareholders as an opportunity for dialogue with shareholders.
The 2022 General Meeting of Shareholders was held in the large hall of our Gunma R&D Center in Japan.
Since last year, we have been holding a virtual general meeting (livelstream) alongside the physical meeting, enabling shareholders to visit the meeting in real time wherever they are. This year, we also printed a QR code and guidelines for livestream access on the envelope of the convocation notice mailed to shareholders, making it easier for them to access the virtual general meeting. As a result, approximately twice as many shareholders viewed the livestream this year than last year. In addition, in order to enhance dialogue with shareholders, we accepted questions online in advance of the meeting, and also allowed them to message us online during the livestream.

Going forward, we will continue to hold more open and accessible general meetings, helping shareholders who have difficulty visiting the venue to participate and be heard.
For more details on the General Meeting of Shareholders, please see our website:
https://www.advantest.com/investors/shares-and-corporate-bonds/meeting/

**Board of Directors**
The Board of Directors of Advantest, as the management decision making body, makes decisions on significant matters with respect to the management policies and management strategies for the whole Advantest group, and in its capacity to supervise management, it monitors and supervises Executive Officers in their exercise of their duties. Advantest has strengthened the oversight and supervision functions of the Board of Directors by appointing multiple outside directors. At Board of Directors meetings, directors with a wide range of knowledge and experience express their opinions on agenda items proposed by management and engage in lively discussions. The Board of Directors meets about once a month and spends about three to five hours each time discussing budgets, settlement of accounts, personnel affairs, business acquisitions and alliances, and other matters. In order to maintain seamless communication despite the diversity of our 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. The Chairman of the Board of Directors is Yoshiaki Yoshida, Representative Director and President.
Evaluation of the Board of Directors

In order to evaluate how effective the Board of Directors is at fulfilling its roles and responsibilities, we distribute an “effectiveness evaluation” questionnaire to all directors every year. The main items on the questionnaire are as follows.

- **Composition of the Board of Directors**
  Number of directors, diversity of directors, status of concurrent posts of outside directors, etc.

- **Management of the Board of Directors**
  The timing of distribution of materials, the content of materials, the frequency of meetings of the Board of Directors, the chairperson’s management of proceedings, the quality of web conferences and simultaneous interpretation, etc.

- **Board of Directors Meeting Agendas**
  Management strategy, mid-term management plans, succession plans, compensation system, risk, sustainability, management resources such as human capital and intellectual property, etc.

- **Board of Directors Support System**
  Outside director meetings, reports from the Nomination and Compensation Committee, provision of information to outside directors, training for directors, utilization of experts, etc.

### Results of FY2020 Evaluation & Actions Taken in Response

Regarding the effectiveness of the Board of Directors in FY2021, it was concluded that it is important to deepen discussions on ESG at the Board of Directors and to consider the ideal composition of the Board of Directors. In response to these results, we implemented the following measures in FY2021.

- Regarding ESG, Advantest formulated our ESG Basic Policy in June 2021, and based on this policy, the Board of Directors received a progress report in November 2021.
- Regarding the composition of the Board of Directors, we discussed including an institutional design at the Nomination and Compensation Committee and at off-site meetings of the Directors. We have not reached a conclusion, but we will continue to discuss this matter.

### Results of FY2021 Evaluation

Regarding the effectiveness of the Board of Directors in FY2021, it was confirmed that the Board of Directors exchanged opinions freely. In addition, in order to enhance the effectiveness of the Board of Directors, it was decided that it is important to report with greater awareness of the external environment and revise the questionnaire used for the board evaluation accordingly, to focus more on discussion time than on reporting time, and to spend more time on discussion.

Audit System

Advantest shifted to an Audit and Supervisory Committee system on June 24, 2015. Pursuant to our audit policies, audit plans, allocation of duties, etc., and in coordination with the internal audit division and other relevant departments with jurisdiction over internal control, the audit and supervisory committee members attend important meetings such as Executive Management Committee, Business Plan Meeting, Internal Control Committee, Disclosure Committee, Compliance Committee, receive reports from Directors, Executive Officers and employees on the performance of their duties, request further explanations as deemed necessary, review important approval-granting documents, and inspect the state of business operations and assets at the head office and other important branch offices. With respect to subsidiaries, they communicate with and exchange information with the directors and corporate auditors of the subsidiaries and receive business reports from subsidiaries as deemed necessary, and conduct audits of Advantest’s main consolidated subsidiaries overseas (by interviewing via web conferences or face to face), and confirm their state of business operations and assets. Kouichi Nanba, an outside director, serves as the chairman of the Audit and Supervisory Committee.

Outside directors who are members of the Audit and Supervisory Committee attend meetings of the Internal Control Committee and, as necessary, participate in on-site inspections of business divisions conducted by full-time members of the Audit and Supervisory Committee, actively auditing and monitoring the status of business execution at the Company. In addition, the Audit and Supervisory Committee cooperates with the Accounting Auditor, the Auditing Group and other internal control departments, and the Audit & Supervisory Board Members of each company in the Advantest Group, securing opportunities to exchange opinions as necessary and promoting mutual understanding.

We have an Auditing Group for our internal audits. With multiple full-time employees and in cooperation with the Audit and Supervisory Committee, accounting auditors, etc., the Auditing Group monitors the status of the company’s internal controls on a daily basis, identifies problems, and recommends improvements. The Auditing Group reports the audit results to the President and the Audit and Supervisory Committee, and also to the Board of Directors on a regular basis.

Regarding accounting audits, Advantest has audited with Ernst & Young ShinNihon LLC and received predetermined audits. EY Shin Nihon LLC Audit Corporation (formerly Daichi 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 FY2021 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 the 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.

Nomination & Compensation Committee

Advantest has established a Nomination and Compensation Committee as an advisory organization to the Board of Directors. It advises the Board on appointing, selecting, and dismissing directors and executive officers, and on determining the compensation of directors and executive officers. The Nomination and Compensation Committee performs the functions of both a Nomination Committee and a Compensation Committee, in which roles it is responsible for improving the fairness, appropriateness, and transparency of the appointment, selection, dismissal, and compensation of directors and executive officers. The Nomination and Compensation Committee is composed of members selected from among the directors by resolution of the Board of Directors. To introduce an independent viewpoint, more than half of the members are outside directors. The Human Resource Department is its secretariat. The main items considered by the Nomination and Compensation Committee in FY2021 were as follows.

- Candidates for Directors and Executive Officers
- CEO succession plan
- Revision and operation of executive compensation system

The current committee members are Mr. Toshimitsu Urabe, Ms. Sayaka Sumida, and Mr. Yoshiaki Yoshida. Mr. Toshimitsu Urabe is the chairperson. Two of the three committee members, including the chairperson, are outside directors. Regarding the selection of directors and executive officers, the Nomination and Compensation Committee recommends persons as candidates to the Board of Directors who will contribute to a sustainable level of business development and enhancement of corporate value over the mid-to-long term in accordance with the "Directors and Executive Officers Nomination/Dismissal Policy and Procedures" prescribed by the Board of Directors regarding Directors and Executive Officers. The Nomination and Compensation Committee also considers the diversity and appropriate size of the Board of Directors, including in terms of gender and nationality representation. In addition, regarding independent outside directors, "Independence Criteria of Independent Outside Directors" prescribed by the Board of Directors also apply in addition to the "Directors and Executive Officers Nomination/Dismissal Policy and Procedures" mentioned previously. Candidates recommended to the Board of Directors should have a wealth of knowledge and can be expected to contribute actively to the Board of Directors. The Board of Directors deliberates proposals from the Nomination and Compensation Committee, and determines and appoints candidates for Directors and Executive Officers.

Criteria for the Selection and Appointment of Outside Directors

Candidates must meet the independence criteria set by Advantest and should also meet one or more of the below criteria. Personality, concurrent positions as another company’s director, executive officer or auditor, the number of years served as an outside director of Advantest, and the like will be considered in addition to the criteria.

- a legal professional such as attorneys
- a person who has management experience for another company
- a person who has excellent knowledge and experience in finance or accounting
- a person who has excellent knowledge and experience in the Company's business field
- a person who has wide and deep experience in R&D
- a person who has enough experience or ability equivalent to above persons

Executive Management Committee

The Executive Management Committee is the decision-making body for important business execution matters. Those executive officers who are suitable to lead the Advantest Group’s management are designated as executive officers and members of the Executive Management Committee. Half of the members are executive officers of non-Japanese nationality. Meetings of the committee are held about twice a month, mainly online.

Internal Control Committee

The Internal Control Committee identifies and analyzes important risks to the Advantest Group as a whole, and shares information among its members. It also clarifies which department is responsible for each risk, as well as policies and procedures for response. The Internal Control Committee is chaired by the president and consists of 31 members, including executive officers, unit leaders, and administration department personnel. One member is an outside attorney who acts as advisor. We also allow outside directors to participate as observers.

Disclosure Committee

The Disclosure Committee oversees appropriate disclosure by the company. In August 2022, we have broadly revised the composition of the Disclosure Committee by clarifying the scope of the committee’s jurisdiction and strengthening the authority of its members. The current Disclosure Committee
consists of four members. In addition to reviewing timely disclosure documents, they lead the preparation of annual securities reports, business reports, integrated reports, corporate governance reports, etc.

**Sustainable Management Promotion Working Group**

In FY2020 Advantest established the Sustainable Management Promotion Working Group (SMPWG) to develop company-wide ESG activities globally. Three executive directors act as strategic managers for E/S/G, and the 50 members include leaders from all units, and all regions (Europe, North America, Asia). The SMPWG functions as a governance system for sustainable management. Specifically, it identifies and evaluates ESG issues in each unit and region for each fiscal year, and summarizes priority themes, targets, and KPIs into an ESG action plan 2021-2023, supporting and promoting company-wide ESG activities in cooperation with related committees throughout the company.

**Risk Management Group**

The Risk Management Group is an organization that implements countermeasures in the event of any risk that business continuity would be endangered due to a disaster or incident, or if there were to be a risk of harm to the life or health of our officers or employees, or if there were some scandal that may adversely affect Advantest.

The Risk Management Group is headed by the President & CEO and is composed of 28 members, including deputy heads of departments, business location managers, and functional members. In addition, from FY2022, in order to respond more quickly to global incidents, we have newly established a Contingency Team as a sub-organization of the Risk Management Group, and appointed six members to it from overseas locations.

**Succession Planning**

Advantest started to formulate a succession plan in FY2021 with the goal of ensuring management continuity for the next generation and the generation after that in line with our recognized issues and strategies.

The Board of Directors is actively involved in the CEO succession plan. The Board was reported from the Nomination and Compensation Committee on the Group’s management issues and an evaluation of the current CEO, and confirmed requirements for the next CEO. Next, the Nomination and Compensation Committee used an external expert to assess successor candidates and also surveyed the external talents market. At the same time, outside directors met with successor candidates. Based on these results, the Nomination and Compensation Committee discussed the future direction of the company, including a CEO successor training plan, and again reported to the Board of Directors.

In addition, regarding the succession plan for key positions (executive officers) in the Group, a review committee consisting of the CEO and Senior Executive Officers has listed successor candidates for each key position. This list of candidates is reviewed annually by the review committee. The review committee designed and is currently implementing training and skill development plans for successor candidates. It reports the status of these efforts to the Nomination and Compensation Committee and the Board of Directors as appropriate.

**Executive Compensation**

Advantest’s executive compensation system consists of fixed compensation (monetary), performance-linked bonuses (monetary), and stock compensation (non-monetary). The basic concept of the 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 mid/long-term perspective on management**
   - We combine restricted stock compensation (RS), which encourages executives to pursue the mid/long-term corporate value improvement that shareholders desire, and performance-linked stock compensation (PSU), which encourages the achievement of medium-term management goals that lead to the improvement of corporate value.

The Nomination and Compensation Committee restructured our compensation system to implement bonuses with a wider range of performance-linked variance, which should lead to an increase in corporate value, a restricted stock compensation (RS) that is conditioned on holding stocks during the term of office, which encourages a mid/long-term perspective on management, and performance-linked stock compensation (PSU), which is linked with the achievement of medium-term management goals. The system was passed by a resolution of the Board of Directors and proposed to the General Meeting of Shareholders, which approved it. The system is now operated as follows.
### Compensation Structure

The ratio of fixed compensation, performance-linked bonuses, and stock compensation is approximately 1:1:1 for Senior Executive Officers (including the president) and 1:0.8:0.8 for other Executive Officers. However, if a person concurrently serves as a director, he or she will be paid separately. The above ratio is for standard compensation, and the ratio may change depending on performance.

### Fixed Compensation (cash compensation)

Fixed compensation 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 (cash compensation)

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.

#### Performance indicators

With the annual profit plan target achievement rate as a KPI, bonuses vary from 0% to 200% of each individual’s standard amount.

- The standard amount of Senior Executive Officer is 100% Fixed compensation.
- The standard amount of other Senior Executive Officer is 80% 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

#### [Restricted Stock compensation (RS)]

- 50% of stock compensation 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 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
    - Fluctuation 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)
    - Fluctuation 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
    - Fluctuation between -5% to 5% of the standard units
- After the end of the medium-term plan, PSU for the preceding three years will be vested in a lump sum.
  - PSU for officers who take office or retire in the second or third years of the medium-term management plan will be prorated according to the length of time they have served.
Visualization of compensation for executive officers (including the president)

Maximum

<table>
<thead>
<tr>
<th>Category</th>
<th>Cash Compensation</th>
<th>Performance-based Compensation</th>
<th>Stock Options</th>
<th>Restricted stock compensation</th>
<th>Performance-based Stock Compensation</th>
<th>Number of Eligible Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (excluding audit and supervisory committee members) (excluding outside directors)</td>
<td>800</td>
<td>156</td>
<td>239</td>
<td>66</td>
<td>95</td>
<td>5</td>
</tr>
<tr>
<td>Directors (audit and supervisory committee members) (excluding outside directors)</td>
<td>43</td>
<td>43</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Outside Directors (not audit and supervisory committee members) (audit and supervisory committee members)</td>
<td>69</td>
<td>69</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Outside Directors (not audit and supervisory committee members) (audit and supervisory committee members)</td>
<td>(40)</td>
<td>(40)</td>
<td>(0)</td>
<td>(0)</td>
<td>(0)</td>
<td>(3)</td>
</tr>
<tr>
<td>Outside Directors (not audit and supervisory committee members) (audit and supervisory committee members)</td>
<td>(20)</td>
<td>(20)</td>
<td>(0)</td>
<td>(0)</td>
<td>(0)</td>
<td>(2)</td>
</tr>
</tbody>
</table>

*1 According to a resolution of the 79th Ordinary General Meeting of Shareholders, held on June 23, 2021.

*2 Performance Share Unit: a one-time grant covering three years, equal to ¥600 million as compensation for the execution of duties over the three fiscal years.

*3 According to a resolution of the 73rd Ordinary General Meeting of Shareholders, held on June 24, 2015.

Upper limit of director compensation

Performance Share Unit (PSU) *2
Within ¥200 million and within 50,000 shares per year

Restricted Stock (RS)
Annual amount of ¥200 million or less and 50,000 shares or less*1

Monetary reward
Within ¥900 million per year*1

Monetary reward
Within ¥60 million per year*1

Monetary reward
Within ¥100 million per year*3

Total amount of remuneration for directors (FY2021)

*1 As of March 31, 2022, the number of directors (excluding outside directors and directors who are Audit and Supervisory Committee members) is 5, and the number of outside directors is 5.

*2 For stock options granted in or before FY2020, the amount recorded as expenses based on Japanese standards for FY2021 is shown. Stock options were not granted in FY2021. Restricted stock compensation and performance-linked stock compensation amounts shown are the amounts recorded as expenses based on Japanese standards for FY2021.

*3 In addition to the above compensation, Advantest’s subsidiaries in the United States paid ¥156 million in monetary compensation to directors residing in the United States.
### Directors who received compensation of ¥100 million or more (FY2021)

<table>
<thead>
<tr>
<th>Name</th>
<th>Total Compensation (Millions of yen)</th>
<th>Title</th>
<th>Company</th>
<th>Total Compensation by Category (Millions of yen)</th>
<th>Cash Compensation</th>
<th>Non-Cash Compensation*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yoshiaki Yoshida</td>
<td>249</td>
<td>Representative Director, President and CEO</td>
<td>Advantest Corporation</td>
<td>63 91</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Soichi Tsukakoshi</td>
<td>144</td>
<td>Director, Senior Executive Officer</td>
<td>Advantest Corporation</td>
<td>39 49</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Atsushi Fujita</td>
<td>142</td>
<td>Director, Senior Executive Officer</td>
<td>Advantest Corporation</td>
<td>38 49</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Koichi Tsukui</td>
<td>141</td>
<td>Director, Senior Executive Officer</td>
<td>Advantest Corporation</td>
<td>38 50</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Douglas Lefever</td>
<td>280</td>
<td>Director, President and CEO</td>
<td>Advantest Corporation</td>
<td>8 —</td>
<td>—</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Advantest America, Inc.</td>
<td>56 100</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

*For stock options granted in or before FY2020, the amount recorded as expenses based on Japanese standards for fiscal 2021 is shown. Stock options were not granted in FY2021. Restricted stock compensation and performance-linked stock compensation amounts shown are the amounts recorded as expenses based on Japanese standards for FY2021.

### Shares

In FY2021, Advantest acquired 7,167,500 shares of treasury stock, of which 24,505 shares were canceled. In July 2022, the Board of Directors resolved to acquire 10,000,000 shares of treasury stock and to cancel 8,000,000 shares of treasury stock, up to an upper limit of 50 billion yen. In September Advantest acquired 3,445,000 shares of treasury stock and, on September 9, canceled 8,000,000 shares of treasury stock. As of the end of September 2022, we had issued 191,542,265 shares of common stock, and the total number of shares of treasury stock is 4,600,899 shares.

As an incentive for directors, executive officers, etc., we issued stock options until FY2020, and the total balance at the end of September 2022 will be 6,760 units (676,000 shares). No other stock acquisition rights or convertible bonds have been issued. In addition, Advantest grants one voting right for each unit of 100 shares, and does not issue shares that grant multiple voting rights per unit (so-called dual class shares) or non-voting shares.
Innovation in semiconductors never ceases, making our lives richer every day. Advantest enables the leading-edge technologies that make these advances possible. We asked outside directors Osamu Karatsu and Toshimitsu Urabe about their views on corporate governance, and how it can improve corporate value.

(Moderator: Yoshitake Kobayashi, General Manager, Investor Relations Department, Corporate Planning Group)

**About Advantest**

Moderator: Our company was established in 1954, and this is our 68th year in business. Starting from our roots in measurement instruments, we have become a leader in semiconductor test equipment. Advantest is now recognized by many investors and shareholders as a major player in this niche market.

**Karatsu** Measurement is the basis of things. In fact, it is measurement that determines the value of all things. So, even though people call this a niche market, it’s actually not niche at all. I believe this company can grow further by properly valuing and expanding the value of measurement, which is fundamental to the world and has infinite possibilities.

**Urabe** Advantest is in the business of making and selling semiconductor test equipment. You could call it a niche. However, what is actually useful to society is not our machines, but what they do—verify whether semiconductors are working properly—so you could actually say we’re in the data business. When I think about what value our company really sells, it seems to me that we’re in a very privileged position: we have ongoing access to data related to semiconductors, which are indispensable to the world now and in the future.

**Karatsu** Historically, many electronics manufacturers made their own semiconductor test equipment. But that didn’t work out for them. It’s not that easy. For example, if a semiconductor is operated at a speed of 1 gigahertz, that operating speed cannot be guaranteed unless it is tested at 1.3 gigahertz or 1.5 gigahertz. When a semiconductor manufacturer achieves a speed of 1 gigahertz, it cannot be tested without technology that is already 30% or 50% faster, which needs to have been developed and commercialized in advance. Moreover, memory test systems test hundreds of
semiconductors at the same time. Now we’re really in crazy territory. A medium-sized jet airliner has about 1 to 2 million parts, and a semiconductor test system has about 1.5 million parts. A car only has about 30,000 parts, by comparison. It’s insane to pack the complexity of a jet airplane into a box! A normal company wouldn’t be able to do it.

**Our Grand Design**

**Moderator:** People are expecting a lot of Advantest in future. In 2018, we formulated a mid-term management plan and a 10-year Grand Design for the first time. How were you involved in formulating them?

**Karatsu** What I remember about the mid/long-term plans is the first draft I saw. It was a picture of Advantest floating alone in space, not connected to anything in society. Hey! No! I said. Advantest is linked in various ways to the world, and our mid/long-term plan needs to describe what kind of relationships should be built to fulfill the plan. So we discussed that, and our Grand Design came out of those discussions. It helped people to become aware of the essence of our business. I think it’s great to have a long-term plan. It broadens your viewpoint.

**Urabe** Four years have passed since our Grand Design was formulated. Judging from our strong performance so far, it seems the Grand Design was correct, but in four years, the world has changed, and so have our strategic priorities. In that sense, I think it’s important to look at the outside world, which is always the basis of the Grand Design, and update it.

We are also discussing the need to review our 10-year plan at the same time, preferably every year, but at least once every two or three years. Currently, we make a mid-term plan every three years. But we should look at our surroundings from the viewpoint that our 10-year plan will constantly change depending on our situation and environment. Semiconductor cycles occur because of changes in devices that use semiconductors and in their context. I think it’s important to keep a close eye on everything, including the industry, economy, and politics, and what’s happening right now.

**Karatsu** More and more developments in the world these days are invisible, but in fact, those invisible things are packed with value. Mr. Urabe mentioned the data business earlier. It’s the invisible value that is important. But no one knows how to measure the value of the invisible. The challenge is where to put your foot and how to survive. In this new era, I have a feeling that there is a larger arena where we can generate even more value.

**Urabe** I remember what an executive officer said to me at the first offsite meeting I attended after joining Advantest in 2019. “When we think about what our job is, we don’t just make machines. Rather, we’re at the heart of the industrial processes that utilize semiconductors, making those semiconductors work properly, and helping our customers’ workflows operate well and efficiently. That’s what the customers want. Our business is workflow solutions.” That’s what he said. Of course, we have to sell machines, but if we hold onto the essentials, even if the world changes in various ways, we’ll be able to stay abreast of the changes. In other words, the cornerstone of our business is data, and if we use it well, we can achieve even greater things.

**Karatsu** That’s the way it’s going. However, the problem is that our product sales have grown this large, with profits to match, so daily operations end up focusing on how to deliver even just one more product. That’s the dilemma. How to overcome that is a big issue for us as a company.

**Urabe** Truly ambidextrous management is needed.
Corporate Governance

Moderator: We’ve been talking about the long-term view. I would like to hear your thoughts on sustainability from the perspective of ESG, especially corporate governance.

Urabe: What we call ESG is, in a sense, simply obvious when we consider the significance of a company’s existence and social responsibility. Your own business plan should factor in important things that have a big impact on your company. Our Grand Design and The Advantest Way highlight important things that we must be careful to keep uppermost in our mind.

Karatsu: We could say the same of corporate governance.

Urabe: What should our governance and the Board of Directors look like? We are naturally doing what we need to do at the moment, but when it comes to doing even better, we must discuss whether this is enough. This is an important theme to raise not only at the level of the Board of Directors, but also at the level of executive officers.

Moderator: In terms of corporate governance, your positions as directors have been entrusted to you by shareholders. What are your thoughts on the Grand Design, the growth investments necessary for business expansion, and returns to shareholders?

Karatsu: A company first needs to have a proper business model. Our story says, “We’re thinking of implementing this kind of business model in this timeframe, so it’s going to be like this in the future.” By telling shareholders how much we can return at what time by implementing our business model, we win their buy-in for growth investments. The business model is the basis of that mutual understanding.

Urabe: Yes, an idea like the workflow solutions I mentioned earlier is a good example. If we can persuade them, they will come to understand our growth investments. Our profit and equity ratios are high, but our figures are still modest. Considering future growth, I think we still need to improve our foundation.

Karatsu: However, the reason why such discussions have not progressed is the question of what kind of business model should be explained to investors and shareholders. If it is ambiguous, they won’t buy into it. An American executive at our company had some good things to say. He was very earnest when he said, “A few years ago, our company had sales of $2 billion, now it is $5 billion, and soon it will be $10 billion. What is the difference between a $2 billion company and a $10 billion company in terms of corporate structure? If we’re really expecting to hit $10 billion in the near future, and if we haven’t got the corporate structures in place to support that level of sales when we get there, things won’t go well for us. We have to prepare in advance.” I would like to deepen discussions on this theme at the Executive Management Committee meeting for executive officers.

Urabe: After specific projects emerge, it is too late to discuss investment strategies for growth, so we always discuss our intentions and vision based on ongoing analysis of our environment. Our company always has a long to-do list within the framework of the grand design, so I think we have a good basis for such discussions.

Structure of the Board of Directors & Succession Planning

Moderator: Lastly, Mr. Urabe, as chairman of the Nomination and Compensation Committee, you are involved in examining the structure of the Board of Directors and succession planning.

Urabe: The overall management structure of our company comes before the structure of the Board of Directors. This is discussed at board meetings and also at the
Nomination and Compensation Committee in preparation for board meetings.

There are two points to make here. First, of course, when considering a succession plan, the starting point is the management issues that have been discussed many times, and these business strategy issues are reviewed, organized, and shared with everyone. We discuss what the next generation of management will need and what the Board of Directors will look like at that time. The second thing is to not stop at mechanisms and general theories, but move on to discussions and analysis with names attached. For example, in order to create a next-generation management team, we outside directors meet with senior-level executive officers individually, evaluate them, and provide them with advice when necessary. These are the two things I pay most attention to.

Urabe That data is shared with the CEO, and we also provide feedback from the CEO to the individuals concerned. Accumulated properly, it can be a resource for them. It’s no good if you just do it once—you have to keep doing it. This is done at two levels, the level where the directors oversee the management team, and the people on the management team who are one layer below. We keep looping through this process with due care.

Karatsu As you’d expect, the executive officers will do their best if you give them room to perform. When we ask a lot of questions, they do their best to answer them. I think this is a good incentive, and conversely, we also get a glimpse of the issues in the company. It helps us better understand their position and give advice on how people below the CEO should act.

Moderator: Thank you both for speaking with us today.
Board of Directors, Skill Matrix

After his duties as the representative director of a subsidiary of the Company, Executive Vice President of the Corporate Planning Group, Executive Vice President of the Corporate Relations Group, and Executive Vice President of the Nanotechnology Business Group, Mr. Yoshiaki Yoshida has been serving as Representative Director, President and CEO of the Company since January 2017. He has a wealth of knowledge and experience concerning the Company group’s business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value as a director of the company.

In addition to his management experience at R&D institutions in Japan and overseas, Mr. Osamu Karatsu has a wealth of knowledge and experience as a semiconductor specialist. He is expected to reflect his knowledge of the industry and his broad perspectives in the Company group’s global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director.

Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company, particularly overseas experience in the United States and Asia, experience in business investment decisions, etc., and extensive experience in administrative management, for example in human resources. He is expected to reflect his knowledge in the Company group’s global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director.

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 the Company group’s global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director.

Mr. Soichi Tsukakoshi has been engaged in sales and marketing operations. After his duties as Senior Vice President of the Sales Group, he currently serves as Executive Vice President of the Production Group. He has a wealth of knowledge and experience concerning sales and marketing as well as production. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value through enhancement of efficiency of manufacturing and supply chain optimization.

Mr. Atsushi Fujita has been engaged in corporate administration mainly in finance and accounting for many years, including assignments in the US and Germany. He has a wealth of knowledge and experience concerning the Company group’s business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value.
Although Ms. Sayaka Sumida has not been directly involved in the management of a company in the past, she has a wealth of knowledge and experience concerning finance and accounting gained through her engagement in accounting auditing services and internal control-related services as a certified public accountant at an accounting firm for many years. She is expected to reflect her knowledge of finance and accounting in the Company group’s audit and supervision, thereby contributing to the enhancement of corporate accounting and internal control. Thus, the Company believes that she is a suitable person as an outside director who is an audit and supervisory committee member.

Mr. Yuichi Kurita has many years of experience in finance and corporate planning, and has extensive knowledge and experience in finance and accounting. In addition, he has served as a director and is an audit and supervisory board member of the Advantest Group, in which position he is currently striving to improve auditing/supervision and governance. In view of his achievements, Advantest believes that he is a suitable person to enhance supervisory and oversight functions as a director who is a member of the Audit and Supervisory Committee.

Mr. Kouichi Nanba has a wealth of experience in law and compliance and a high degree of specialized knowledge, after serving as a judge mainly in charge of civil cases for many years, and engaging in the practice of corporate legal affairs as a lawyer. Advantest believes that he is a suitable person as an outside director who is a member of the Audit and Supervisory Committee of the Company, as Advantest expects that his insights of law and compliance into the auditing and supervision of the Advantest Group will contribute to the improvement of auditing and supervisory functions.

Although Ms. Sayaka Sumida has not been directly involved in the management of a company in the past, she has a wealth of knowledge and experience concerning finance and accounting gained through her engagement in accounting auditing services and internal control-related services as a certified public accountant at an accounting firm for many years. She is expected to reflect her knowledge of finance and accounting in the Company group’s audit and supervision, thereby contributing to the enhancement of corporate accounting and internal control. Thus, the Company believes that she is a suitable person as an outside director who is an audit and supervisory committee member.
## Skill Matrix of the Board of Directors

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<th>Independence (Outside)</th>
<th>Management</th>
<th>Finance / accounting</th>
<th>Insight of semiconductor industry</th>
<th>R&amp;D</th>
<th>Global operations</th>
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