

# Board of Directors

**Yoshiaki Yoshida**  
Representative Director, President and CEO

Date of Appointment 2013  
Date of birth February 8, 1958  
Nationality Japanese  
Shares Held as of March 2020 48,056




Mr. Yoshiaki Yoshida served as the representative director of a subsidiary of Advantest, 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, before being appointed Representative Director, President and CEO of the company in January 2017. Given his wide range of management knowledge and experience, Advantest believes that he is a suitable person to realize sustainable enhancement of corporate value as a director of the company.

**Osamu Karatsu**  
Outside Director

Date of Appointment 2012  
Date of birth April 25, 1947  
Nationality Japanese  
Shares Held as of March 2020 3,056




Mr. Osamu Karatsu has a wealth of knowledge and experience as a semiconductor expert, in addition to management experience at domestic and overseas research and development institutions. The insights on the industry which he brings to the management of the Advantest group contribute to the sustainable enhancement of corporate value of Advantest and the effectiveness of the Board of Directors. Thus, Advantest believes that he is a suitable outside director.

**Koichi Tsukui** Newly Elected  
Director, Managing Executive Officer

Date of Appointment 2020  
Date of birth December 11, 1964  
Nationality Japanese  
Shares Held as of March 2020 1,853




Mr. Koichi Tsukui has worked in various R&D divisions and in sales for many years, including assignments in Germany, and has a wide range of knowledge and experience regarding the businesses and management of the Group. Therefore, Advantest believes he is suitable as a director of the Advantest Group.

**Douglas Lefever** Newly Elected  
Director, Managing Executive Officer

Date of Appointment 2020  
Date of birth December 10, 1970  
Nationality American  
Shares Held as of March 2020 0




Mr. Douglas Lefever plays a key role in promoting Advantest's business development in Silicon Valley and other parts of the United States. He has broad knowledge and experience regarding the businesses and management of the Group. His perspective enhances the diversity of the Board of Directors and can be expected to make it more effective. Thus, Advantest believes he is a suitable person as a director to realize sustainable enhancement of the corporate value of the Advantest Group.

**Toshimitsu Urabe**  
Outside Director

Date of Appointment 2019  
Date of birth October 2, 1954  
Nationality Japanese  
Shares Held as of March 2020 142




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, and extensive experience in personnel management. The insights which he brings to the global management of the Advantest group contribute to the sustainable enhancement of corporate value of Advantest and the effectiveness of the Board of Directors. Thus, Advantest believes that he is a suitable outside director.

**Nicholas Benes**  
Outside Director

Date of Appointment 2019  
Date of birth April 16, 1956  
Nationality American  
Shares Held as of March 2020 2,000




Mr. Nicholas Benes has extensive knowledge and experience in corporate governance and experience in investment banking, including M&A. The insights on corporate governance and the perspective of shareholders which he brings to the global management of the Advantest group contribute to the sustainable enhancement of corporate value of Advantest and the effectiveness of the Board of Directors. Thus, Advantest believes that he is a suitable outside director.

**Yuichi Kurita**  
Director, Standing Audit & Supervisory Committee Member

Date of Appointment 2015  
Date of birth July 28, 1949  
Nationality Japanese  
Shares Held as of March 2020 11,482




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.

**Kouichi Nanba**  
Outside Director, Standing Audit & Supervisory Committee Member

Date of Appointment 2019  
Date of birth September 1, 1949  
Nationality Japanese  
Shares Held as of March 2020 142




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 his insights into the auditing and supervision of the Advantest Group contribute to the improvement of auditing and supervisory functions.

**Soichi Tsukakoshi**  
Director, Senior Executive Officer

Date of Appointment 2017  
Date of birth February 1, 1960  
Nationality Japanese  
Shares Held as of March 2020 4,935




Mr. Soichi Tsukakoshi has worked in sales and marketing, was Senior Vice President of the Sales Group, and 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. We have determined that he is a suitable person to realize sustainable enhancement of corporate value as a director of the Advantest Group by improving the efficiency of manufacturing and optimizing supply chains.

**Atsushi Fujita**  
Director, Managing Executive Officer

Date of Appointment 2019  
Date of birth November 15, 1959  
Nationality Japanese  
Shares Held as of March 2020 2,263




Mr. Atsushi Fujita has been engaged in corporate administration, mainly finance and accounting, for many years, including assignments in the US and Germany, and he has gained a wealth of knowledge and experience concerning the Advantest Group's business and corporate management. Thus, Advantest believes that he is a suitable person to realize sustainable enhancement of corporate value as a director of the Advantest Group.

**Sayaka Sumida** Newly Elected  
Outside Director, Standing Audit & Supervisory Committee Member

Date of Appointment 2020  
Date of birth January 28, 1961  
Nationality Japanese  
Shares Held as of March 2020 0




Ms. Sayaka Sumida has worked for an accounting firm as a certified public accountant, has been engaged in accounting, auditing, and internal control operations for many years, and has extensive knowledge and experience of finance and accounting. Advantest believes she is a suitable person as an outside director who is a member of the Audit and Supervisory Committee of the Company, as her insights contribute to the effectiveness of the Board of Directors and the improvement of the functions of the Audit and Supervisory Committee.

| Experience and skills                   | Applicable number of directors | Committee                             |
|---|--------------------------------|---------------------------------------|
| Leadership                              | 3                              | Board of Directors                    |
| Finance                                 | 3                              | Audit and Supervisory Committee       |
| Knowledge of the semiconductor industry | 7                              | Nomination and Compensation Committee |
| Research and development                | 3                              | 1/4 Attendance Rate <sup>(1)</sup>    |
| Global Operation                        | 10                             | Chairperson                           |
| Legal affairs, attorney at law          | 2                              |                                       |

(1) 2019

# Messages from Outside Directors

## Advantest from Board of Director's perspective



**Osamu Karatsu**  
Director

### Provision of Appropriate External Resources for Initiatives and Expansion in New Business Fields

Advantest's business is measurement and test technologies that guarantee the functional performance of products and add value to them. The history of semiconductor products has been one of outstanding growth underpinned by the highly stable product quality and increased market value that can be obtained from high-performance test technology.

In recent decades, in particular, semiconductor technology has advanced dramatically in accordance with Moore's law, and semiconductors have made enormous gains in performance and complexity. To establish these advanced devices as marketable products, Advantest has played a crucial supporting role in the "backbone" of the electronic products industry by launching more and more advanced test systems with continually improving technology.

In recent years, these trends towards higher performance and greater complexity have transcended the boundaries of semiconductor devices. We now talk about product performance and quality in the context of assemblies and systems. In anticipation of this development, Advantest announced a new medium- to long-term management policy (Grand Design) in 2018, and has further advanced its implementation since then, while continuing to calibrate the direction of its future test business development against industry trends. Starting with the addition of SLT businesses acquired from Astronics and Essai to the Advantest Group, the company has been steadily laying the groundwork to expand its business foundation by evolving into a total test system company that can organically provide end-to-end test technologies, and continues to seek the most effective approach to feed test data back to improve design and production process management by utilizing big data analytics.

Many other companies have recently reported accidents such as malfunctions and fires after shipping due to combined compound failures at the final product level. The economic and brand damage resulting from such incidents can be fatal for companies. Advantest is committed to proactively detecting defects concealed by technological complications and providing value to minimize market accidents and associated rework costs, and aims to expand this commitment as part of the company's support for industrial productivity improvement.

Since initiatives and expansion in these new fields of business involve activities that may require experience and resources in addition to those accumulated by Advantest, I hope to make an active contribution by providing appropriate information and advice as an independent director.



**Toshimitsu Urabe**  
Director

### Two Challenges We Must Overcome to Achieve Advantest's Grand Design

With 95% of our sales overseas, we have 32 affiliated companies in 17 countries around the world, and the global market for semiconductor test equipment is divided between Advantest and US supplier Teradyne. In response to the globalization of our business, 2 out of 11 directors and 10 out of 24 executive officers are now of non-Japanese nationality, making our management team multinational compared to other Japanese companies. In 2018 we announced our "Grand Design," a long-term vision that aims to use advanced technology to contribute to the development of the world's semiconductor-related industries and achieve sustainable growth. This was a declaration of our determination to continue to diversify our profit sources and add new businesses by solidifying our advantage in the semiconductor test equipment realm and further expanding our business domains across the semiconductor value chain. I believe we face two challenges to achieving this ambitious vision.

The first is endless organizational evolution. In the future, as Advantest's domain of activity expands, the factors that must be taken into consideration for sustainable growth will increase. Efficient and well-balanced multi-disciplinary organizational management approaches such as separate business strategies for each business, cross-sectional resource/knowledge management for each function such as manufacturing, sales, and administration, and operations optimized for regional characteristics will increasingly be required. There is no "silver bullet" or perfect template, and these are issues that we will continue to work on while responding to environmental changes, but I am looking forward to seeing how our organization, which has already formed the ability to adapt to such developments, will continue to evolve in response to our long-term vision.

Our second challenge is unique shared values. As our business and our staff become globalized, it would be ideal if we could continue to take pride in our origins, so that employees of various nationalities could fully share a sense of belonging to a global enterprise that was born in Japan. For example, Advantest has a unique set of values backed by many years of experience, and it is possible for us all to share the awareness of being grounded in this history, which can be a unifying counterweight to ongoing innovation and creation in various fields and regions. It is natural for a company to adapt to global frameworks such as the SDGs, but I think that the shared values unique to our company are the ultimate foundation of our Grand Design. I hope that "The Advantest Way" will evolve in that direction.



**Nicholas Benes**  
Director

### Our Governance and Sustainability Management

After one year as a director, I believe our board is a dedicated team that draws upon a diverse mix of skills experience to effectively monitor and provide fresh perspectives. Management is comfortable being held accountable, is responsive to the independent directors, and is open to new agenda topics and requests for additional reporting. At the board meeting, there is much discussion and healthy debate about both near and long-term issues, and especially about how best to realize the full potential of our "grand design" strategy as the semiconductor value chain evolves. To deepen our thinking and understanding of key issues, every year the board also spends several days off-site for "deep dive" discussions. This year, as part of this we visited Advantest facilities in California.

During the last fiscal year, the board received training about recent developments in ESG-based investment from an expert. In this report, we are for the first time disclosing information following the SASB's standards for the semiconductor industry. Going forward, we plan to track these and other measures at the board level, so as to remind executives to take proactive leadership and concrete steps to improve them as part of daily management. We will also need to keep a lookout for other significant sustainability criteria and growth opportunities that are unique to our company's focus on test, and create a virtuous cycle in tandem with our strategy. This is already being done, but we must seek to do it more.

This year we will be considering ways to streamline our board practices so that we can allocate more time to the most important issues and long-term policies, while suffering no loss in the quality of monitoring. To the extent feasible given local differences, we will also seek to further improve and standardize our global practices for matters such as compensation, compliance, and reporting. We must evolve our organization as fast as the expanding size of our global footprint. Advantest is a company with immense potential, but to achieve it, we must fully benefit from efficient global teamwork, and avoid unnecessary risks and mishaps. In governance, there is always room for improvement.



**Kouichi Nanba**  
Director  
Standing Audit & Supervisory Committee

### The Importance of Compliance & Advantest's Challenges

Recently, we have been flooded with documents written from left to right (rather than from top to bottom in Japanese style) and katakana terms (English words transliterated into Japanese, rather than translated). Among them you may have seen the word "compliance." Compliance refers to legal compliance, that is, the compliance of a company with rules and social norms. It can be said that the concept has already taken root in society. It seems as if it should be easy for companies to maintain compliance, but it is surprisingly difficult. I was a witness to scandals at three other companies last year. The causes of these, in my opinion, were lack of norm awareness in pursuit of profits, insufficient monitoring systems with respect to the division(s) that caused the scandals, and corporate cultures that had poor awareness of norms in the first place.

Once a breach of compliance causes negative publicity, the damage to the company can be enormous, and it can even develop to the point that the management base of the company is undermined. In that sense, compliance is extremely important for companies. Therefore, there seems to be no other way to prevent breaches from happening apart from making sure that the organization has open channels of communication rather than being divided into silos, and that the "left hand" always knows what the "right hand" is doing; strengthening monitoring systems; and promoting compliance education for employees.

By the way, as you know, our company has a vast business reach, covering Europe, the United States, China, Taiwan, and South Korea, and many foreigners are working with us. Advantest is a truly diverse company. The problem is that for such companies, I feel the biggest challenge is whether the compliance policy established at the head office can be spread to employees all over the world.

Small compliance violations may cause big problems. When an issue occurs, it is important not to overlook it and to hold discussions at the Audit and Supervisory Committee and the board of directors. I hope to do my part to ensure that Advantest maintains a flawless compliance record.

# Thoughts about Corporate Governance

(Dialogue between CEO and Outside Director)



**Yoshiaki Yoshida**

Representative Director,  
President and CEO

**Sayaka Sumida**

Outside Director, Standing Audit &  
Supervisory Committee Member

Ms. Sayaka Sumida, who was appointed as a member of the Audit and Supervisory Committee at this year's Annual General Shareholders Meeting, spoke with President Yoshida about issues related to the governance of listed companies, drawing on her long experience as a certified public accountant. The moderator was Akira Ono (Executive Officer & General Manager of Human Resources Department).

**Q** First, President Yoshida, please tell us about the achievements of the Board of Directors and future challenges facing Advantest with respect to governance.

**(President Yoshida)** > In the three years since I became president in January 2017, we have formulated a medium- to long-term management policy, revised "The Advantest Way" to clarify our corporate philosophy and code of conduct, issued our first annual integrated report, abolished our consultant and advisor system, revised all our internal rules, revised our remuneration system to ensure

transparency, and enhanced our internal reporting system for compliance. Every board meeting means a minimum of 3 hours and a maximum of 5 hours of open and heated discussion. Future issues include the planning and execution of succession plans, the narrowing down of agenda items for the Board of Directors for deeper and more thorough discussions, and education in creating sophisticated materials for that purpose. In addition, as companies are now evaluated from the perspective of their ESG initiatives and contributions to the SDGs, I am also aware of the importance of enhancing disclosure of our non-financial policies and progress.

**Q** With regard to information disclosure, Director Sumida, what issues are on your mind?

**(Director Sumida)** > I have been working at an accounting firm for a long time as a certified public accountant, and during that time, I have seen the reality of various information disclosures related to the IR activities of many listed companies. We all believe that open disclosure is an indispensable element of corporate governance, but in Japan, there is generally a strong sense of "You first—no, you first!" and there is a limit to the voluntary improvements that will be enacted by individual companies, I've always been aware of the need for institutional reforms led



by the government. Traditional Japanese companies' disclosure stance has focused on meeting statutory disclosure requirements, and efforts to determine optimal disclosure content from the perspective of shareholders and investors have not always been sufficient, in my opinion. In that regard, I think the Stewardship Code and Corporate Governance Code announced in 2014 and 2015, respectively, had a salutary effect on improving corporate disclosure stances. This has led to the expansion of non-financial information disclosure related to ESG and the SDGs, which is frequently emphasized these days.

**(President Yoshida)** > The government has encouraged companies to aim for ROE 8% and restore Japan's earning power. The reason for this is that Japanese companies have been earning less than their counterparts in Europe, America and Asia. I think that there was a time when we were content to just compare ourselves to our Japanese peers without looking at the rest of the world, but now we must hold ourselves to global standards of achievement. Regarding governance, I attach great importance to the perspective of outside directors. While discussing exactly what we can and cannot do with the rest of the Board of Directors, I'm committed to openly disclosing information.

**Q** What do you think recent corporate scandals tell us about the need for compliance systems?

**(President Yoshida)** > In Advantest's case, 95% of our sales are overseas and so are more than half of our employees. The customs and logic of Japan, where we have our headquarters, may not always operate globally. There are regional differences due to history, culture, and customs that must be handled carefully. However, there are certain lines that cannot be crossed, and these must be enforced clearly and without exception. I believe it is the responsibility of top management to convey this to employees and educate them in the importance of compliance.

**(Director Sumida)** > Looking at the scandals that have occurred at various companies, I think they are a result of people not being able to stand up for principles that should be obvious to every schoolchild. The spirit of compliance cannot be instilled overnight. I think it is very important for top management to repeatedly convey these "obvious things" to employees over and over again in their messaging in order to create a solid organizational culture.

**(President Yoshida)** > Just one scandal can cause a catastrophic loss of trust in a company. Of course, education to prevent scandals is important, but we have also



been focusing on crisis management on the premise that scandals may and will occur in the future, for example, by expanding our internal reporting system to make sure nothing ever gets swept under the carpet.

**Q** What are Advantest's challenges regarding diversity, especially in terms of women's advancement?

**(Director Sumida)** > In the world of accountant, little distinction is made between men and women. I myself have always believed that chances will come my way if I do not put artificial limits on myself. Due to recent workstyle reforms, increased productivity has made it easier to avoid overtime. This has created a work environment that is friendlier to women, who used to have difficulty balancing work with childbirth and childcare. I think this means that we no longer have to worry about gender differences.

**(President Yoshida)** > Advantest has relatively few female employees, so there are female department managers, but no female executive officers or vice presidents yet. I think this is one of our challenges. To promote the active participation of women, I believe it is important not to give special consideration to women, but to give them equal opportunities regardless of gender, and promote them according to their abilities and motivation, just as we do for men.

**(Director Sumida)** > I also believe that privileging women just because they are women is lamentable, in a sense. I think it is important to treat employees equally based on their individual abilities and motivations, and it is also important for top management to clearly communicate that message.

# Corporate Governance

## Our Basic Approach to Corporate Governance

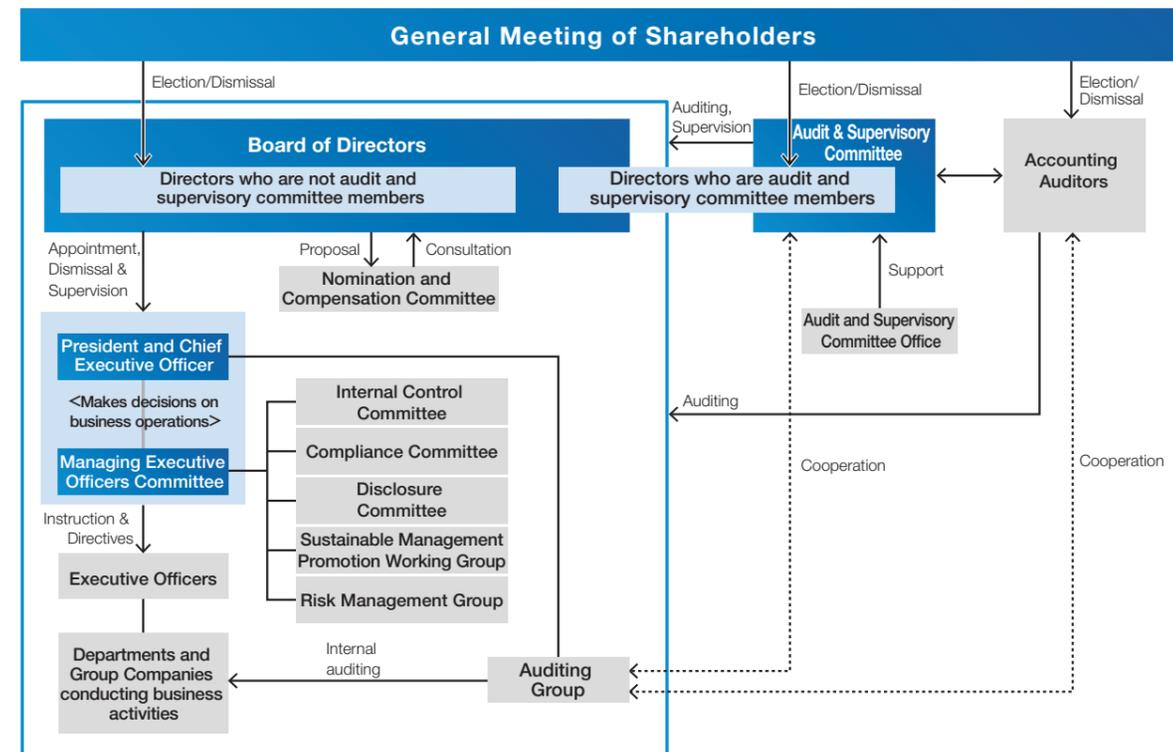
Advantest's corporate mission is "enabling leading-edge technologies." The Advantest Group constantly strives to improve so that we can offer products and services that satisfy customers around the world, and contribute to society through the development of advanced technologies.

In accordance with this mission, and in response to our mandate from stakeholders, Advantest aims to achieve a sustainable level of business development for the Group

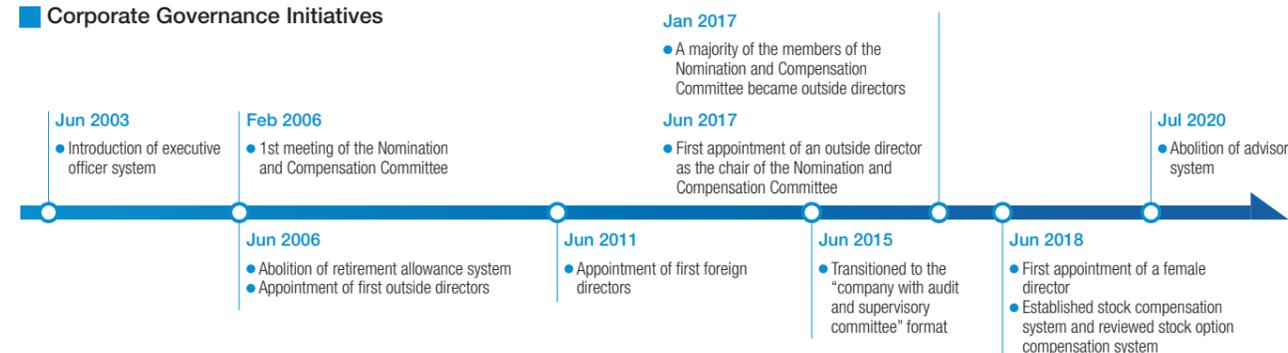
and to enhance corporate value over the medium to long term. To that end, the Group has established a fair, efficient, and highly transparent governance system. Please note that our Corporate Governance Basic Policy is available on our website at the following link:

<https://www.advantest.com/investors/management-policy/corporate-governance>

### Corporate Governance Scheme

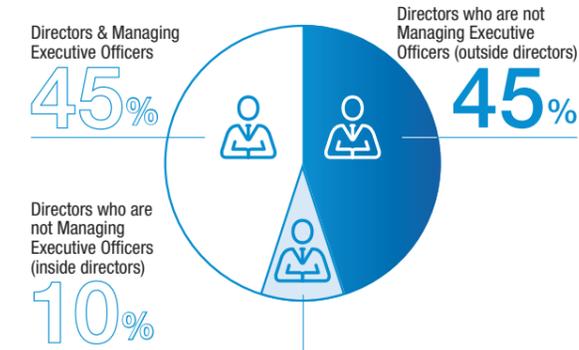


### Corporate Governance Initiatives



## Governance Highlights

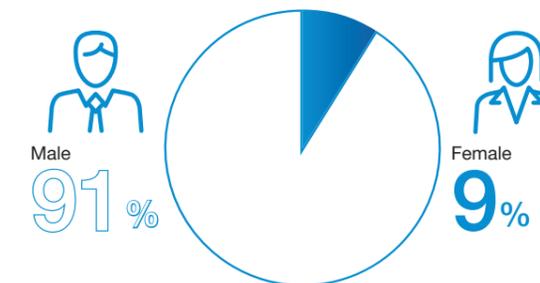
### Inside / Outside Director Ratio



### Total Tenure (As of 25 June, 2020)



### Gender Ratio



### Japanese / Non-Japanese Director Ratio



### Chairpersons

**Yoshiaki Yoshida**

Board of Directors  
(CEO, Inside director)

**Yuichi Kurita**

Audit & Supervisory Committee  
(Non-Managing Executive Officer, Inside director)

**Toshimitsu Urabe**

Nomination and Compensation Committee  
(Non-Managing Executive Officer, Outside director)

### List of Governance Systems (As of June 25, 2020)

| Structure   | Company with an Audit and Supervisory Committee  |
|---|--|
| Number of Director  | 11 Persons<br>· Directors & Managing Executive Officers (Inside) 5 Persons<br>· Directors who are not Managing Executive Officers (Inside) 1 Person<br>· Directors who are not Managing Executive Officers (Outside) 5 Persons |
| Term of Office for Directors  | 1 year (2 years for directors who are members of the Audit and Supervisory Committee)  |
| Incentive for Directors   | Performance-based Remuneration System (Executive directors only)   |
| Disclosure of Compensation for individual Directors Committee (voluntary basis) | Only Directors who received Compensation of 100 Million yen or More  |
| Number of Audit and Supervisory Committee member                                | 3 Persons  |
| Number of Outside Director among above  | 2 Persons  |
| Number of Independent Directors   | 5 Persons  |
| Accounting Auditor  | Ernst & Young ShinNihon LLC  |
| Executive Officer System  | In Place   |

# Board of Directors / Board Effectiveness

## Role of the Board of Directors

The Board of Directors of Advantest, as the company's highest management decision-making body, determines important matters such as the management policy and management strategy of the entire group, and also monitors and supervises the execution of business by those responsible. By including multiple outside directors as members of the Board of Directors, we have strengthened the oversight and supervisory functions of the Board of Directors. At meetings of the Board of Directors, directors with a wide range of knowledge and experience express their opinions from various perspectives and hold lively discussions of the agendas proposed by management. These meetings review the company's mid- to long-term management policy, executive appointment and compensation, budget and performance settlement of accounts, M&A proposals, etc. and are held about once every month, lasting about 3 to 5 hours. The current board of directors is composed of five inside executive directors, one inside non-executive directors, and five outside non-executive directors, for a total of 11 members (this includes all directors who are also Audit and Supervisory Committee members). Two of the directors are non-Japanese and one is a woman. In order to maintain seamless communication among directors, we have arranged for simultaneous interpretation at meetings of the Board of Directors so that we can speak freely in both Japanese and English. Materials and minutes are also translated into English. We endeavor to provide the materials to directors no less than three business days before meetings in principle. Details of the members of the Board of Directors are as described on page 55 to 56. The Chairman of the Board of Directors is Yoshiaki Yoshida, Representative Director, President and CEO of the Advantest Group.

## Activities of the Board of Directors

### Main Actions Taken by the Board of Directors in 2019

#### Revision of The Advantest Way

Advantest recently revised The Advantest Way to clarify our management mission, vision, core values, action guidelines and action standards, taking into account the opinions of outside directors and overseas executive officers offered at meetings of the Board of Directors. Outside directors also advised the Board that employees around the world need to be more aware of The Advantest Way, so we are holding workshops around the world to raise awareness.

→ See pages 41-42

#### Review of Important Rules

We have reviewed important rules such as the Regulations of the Board of Directors. The process of sending information to outside directors in advance and confirming their opinions has enabled us to enact more appropriate regulations.

#### Enhancement of Internal Reporting System

Since outside directors suggested that our internal reporting system be expanded, we have set up an outside desk to accept anonymous reports on incidents and to enable reports from outside the company.

→ See page 49

#### Advantest's COVID-19 Response

The Board of Directors heard reports about the COVID-19 pandemic and its impact on Advantest's business, and discussed it.

## Results of Board Meeting Effectiveness Survey

Advantest distributes a survey in the form of a questionnaire to all directors every March through April to evaluate the effectiveness of the board of directors. The main items to be evaluated are as follows:

#### Structure of the board of directors

Number of members, diversity of members, status of outside directors with respect to other concurrent positions, etc.

#### Management of the board of directors

Timing of distribution of materials, content of materials, prior disclosure of agenda, number of agenda items, frequency of board meetings, chairman's effectiveness, quality of online meetings/simultaneous interpretation, etc.

#### Agenda of the board of directors

Management strategy, delegation to executives, succession plan, compensation system, risk, conflict of interest, appointment/dismissal of directors, compliance, etc.

#### Board of directors support system

Reports from the Nomination and Compensation Committee, provision of information to outside directors, training for directors, use of experts, etc.

## Result in FY2018

The results of the fiscal 2018 survey showed that it was necessary to formulate a succession plan for representative directors, reanalyze risks affecting Advantest's business, and consider the training provided for directors. The status of each of these items is as follows:

## Status of Actions Required

- Advantest is currently working on the formulation of a succession plan for the representative director. In the future, the Nomination and Compensation Committee will deliberate on it and the board of directors will take the initiative in implementing it.
- Regarding re-evaluation of risks affecting Advantest's business, the executive side analyzed these risks and their discussion was published in our securities report, including the specific risks.
- Executive officers who had not attended governance training attended training related to governance, and in addition, lectures by ESG and corporate value enhancement experts were held for Japanese directors and executive officers.

The FY2019 effectiveness evaluation of the board of directors was also discussed at the board of directors meeting in May 2020. At that time, it was confirmed that the composition of the board of directors was appropriate and that the board of directors exchanged opinions freely. On the other hand, the following points were raised for future improvement:

- Materials distributed by the Board of Directors and explanation method
- Method of reporting from the Nomination and Compensation Committee
- How outside directors can best utilize outside experts

# Audit System / Nomination and Compensation Committee / Others

## Audit System

Advantest transitioned to the status of a company with an Audit and Supervisory Committee on June 24, 2015. In accordance with our audit policy and audit plan and division of duties, Audit and Supervisory Committee members attend important meetings such as the Board of Directors, Managing Executive Officers Committee, Internal Control Committee, Compliance Committee, and Disclosure Committee, hear reports on the execution of duties from the directors and executive officers responsible, inspect important decision documents, investigate the status of operations and assets of the head office and major subsidiaries in Japan and overseas, and also audit the performance of executive officers, and other business execution organizations in cooperation with the Audit Office and other internal control departments. The Audit and Supervisory Committee consists of one internal director and two external directors. The Audit and Supervisory Committee implements its audit and supervisory functions by attending important meetings, collecting information by listening to business reports from the executive departments, and strengthening cooperation with our accounting auditor and the internal audit department. One full-time member has been named to the Audit and Supervisory Committee to improve the quality of its work. Mr. Yuichi Kurita, inside director and Audit and Supervisory Committee Member, has many years of experience as an officer in charge of corporate planning, finance and management of the Company. Another member of the Audit and Supervisory Committee, Ms. Sayaka Sumida, is an outside director who works as a certified public accountant at an audit corporation. Both have experience and sufficient financial and accounting knowledge. In addition, Mr. Koichi Nanba, an outside director and Audit and Supervisory Committee Member, has extensive knowledge of legal affairs. Mr. Kurita chairs the Audit and Supervisory Committee. Outside directors who are Audit and Supervisory Committee members attend meetings of the Internal Control Committee and participate in on-site audits of business execution departments conducted by the full-time Audit and Supervisory Committee member as necessary to actively audit and supervise the status of business execution of the company. In addition, the Audit and Supervisory Committee collaborates with our accounting auditor, the Audit Office and other internal control departments, and the Audit & Supervisory Board Members of Advantest Group companies, ensuring opportunities for exchanging opinions and communication.

With regard to internal audits, we have established an Audit Office, and multiple dedicated employees routinely monitor the maintenance and operation status of the company's internal controls, as well as identifying problems, pointing out issues, and making recommendations for improvement.

Regarding accounting audits, Advantest has an audit contract with Ernst & Young ShinNihon LLC and receives

prescribed audits. The certified public accountants who executed Advantest's accounting audit work in FY2019 are Mr. Makoto Usui, Mr. Akiyuki Matsumoto, and Mr. Keiichi Wakimoto. All of them have continuously performed Advantest's audits for up to seven years. In addition, assistants performing Advantest's accounting audit work consist mainly of certified public accountants and include those with specialized knowledge, such as system experts.

## Nomination and Compensation Committee

Advantest has established the Nomination and Compensation Committee as a non-mandatory organization, which complements the Board of Directors, to decide on the appointment, selection, and dismissal of Directors and Executive Officers, and to determine their compensation. The Nomination and Compensation Committee is responsible for the functions of both the Nomination Committee and the Compensation Committee. The Nomination and Compensation Committee is responsible for improving the fairness, rationality and transparency of the appointment, selection, and dismissal of Directors and Executive Officers and of their compensation.

The Nomination and Compensation Committee is composed of members selected from among the directors by resolution of the Board of Directors. To incorporate an independent perspective, the majority of the members are outside directors. The Human Resources Department serves as the secretariat of the Nomination and Compensation Committee.

### Main Discussion Agenda of the Nomination and Compensation Committee in 2019

- Discussion of director and executive officer candidates
- Fixed remuneration, performance-linked bonuses, stock compensation levels, and future plans
- The advisor system
- Discussion of appointment contracts for directors and executive officers

The current members of the Committee are Toshimitsu Urabe, Koichi Nanba and Yoshiaki Yoshida. Toshimitsu Urabe is the chairman.

Regarding directors and executive officers, the Nomination and Remuneration Committee shall comply with the policy and procedures for appointment, selection, and dismissal of directors and executive officers established by the Board of Directors, and shall recommend 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 addition, regarding outside directors, in addition to the

forementioned the policy and procedures, the "Independence Criteria for Outside Directors" established by the Board of Directors shall also apply. Candidates recommended to the Board of Directors have a wealth of knowledge and be expected to contribute positively to the Board of Directors.

### Appointment and Selection Criteria for Outside Directors

The Committee comprehensively considers the personality, concurrent status as a director of other companies, the number of years as an outside director of the Company, etc., to select candidates from among those who meet the independence criteria established by Advantest and have any of the following qualifications:

- Person with legal expertise, such as a lawyer
- Person who has experience in corporate management
- Person who has considerable knowledge of finance and accounting
- Person who has knowledge and experience in industries related to Advantest's business such as semiconductor-related industries
- Person who has extensive experience in research and development
- Others who have background or ability equivalent to the above items

## Managing Executive Officers Committee

The Managing Executive Officers Committee is made up of executive officers and higher, and deliberates on a certain number of important matters as decided by executive organizations. Since Advantest has a number of non-Japanese managing executive officers, discussions incorporate each country's perspective and reflect various opinions. Meetings are held about twice a month, mainly in the form of web conferences.

## Internal Control Committee

The Internal Control Committee identifies important risks for the entire Group and analyzes them. At the same time, it has clarified which departments are responsible for each risk, and policies and procedures for dealing with them. The Internal Control Committee consists of 23 members, including Unit Leaders and administration department personnel. One member is an outside lawyer who acts as advisor. In addition, outside directors can participate as observers.

## Compliance Committee

The Compliance Committee promotes compliance activities, including education for employees provides education on human rights issues, and handles consultations and complaints. The Compliance Committee consists of nine members, one of whom is an outside lawyer.

## Disclosure Committee

The Disclosure Committee oversees proper disclosure by the company. The Disclosure Committee consists of 26 members, including Unit Leaders.

## Sustainable Management Promotion Working Group

The Sustainable Management Promotion Working Group helps each business division incorporate policies related to ESG/the SDGs into the strategies it formulates on the basis of policies and priority measures enacted by higher-ranking organizations such as the Managing Executive Officers Committee, and supports the business divisions in carrying out activities in line with the PDCA cycle. It consists of 40 members, chiefly the leaders of all business divisions, including four executive directors.

## Risk Management Committee

The Risk Management Committee is responsible for formulating measures to respond to the possibility of events such as disasters and other incidents that would make it difficult to continue business, and any possibility of harm to our employees, as well as the possibility of scandals that lead to social problems. The Committee consists of 18 members, including executive officers, general managers, deputy general managers, business managers, and functional members, and is chaired by the president.

In FY2019, the Committee confirmed the safety of employees during and after Typhoon Hagibis and executed Advantest's overall COVID-19 response.

# Compensation and the General Meeting of Shareholders

## Design of Compensation to increase Corporate Values

### ■ Compensation Policy and Process

Compensation for directors and executive officers is described in "Policies and procedures for determining Compensation for directors and executive officers," as follows. Compensation consists of fixed compensation, bonuses, and stock compensation linked to business performance, in proportions deliberated on by the Nomination and Compensation Committee and decided by the Board of Directors. Directors who are Audit and Supervisory Committee members and outside directors receive only fixed compensation.

### ■ Policies and Procedures for Determining Compensation for Directors and Executive Officers

#### 1. Purpose

Regarding the compensation of directors and executive officers, this policy has been devised so as to contribute to the sustainable development of the Group, improvement of corporate value over the medium to long term, contribution to shareholder profits, hiring and retention of excellent management resources, and optimization of motivation.

#### 2. Compensation Structure and Decision Policy

Compensation for directors (excluding directors who are Audit and Supervisory Committee members) and executive officers is structured to best achieve the purpose defined in 1. above, consisting of 1) fixed compensation, 2) performance-based bonuses, and 3) stock compensation. The amount and ratio of these shall be set appropriately. In consideration of the role and

independence of outside directors, only fixed compensation shall be paid them.

(1) Regarding fixed compensation, the Committee shall refer to external objective data and set it at an appropriate level according to the duties and responsibilities that executives carry out.

(2) Positioning performance-based bonuses as a short-term incentive, the Committee calculates them based on performance indicators such as sales, operating margin, net income, and ROE of the Group.

(3) Stock compensation is positioned as a long-term incentive and a way of sharing value with shareholder. Stock options and performance-linked stock compensation are granted on the basis of comprehensive consideration of performance trends, business environment, stock price levels, etc. With regard to performance-based stock compensation, the number of shares received will fluctuate based on performance indicators such as sales, operating margin, net income, and ROE of the Group for three consecutive fiscal years.

#### 3. Compensation Decision Procedure

Compensation for directors (excluding directors who are Audit and Supervisory Committee members) and executive officers shall be discussed by the Nomination and Compensation Committee based on consultation with the Board of Directors and will be proposed to the Board of Directors. The Board of Directors shall discuss proposals from the Nomination and Compensation Committee and determine compensation. The remuneration of directors who are Audit and Supervisory Committee members will be determined through consultation with directors who are Audit and Supervisory Committee members.

## General Meeting of Shareholders as a Venue for Dialogue with Shareholders

We regard the General Meeting of Shareholders as an opportunity for dialogue with our shareholders. In 2020, we prioritized COVID-19 safety precautions to ensure the safety of our shareholders and their families, holding the event at a larger venue than usual so that shareholders could feel at ease. In addition, for shareholders who could not attend in person, for the first time we posted video of the business reports delivered at the meeting on our website, enabling shareholders to access them on demand. Going forward, we will continue to take into consideration the fact that some shareholders may find it difficult to attend in person, and enable a greater number of shareholders to participate, by providing more open access to general meetings of shareholders.



## Upper Limits on Director Compensation

|   | Fixed compensation                     | Performance-linked stock compensation  | Stock options                          |
|---|--|--|--|
| Directors who are not Audit and Supervisory Committee members (excluding outside directors) | No more than JPY600 million per year*1 | No more than JPY200 million per year*2 | No more than JPY200 million per year*2 |
| Outside directors who are not Audit and Supervisory Committee members                       |  | N/A                                    |  |
| Directors who are Audit and Supervisory Committee members                                   | No more than JPY100 million per year*1 |  |  |

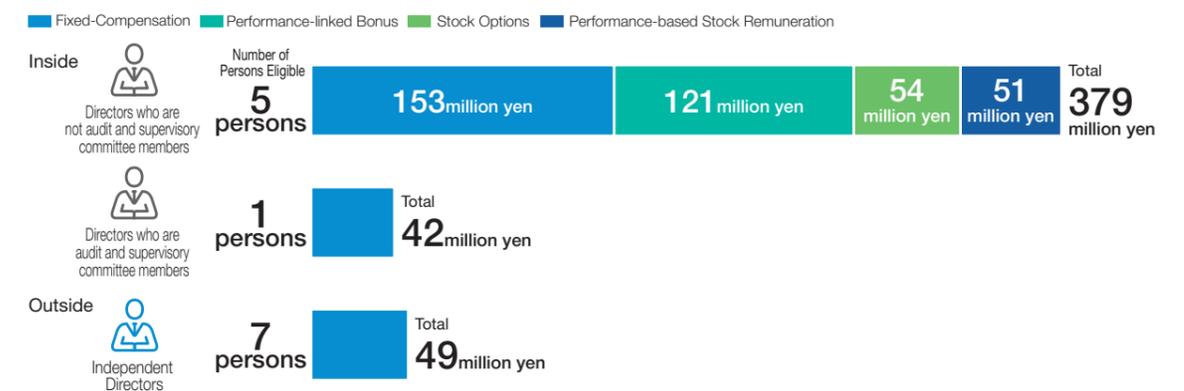
\*1 By resolution of the 73rd Ordinary General Meeting of Shareholders held on June 24, 2015

\*2 By resolution of the 76th Ordinary General Meeting of Shareholders held on June 27, 2018

## Directors Who Received Compensation of 100 Million yen or More and the Amount of Compensation Thereof (FY2019)

| Name                       | Total Amount of Compensation (million JPY) | Type of Officer (As of March 31, 2020)     | Company Category      | Total Amount of Compensation by Type |                          |               |                                      |
|----------------------------|--|--|-----------------------|--------------------------------------|--------------------------|---------------|--------------------------------------|
|                            |  |  |                       | Fixed-Compensation                   | Performance-linked Bonus | Stock Options | Performance-based Stock Remuneration |
| <b>Yoshiaki Yoshida</b>    | 149  | Representative Director, President and CEO | Advantest Corporation | 60                                   | 51                       | 20            | 18                                   |
| <b>Soichi Tsukakoshi</b>   | 101  | Director, Managing Executive Officer       | Advantest Corporation | 41                                   | 37                       | 11            | 12                                   |
| <b>Hans-Juergen Wagner</b> | 138  | Director, Managing Executive Officer       | Advantest Corporation | 10                                   | -                        | 11            | 12                                   |
|                            |  | Managing Director                          | Advantest Europe GmbH | 57                                   | 48                       | -             | -                                    |

## Composition of Compensation for Directors (FY 2019)



\* There were five Outside Directors as of March 31, 2020, but the above compensation amounts and numbers include one inside director and two outside directors who stepped down on June 26, 2019.