

# Governance

Corporate Governance .....	102
Management Structure .....	102
Executive Compensation System .....	111
Internal Control System .....	113
Risk Management .....	114
Risk Management System .....	114
TCFD-based Climate Change-related Information Disclosure .....	116
Business Continuity Initiatives .....	119
Compliance .....	120
Initiatives to Promote Ethical Business Practices .....	120
Export Control .....	123
Tax Compliance .....	124
Information Security .....	125

# Corporate Governance

Advantest strives to grow sustainably and improve corporate value through transparent management and proactive information disclosure.

## Management Structure

### Our Basic Policy of Corporate Governance

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

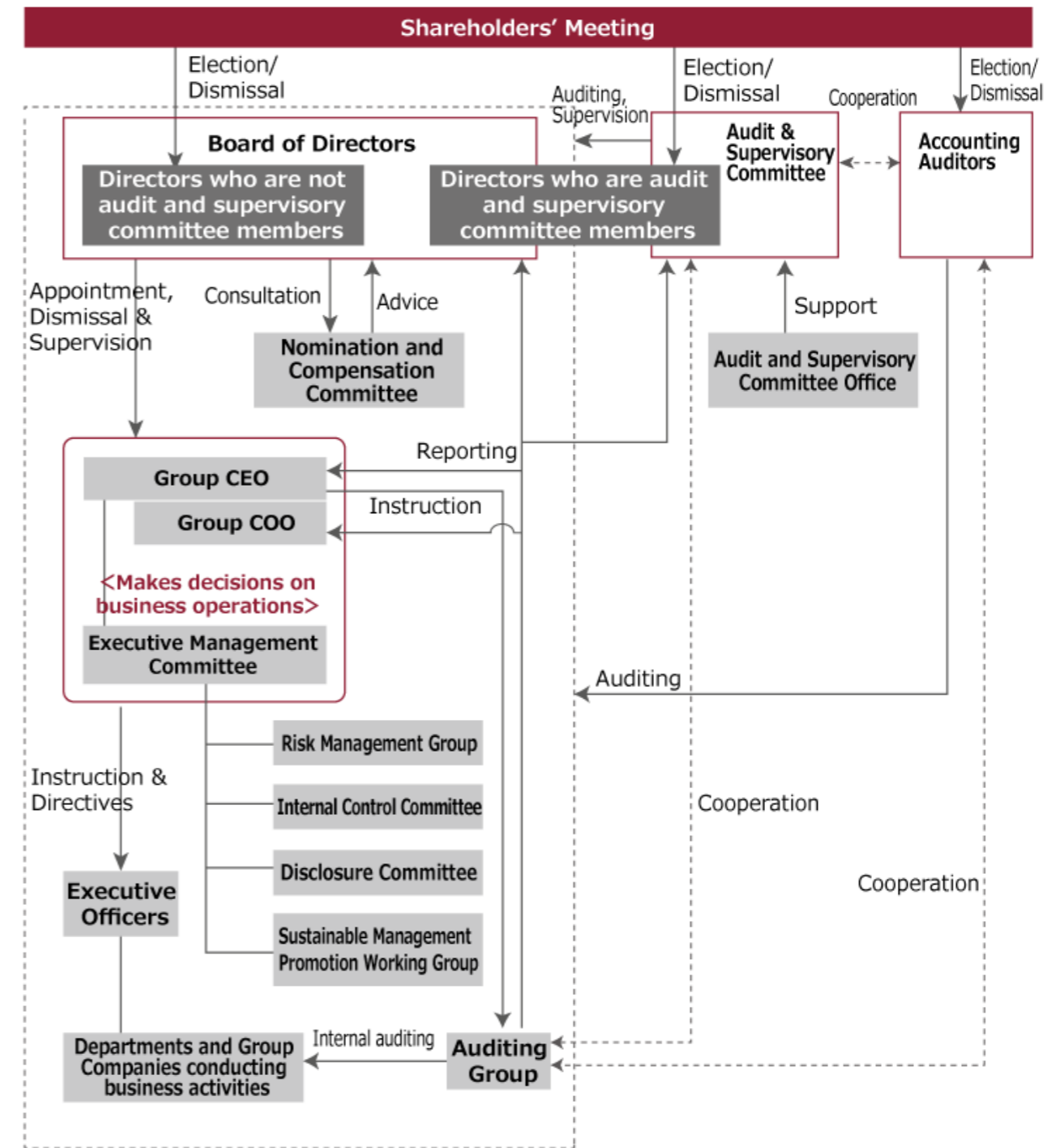
In accordance with the corporate mission described in the preceding paragraph, by being open, honest and respectful at all times with all stakeholders, Advantest aims to achieve a sustainable level of business development and enhance corporate value over the mid-to-long term. Advantest always strives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

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

### Corporate Governance System

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

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



Corporate governance structure

List of Governance Systems (As of June 28, 2024)	
Structure	Company with an Audit and Supervisory Committee
Number of Directors	9
Number of Outside Directors	5(55.5%)
Number of Non-Japanese Directors	2(22.2%)
Number of Female Directors	2(22.2%)
Term of Office for Directors who are Not Audit and Supervisory Committee members	1 year
Term of Office for Directors who are Audit and Supervisory Committee members	2 years
Number of Directors who are Audit and Supervisory Committee members	3
Number of Outside Directors	2
Chairperson of Audit and Supervisory Committee	Outside Director
Nomination and Compensation Committee	In place
Nomination and Compensation Committee Members	3 Directors (Two of which are outside Directors)
Nomination and Compensation Committee Chair	Outside Director
Performance-linked Remuneration System	In place
Executive Officer System	In place
Executive Officers	26
Non-Japanese Executive Officers	14

Please see the information below for the Corporate Governance Report.

 [Corporate Governance Report \(PDF 869KB\)](#)

## Board of Directors

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

Regular Board of Directors meetings are held once a month and last about 3 to 5 hours, giving directors time to discuss important matters. In addition, Advantest holds offsite meetings where board members discuss mid-to-long term issues that cannot be discussed within the time limits of Board of Director meetings. The Board of Directors met 13 times at the office and once off-site in FY2023, and all members attended all meetings. At the Board of Directors meetings, directors with a wealth of knowledge and experience expressed their opinions from each point of view on various agendas, and active discussions took place.

In FY2023, the main discussion and reporting items of the Board of Directors meetings and offsite meetings were as follows.

- With Advantest's next mid-term management plan starting in FY2024, Advantest has appointed Mr. Douglas Lefever as Group CEO and Mr. Koichi Tsukui as the Group COO and President of Advantest, effective April 1, 2024, to deliver even greater progress for the Advantest Group in the rapidly changing, fast-growing semiconductor industry.
- The Board of Directors was informed of the efforts undertaken during the current fiscal year, the final year of the 2nd Mid-Term Management Plan (MTP2), and of the status of progress on management indicators and strategic measures during the entire period of MTP2.
- Discussions were held on the revision of our mid/long-term management policy "Grand Design" and the formulation of the 3rd Mid-Term Management Plan (MTP3). The Board of Directors held in-depth discussions on what Advantest wants to be, which is one of the core themes of the plan.
- With the purpose of creating a more investment-friendly environment and expanding the investor base by reducing Advantest's stock price per investment unit, Advantest enacted a 4-for-1 share split of its common share with an effective date of October 1, 2023.
- A review of PMI for M&As conducted as growth investments was reported, and lessons learned for future M&As were discussed.
- An IR report on the status of communication with investors and shareholder ownership was presented to the Board of Directors.
- Reports were made to the Board of Directors on the progress of the ESG Action Plan 2021-2023. The next Sustainability Action Plan and responses to various laws and regulations were discussed.
- Monthly reports were made to the Board of Directors on the status of sales, profits, cash flow, etc. In response to the increase in the inventory balance, the Board of Directors discussed issues with overall operations.
- Compliance reports were made four times a year, and internal audit reports were made twice a year, informing the Board of Directors about compliance incidents including reports made through a helpline, and about the internal audit system and items pointed out by internal audits.

Attendance at meetings of the Board of Directors and important committee meetings in fiscal year 2023 is as follows.

Classification		Name	Attendance at Board of Directors meetings (13 times)	Attendance at Nomination and Compensation Committee meetings (14 times)	Attendance at Audit and Supervisory Committee meetings (13 times)
Inside Director	Executive Director	Douglas Lefever	100% (13 times)	—	—
		Koichi Tsukui	100% (13 times)	—	—
	Non-Executive Director	Yoshiaki Yoshida	100% (13 times)	100% (14 times)	—
		Yuichi Kurita	100% (13 times)	—	100% (13 times)
Outside Director	Non-Executive Director	Toshimitsu Urabe	100% (13 times)	100% (14 times)	—
		Nicholas Benes	100% (13 times)	—	—
		Naoto Nishida	100% (10 times)	—	—
		Sayaka Sumida	100% (13 times)	100% (14 times)	100% (13 times)
		Tomoko Nakada	100% (10 times)	—	100% (10 times)

As of June 28, 2024, the Board of Directors of Advantest (including Directors who are Audit and Supervisory Committee members) is composed of two executive directors (inside directors), two non-executive directors (inside directors) and five non-executive directors (outside directors). Two of the directors have non-Japanese nationalities and two are female directors. In order to maintain seamless communication despite the diversification of Directors, Advantest has arranged for simultaneous interpretation at the Board of Directors meetings so that Board members can speak freely in both Japanese and English. Materials and minutes are also translated into English.

### Evaluation of the Board of Directors' Effectiveness

At a Board of Directors' meeting, all directors answered a questionnaire to evaluate the effectiveness of their roles and obligations. Advantest analyzed our organization, operation and discussion status by collecting opinions.

#### (Action in FY2023)

The evaluation of the effectiveness of the Board of Directors in FY2022 confirmed that each director was able to discuss issues from different perspectives, and also indicated the importance of further improving sensitivity to changes in the external environment and clarifying the issues in the materials reported at Board of Directors meetings. In response to these evaluation results, the following actions were taken in FY2023.

- In offsite meetings, the changes in Advantest's external environment and geopolitical risks were discussed.

- We are trying to allow more time for discussion by the Board of Directors by requiring presenters to use an executive summary and provide a concise statement.

#### (Results in FY2023)

The composition of the Board of Directors was changed at the General Meeting of Shareholders in June 2023, and outside directors now comprise a majority of the Board. Advantest now has two female directors and continues to have two non-Japanese directors, which confirms that the number of directors and the ratio of outside directors is appropriate. In addition, Mr. Douglas Lefever took over from Mr. Yoshiaki Yoshida as Group CEO effective April 1, 2024. Over the past several years, the Nomination and Compensation Committee has been the main body considering the change in top management and has regularly reported its progress to the Board of Directors. The Board of Directors was satisfied that the succession plan had been adequately discussed, in part because of feedback received from Board members.

On the other hand, the following points were raised as areas for improvement to make the Board of Directors more effective.

- It is desirable for the Board of Directors to consider measures to respond more promptly to changes in the external environment.
- Time management at Board of Directors meetings is an issue. It is preferable to organize issues in advance and narrow down the issues before discussing them at Board of Directors meetings. A mechanism to incorporate the opinions of outside directors at an early stage could be considered.
- Onboarding support was provided to the two newly appointed outside directors in the form of briefings on the Advantest Group's management policies and business activities, as well as tours of Advantest's business sites. However, there is room for further improvement.

### Skill Matrix

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



Following the environmental changes, the skills required by Advantest will be constantly updated.

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

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

\*3 Supply Chain Management

Details of Skill

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

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

		Fundamental managerial activities deemed essential for carrying out management duties and guiding/supervising our management team														Key areas of our immediate management issues			
		① Management & Corporate Strategy				② Semiconductor	③ Technology			④ Sales & Marketing	⑤ Finance & Accounting		⑥ Legal & Compliance	⑦ Human Capital Management	⑧ Global Business	⑨ Digital Transformation			
		Attribute	Gender	Nationality	Member of the Audit and Supervisory Committee	Independent member	Management		Business investment and M&A	R&D, Semiconductor, Industries & Technologies			SCM, production, and quality assurance	Sales and marketing	Finance & Accounting, Communication with Capital Market		Legal affairs, risk management, and compliance	Human capital management	Global business
Top management	Management strategy						Semiconductor-related industries	Industries & technologies (incl. Environment and Energy)		Research & development	Finance, accounting and audit	Communication with the capital market							
Inside	Douglas Lefever	Male	United States			○	○	○	○	○	○		○		○			○	
	Koichi Tsukui	Male	Japan			○	○		○		○		○		○			○	
	Yoshiaki Yoshida	Male	Japan			○	○	○	○			○		○				○	
	Yuichi Kurita	Male	Japan	○			○	○	○				○	○				○	
Outside	Toshimitsu Urabe	Male	Japan		○	○	○	○								○		○	○
	Nicholas Benes	Male	United States		○		○	○						○	○			○	
	Naoto Nishida	Male	Japan		○				○	○	○	○						○	
	Sayaka Sumida	Female	Japan	○	○								○		○			○	
	Tomoko Nakada	Female	Japan	○	○										○			○	

\* Skills of the Senior Executive Officers (excluding those concurrently serving as Directors) as of June 28, 2024 are as follows.

		Fundamental managerial activities deemed essential for carrying out management duties and guiding/supervising our management team														Key areas of our immediate management issues		
		① Management & Corporate Strategy				② Semiconductor	③ Technology			④ Sales & Marketing	⑤ Finance & Accounting		⑥ Legal & Compliance	⑦ Human Capital Management	⑧ Global Business	⑨ Digital Transformation		
		Gender	Nationality	Member of the Audit and Supervisory Committee	Independent member	Top management	Management strategy	Business investment and M&A	Semiconductor-related industries	Industries & technologies (incl. Environment and Energy)	Research & development	SCM, production, and quality assurance	Sales and marketing	Finance, accounting and audit	Communication with the capital market	Legal affairs, risk management, and compliance	Human capital management	Global business
Senior Executive Officer	Keith Hardwick	Male	United States				○	○					○			○	○	
	Yasuo Mihashi	Male	Japan			○	○	○				○		○			○	
	Juergen Serrer	Male	Germany					○		○							○	
	Maokoto Nakahara	Male	Japan					○			○	○					○	
	Sanjeev Mohan	Male	United States					○				○					○	
	Richard Junger	Male	Germany					○			○						○	○
	Yong Xu	Male	China					○				○					○	
	Toshiaki Adachi	Male	Japan					○		○							○	○

### Reasons of Appointment of Outside Directors

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

[Directors and Executive Officers](#)

### Director Training

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

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

In FY2023, briefings were held for the newly appointed outside directors on the Advantest Group's management policies and business activities. They also toured Advantest's business sites. In addition, all directors visited production sites in South Korea.

All Executive Directors have taken an external training program on governance. Because governance skills are important, we are expanding the scope of the training to Executive Officers who are not directors.

### Audit and Supervisory Committee

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

Advantest's Audit and Supervisory Committee is composed of 1 inside director and 2 outside directors whom are Audit and Supervisory Committee members (of which one is a full-time Audit and Supervisory Committee member)\* and is chaired by an outside director. Directors who are Audit and Supervisory Committee members are appointed by the General Meeting of Shareholders separately from other Directors



who are not Audit and Supervisory Committee members. The Audit and Supervisory Committee, the Auditing Group and other internal control departments, the Accounting Auditors, and the corporate auditors of each Advantest Group company collaborate with one another so as to carry out regular discussions and timely meetings.

\* The number of people given is correct as of June 28, 2024.

## Accounting Auditors

Accounting Auditors perform accounting audits of the consolidated financial statements, accounting documents, etc., and produce an audit report. Regarding accounting audits, Advantest has audited with Ernst & Young ShinNihon LLC and received predetermined audits. EY Shin Nihon LLC Audit Corporation (formerly Daiichi Audit Office) has been conducting listing audits of Advantest since 1983, when Advantest was listed on the Second Section of the Tokyo Stock Exchange. The certified accountants who executed the accounting audit work of Advantest in FY2023 are Mr. Toshiyuki Matsumoto, Mr. Minoru Ota and Mr. Hiroyuki Nakada. The rotation of the certified public accountants is conducted appropriately at Ernst & Young ShinNihon LLC and no certified public accountants are involved in accounting audits of same company for more than seven consecutive fiscal years. Lead certified public accountants are not involved in accounting audits of the same company for more than five consecutive fiscal years. If a certified public accountant is involved in accounting audits of the same company for seven consecutive fiscal years, he or she will be involved in accounting audits of that company only after an interval of five fiscal years. Lead certified public accountants who are involved in accounting audits of the same company for five consecutive fiscal years will not be involved in accounting audits of that company again. In addition, assistants performing Advantest's accounting audit work include those with expert knowledge such as system experts, with CPAs as the main constituents.

## Internal Audits

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

## Nomination and Compensation Committee

In 2005, Advantest established a Nomination and Compensation Committee as a discretionary institution. The Nomination and Compensation Committee consists of three Directors (including two outside Directors selected by the Board of Directors' resolution)\*, with an outside Director serving as the chairperson of the committee. The Nomination and Compensation Committee, in consultation with the Board of Directors, discusses matters related to the nomination and compensation of Directors and Executive Officers, and

makes proposals to the Board of Directors. The Committee met 14 times during FY2023. All the members were present at every Nomination and Compensation Committee meeting.

\* The number of people given is correct as of June 28, 2024.

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

### ● Succession Plan for CEO

The Board of Directors receives reports from the Nomination and Compensation Committee on requirements for the Group CEO position and succession planning for this position, and proactively discusses them. As a result of these deliberations, Advantest announced that Mr. Douglas Lefever will take over from Mr. Yoshiaki Yoshida as Group CEO, effective April 1, 2024. The process leading to this decision was as follows.

We began full-scale consideration of succession planning around 2020, four years after Mr. Yoshiaki Yoshida was appointed CEO in January 2017. Led by the Nomination and Compensation Committee, evaluations of the CEO and senior executive officers as well as the business and human resources issues bearing on our next change of top management were shared with the outside directors and CEO, and reported to the Board of Directors. From 2022, outside experts were appointed to analyze these issues from an objective perspective, and the requirements for the next CEO and management team were discussed and reaffirmed by the Nomination and Compensation Committee and Board of Directors. Both internal and external candidates were considered and assessed by external experts. As a result, the Nomination and Compensation Committee reported to the Board of Directors in the fall of 2022 that it had reached the conclusion that a top management structure led by Mr. Douglas Lefever and Mr. Koichi Tsukui would be most appropriate for the next generation. In line with this conclusion, Mr. Douglas Lefever and Mr. Koichi Tsukui were both appointed to the position of Representative Director and Corporate Vice President in January 2023, allowing for a preparation period prior to the transition. During this period, we reconfirmed the suitability of both individuals and their effectiveness in combination, and announced its transition to the new structure, to take place in April 2024 in conjunction with the launch of MTP3. Under the new structure, Mr. Douglas Lefever has become the Chief Executive Officer of the entire Advantest Group as Representative Director, Senior Executive Officer, and Group CEO. Mr. Koichi Tsukui has taken responsibility for Advantest's Japanese business operations and now assists the Group CEO as Representative Director, Senior Executive Officer and President, Group COO. Mr. Yoshiaki Yoshida now serves as Director and Chairperson of the Board. The same process will be followed for future succession planning.

### ● Candidates for Directors and Executive Officers and the Management Structure

Under Advantest's structure of directors and Executive Officers since June 2023, the Nomination and Compensation Committee has considered appropriate candidates and proposed them to the Board of Directors. Changes in the management structure to strengthen CxOs were discussed and proposed to the Board of Directors.

Regarding the organizational structure for directors and managing executive officers following June 2024, the Nomination and Compensation Committee has considered appropriate candidates and an optimal management structure, as well as the best management structure following the change of Group CEO, and proposed its conclusions to the Board of Directors.

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

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

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

Evaluating the performance of each director/officer against pre-defined roles and expected results, individual evaluations of executive bonuses for FY2022 were discussed and finalized. The Committee discussed and proposed to the Board of Directors the fixed compensation, performance indicators for performance-linked bonuses and stock compensation for FY2023. In light of the changes in the management structure and our new mid-term management plan, etc., the Nomination and Compensation Committee discussed a partial revision of the executive compensation system and proposed it to the Board of Directors.

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

[Directors and Executive Officers Nomination/Dismissal Policy and Procedures \(PDF 182KB\)](#)

[Policies and Procedures for Determining Compensation for Directors and Executive Officers \(PDF 143KB\)](#)

## Executive Management Committee

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

## CxO System


We have introduced a CxO system to clarify management accountability in order to reinforce a global HQ management system further. As of July 2024, five CxOs are responsible for nine CxO functions, with the Group CEO and Group COO sharing responsibility for each CxO. We have designated the CxOs as individuals who are suitable to assume these functions from a global perspective, and strive to build a system that enables management as a unified group.



### Management

## Executive Compensation System

Advantest's executive compensation system consists of fixed compensation (monetary), performance-linked bonuses (monetary), and stock compensation (non-monetary). The executive compensation system is proposed by the Nomination and Compensation Committee to the Board of Directors, and is decided and implemented after a resolution by the Board of Directors and approval by the General Meeting of Shareholders.

 [Policies and Procedures for Determining Compensation for Directors and Executive Officers \(PDF 143KB\)](#)

### Basic Concept of the Executive Compensation System

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

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

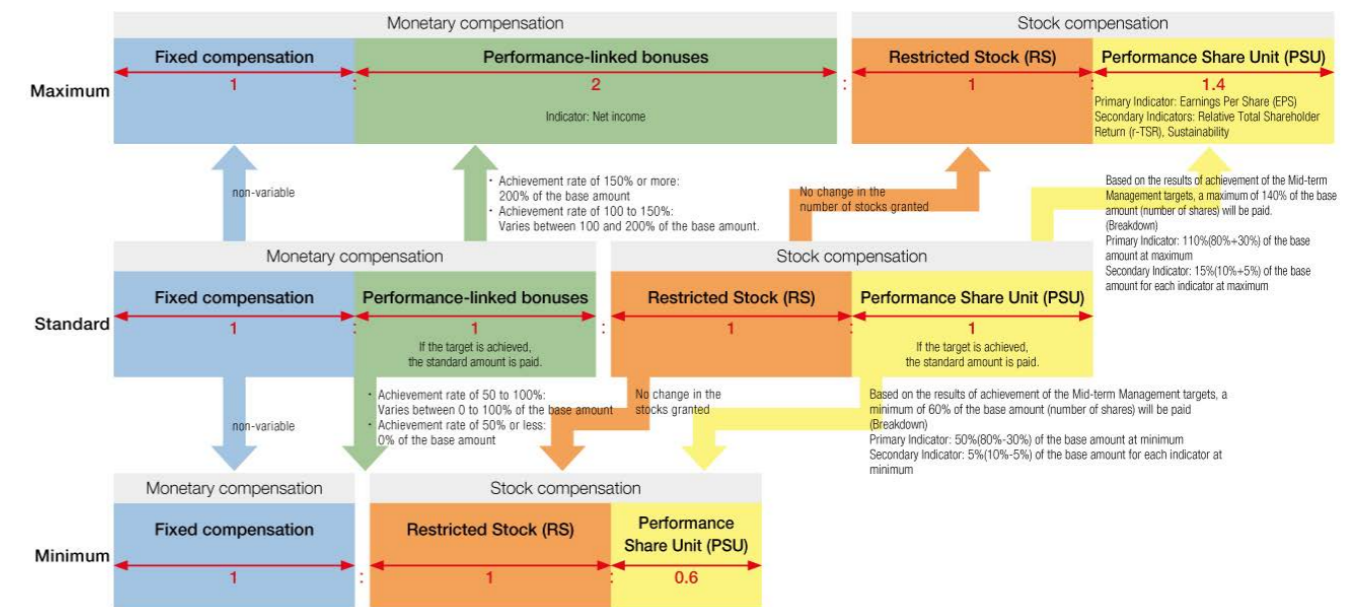
### Compensation Structure

In June 2024, we partially revised the executive compensation system based on our approach to compensation systems. We reviewed the compensation structure and increased the ratio of stock-based compensation for the Group CEO, Group COO, and some executive officers.

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

		Monetary compensation		Stock compensation	
		Fixed compensation	Performance-linked bonuses	Restricted stock compensation	Performance Share Unit compensation
Business Executives	Group CEO	1	1	1	1
	Group COO	1	1	0.75	0.75
	Senior Executive Officer	1	1	0.5 ~ 0.6	0.5 ~ 0.6
	Executive Officer	1	1	0.4 ~ 0.5	0.4 ~ 0.5
Non-business Executives	Chairman of the Board	1	-	0.5	-
	Audit & Supervisory Committee Member	1	-	0.3	-
	Outside Directors (excluding Audit & Supervisory Committee Members)	1	-	0.3	-

### Visualization of compensation for the Group CEO



\* Apart from this, there is a redistribution adjustment (30%) of performance-linked bonuses based on individual evaluation

\* Depending on the human capital market conditions in each region and industry, additional compensation may be provided for the purpose of securing managers, or those with particular expertise. In principle, adjustments to the level of compensation in different regions will be made through fixed compensation



(monetary compensation) and stock compensation, while adjustments to secure specific talent groups will be made through stock compensation (RS or PSU).

\* The compensation ratios for executive officers other than the Group CEO are as follows. Senior executive officers who are also directors will be compensated separately as directors.

### Fixed Compensation

Fixed Compensation (cash compensation) for the Directors and Executive Officers 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

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

<p><b>Performance indicators</b></p>	<p>The KPI is net income. Target amounts will be set by referring to the net income targets of the single-year business plan and Mid-term Management Plan. The Company will pay the standard amount when the target values are achieved, but the amount paid will fluctuate from 0% to 200% of the standard amount depending on whether actual results undershoot or exceed the target values.</p> <p>* The standard amount of Senior Executive Officers is 100% of fixed compensation. The standard amount of other Executive Officers is 80% of fixed compensation.</p>
<p><b>Individual evaluation</b></p>	<p>Up to 30% of the total amount of performance-linked bonuses for executive officers is redistributed based on individual evaluations conducted by the Group CEO.</p> <p>Evaluation and redistribution proposals are discussed and approved by the Nomination and Compensation Committee and reported to the Board of Directors.</p> <p>In principle, the Group CEO'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.</p>

### Stock Compensation

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

With respect to stock compensation for directors who do not concurrently serve as executive officers, outside directors, and/or audit and supervisory committee members, we have introduced the Restricted Stock Compensation Plan (RS) with the aim of sharing with our shareholders our pursuit for the improvement of our medium- to long-term corporate value.

#### Restricted Stock compensation (RS)

- Executive Officers will receive 50% of stock-based compensation in the form of RS.
- For Directors who do not concurrently serve as executive officers, outside directors, and/or directors who are audit and supervisory committee members, RS shall be granted approximately 30-50% of fixed compensation.
- 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)

- Executive Officers will receive 50% of stock-based compensation in the form of PSU. Based on the achievements of the mid-term management targets (KPIs) over a three-year period, shares will be granted in accordance with the points awarded, which will fluctuate between 60 to 140% of the standard units.
- The KPIs are the following three items, and the weight of each item is as follows.

<p><b>EPS</b></p>	<p>The standard value is 80% of the payment rate. It varies within a range of +/-30 points.</p>
<p><b>Relative Total Shareholders Return (r-TSR)</b></p>	<p>The standard value is 10% of the payment rate. It varies within a range of +/-5 points.</p>
<p><b>Sustainability Evaluation</b></p>	<p>The standard value is 10% of the payment rate. It varies within a range of +/-5 points.</p>

- After the end of the Mid-term Management Plan period, a lump-sum delivery of three years' worth of shares will be delivered with the number of shares varying according to the level of achievement.
  - Appointments during the term of the Mid-term Management Plan will be prorated for the term and additional rights will be granted.
  - Retirements during the term of the Mid-term Management Plan will be prorated over the term and paid as standard performance.



## Recruit & Retention Program

Depending on the human resource market conditions in each region and industry, additional compensation may be granted for the purpose of securing managers or those with expertise. In principle, adjustments in the level of compensation among regions shall be made by means of fixed compensation (monetary compensation) and stock compensation, while securing specific candidates shall be made by means of stock compensation. Stock-based compensation will be in the form of RSs or PSUs, but restrictions on the transfer of RSs under this section will be set for a period of at least three years.

## Return of Remuneration

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

## Internal Control System

### Internal Control System

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

### Initiatives for Everyone Working in Advantest

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

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

### Initiatives for Business Execution

- In accordance with the Regulations of the Board of Directors, the Board of Directors is responsible for management decision-making and supervision.
- Executive officers and employees shall perform their duties in accordance with the global organization and Global Authorization Statement.
- The Executive Management Committee shall be the decision-making body for important business execution matters.
- Help line contact points shall be established in Japan and overseas and thoroughly inform employees of its existence.  
Please refer to "[Reporting and Consultation Framework \(Whistleblower Office\) for Human Rights Issues](#)" for details.

### Cross-organizational Initiatives

- The Internal Control Committee shall check the status of autonomous risk management in each Unit, the responses to company-wide risks, and shall report to the Board of Directors.
- The Disclosure Committee shall supervise and ensure appropriate disclosure and shall report to the Board of Directors.
- The Risk Management Group shall be responsible for emergency responses during floods and pandemic.
- The Health and Safety Committee shall promote the prevention of occupational accidents and injuries, create of a comfortable working environment, and promote employee health.
- The Global Information Security Committee shall consider and implement measures to protect personal information and prevent leakage of confidential documents, and shall maintain and improve the security

of our IT systems.

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

### Non-executive Initiatives

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

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

### Initiatives for Group Governance

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

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

 [Corporate Governance Report \(PDF 869KB\)](#)

## Risk Management

Advantest's risk management system centers on our Internal Control Committee and a commitment to practicing the PDCA cycle.

### Risk Management System

#### Approach to risk management

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

We believe it is essential to identify present and future risks, prepare for them, and take appropriate countermeasures in order to seize business opportunities and tackle challenges amidst the upheavals affecting our business environment.

#### Risk Management Structure by the Internal Control Committee

Advantest has established an Internal Control Committee in which the Group COO acts as the chairperson and outside Directors are observers. This committee identifies and analyzes significant risks for the whole company, and clarifies the responsible department and procedures for responding to each risk. The secretariat of the Internal Control Committee supports information sharing and other activities among the units.

Regarding the Internal Control System, the execution status of implementation of the system to ensure the appropriateness of business is reported directly to the Board of Directors once a year. Furthermore, if a material weakness is found in the internal control system development and operating status and the internal control evaluation process, it is reported to the Board of Directors.

For details on the Internal Control System, please refer to "[Internal Control System](#)".

#### Risk management system and organization

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

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

Emergency response is allocated to the Risk Management Group headed by the Group COO.

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

## Process of risk management

At Advantest, management supervises risk analysis and risk response implemented at the unit level. It is because we believe it is essential to identify present and future risks, prepare for them, and take appropriate countermeasures in order to seize business opportunities and tackle challenges amidst the upheavals affecting our business environment.

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

We have prioritized the creation of a system that can promptly respond to these risks if and when they materialize. Each unit strives to coordinate with the so-called second line (i.e. administration group) and third line (internal audit division) of defense so as to be fully prepared to respond to risks.

### Bottom-up risk management

Based on the management plan formulated by the Board of Directors and the Executive Management Committee, each unit formulate the measures of its own division. Each unit identifies risks from a bird's-eye view, defining risks as factors that may hinder the achievement of management strategies, and takes appropriate countermeasures according to the magnitude of the risks. The Internal Control Committee defines the factors that may hinder achievement of those measures as risks. It requests individual units to identify risks and report on their risk responses. In this manner, the Internal Control Committee supports and reviews the risk analyses of individual units and promotes information sharing between units from a company-wide perspective.

Each unit reports its risk management status to the Internal Control Committee twice a year. The Internal Control Committee then checks the risk management status of individual units and provides feedback. The Secretariat of the Internal Control Committee also supports each unit in various manners as appropriate, such as providing proposals for risk analysis and countermeasures, and providing necessary information.

### Top-down risk management

Corporate-level risks are reported to the Executive Management Committee or the Board of Directors in a timely manner, through the director in charge, and the relevant departments take prompt actions according to the instructions from management. In the event of a compliance-related incident, the CCO promptly instructs the relevant unit to take actions, and reports the status of the response to the Board of Directors and the Executive Management Committee. Depending on the nature of the risk, risk information may be reported directly to the Board of Directors or the Executive Management Committee. The Board of Directors or the Executive Management Committee handles risks at the corporate level by making timely decisions and giving instructions to related units.

## TCFD-based Climate Change-related Information Disclosure

### Initiatives for the TCFD recommendations

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

### Governance

Advantest's environmental management system, which includes climate change-related matters, is led by the global lead of the SMWG. The SMWG is headed by the Group CEO, and consists of members representing all business units, functional units and regional units. Advantest's environmental goals are established through the formulation and review of the "Sustainability Action Plan," which is formulated through discussion and approval by the Executive Committee. The climate-related targets in the action plan are reviewed annually, taking into account the trends of environmental consortia in industry associations, as well as frameworks such as IFRS S1, S2 and TCFD. The SMWG reports on initiatives and progress towards the sustainability action plan, which sets out sustainability-related targets, including climate-related targets, at the Global Sustainability Meeting, and receives confirmation and approval from the management. In addition, the analysis of climate-related risks and opportunities based on the TCFD is reported to the CSO, who then approves the results of the analysis. The Board of Directors receives reports on climate-related risks and opportunities, holds discussions based on the content of the reports, and oversees whether appropriate responses are being made to related regulations.

### Strategy

Advantest is promoting climate change countermeasures as one of the key themes in its environmental activities. Since collaboration with external stakeholders such as customers and suppliers is essential in promoting climate change countermeasures, Advantest has set mid-term targets for each climate change issue, focusing on the reduction of greenhouse gas (GHG) emissions and the introduction of renewable energy. Advantest has established unified task forces (TFs) that work with internal and external to promote responsible efforts to address climate-related issues. TF1 focuses on CO<sub>2</sub> reduction in product development and TF3 targets CO<sub>2</sub> reduction through collaboration with customers. Both TF1 and TF3 aim to address Scope 3 Category 11 through collaboration with customers. TF2 focuses on reduction of CO<sub>2</sub> emissions through collaboration with business partners to address Scope 3 Category 1 through collaboration with suppliers, and TF4 aims for reduction of CO<sub>2</sub> emissions through business activities with the introduction of energy-saving equipment and renewable energy to address Scope 1+2, which is direct emissions from our own production processes. All four TFs are implementing activities related to their goals.

### Task Forces to promote CO<sub>2</sub> reduction

Task Force	Approach	Specific Activities
TF1	Scope 3 C11 (Use of sold products)	Development of optimal test solutions for semiconductors, which are becoming increasingly complex
TF2	Scope 3 C1 (Purchased products and services)	CO <sub>2</sub> emissions reduction through cooperation with our business partners
TF3	Scope 3 C11 (Use of sold products)	CO <sub>2</sub> emission reduction through cooperation with customers
TF4	Scope 1+2 (Direct emissions from our own industrial processes, such as purchased electricity)	Reduction of CO <sub>2</sub> emissions from business activities through the introduction of energy-saving equipment and renewable energy

### Climate change risks and opportunities

Advantest assesses and regularly reviews climate change risks and opportunities in accordance with the TCFD classification in order to understand the risks and opportunities brought about by climate change and work to improve its own resilience. These risks and opportunities were assessed according to their priority and impact and were classified into time frames for short (until 2027), medium (until 2030), and long term (until 2050). In the context of scenario analysis, the following time horizons are considered for both 1.5°C/2°C and 4°C scenarios.

- The scenarios related to transition risks and opportunities are set for the year 2030 in order to accurately reflect policy trends.
- The scenarios related to the physical risks are presented for the years 2030 and 2050, respectively, based on the assumption that the physical impacts of climate change have already begun to manifest themselves and that they will intensify in severity and frequency if global temperatures continue to rise in the future.

In evaluating the risks and opportunities associated with climate change, we consider a range of scenarios, including the IEA NZE2050, IEA APS, RCP 1.9, RCP2.6, SSP1-1.9, SSP1-2.6, RCP8.5, and SSP5-8.5.

### Climate change risks

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

- (1) "Risks related to the transition to a decarbonized society," which occurs mainly during the well below 1.5/2-degrees Celsius scenario
- (2) "Risks related to the physical effects of climate change," which occurs in the 4-degrees Celsius scenario in which global CO<sub>2</sub> emissions reduction goals are not achieved



Regarding physical risks, we have estimated the impact of flood damage at our own production sites in 2030 and 2050. As a result of the risk assessment, it has been determined that there is a risk of flooding at three of our production sites: the Gunma Factory, the Saitama R&D Center and Essai, Inc.(Chandler, Arizona, U.S.A.). At the Gunma Factory, the construction to raise the level of the extra-high voltage substation was carried out when it was renewed and flood prevention measures such as the installation of waterproof panels have been taken. Flood prevention measures are also being considered at the Saitama R&D Center. Essai, Inc.'s Chandler plant has installed a drainage system to cope with heavy rainfall during the monsoon season. Additionally, through all-hazards approaches in business continuity management initiatives, Advantest is taking measures to be able to respond to all kinds of disasters including those caused by climate change which will contribute to improving our resilience.

**Well below 1.5/2-degrees Celsius scenario: Risks related to the transition to a decarbonized society**

Category	Major risks	Response/Strategy	Time frame
Policies and regulations	Increased business costs resulting from compliance with climate change-related regulations (carbon tax, legal compliance costs, parts procurement costs, etc.)	<ul style="list-style-type: none"> <li>Promoting the introduction of renewable energy at our company sites</li> <li>Supporting supplier decarbonization</li> </ul>	Short term
Technology and market	<ul style="list-style-type: none"> <li>Increase in R&amp;D costs due to the accelerated implementation of measures to reduce environmental impact and intensified competition in areas related to decarbonization (carbon footprint, etc.)</li> <li>Decrease in sales resulting from changes in customer evaluations and lost sales opportunities due to inability to meet customer needs for low-carbon technologies</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing the value of our products by optimizing power performance and improving test performance</li> <li>Promoting products with excellent environmental performance</li> <li>Developing human resources to respond to next-generation energy waving research and development</li> </ul>	Short to medium term
Reputation	Deterioration in the competitive environment and changes in investor evaluations due to a decline in reputation for our efforts on climate change issues	<ul style="list-style-type: none"> <li>Promote sustainability management, including climate change initiatives (achieve the goals of the Sustainability Action Plan 2024-2026)</li> <li>Appropriate disclosure of climate change-related data and initiatives</li> </ul>	Short to medium term

**Well below 4-degrees Celsius scenario: Risks related to the physical effects of climate change**

Category	Major risks	Response/Strategy	Time frame
Acute events	Major typhoons and increased rainfall may result in <ul style="list-style-type: none"> <li>Recovery costs incurred and sales decline due to damage to our production facilities</li> <li>Sales decline due to supply chain disruptions</li> </ul>	<ul style="list-style-type: none"> <li>Planning and implementation of flood prevention measures</li> <li>Promoting an all-hazards approach in business continuity management</li> </ul>	Short to long term

**Climate change opportunities**

Semiconductors will contribute significantly to the achievement of Net Zero, which requires stringent climate change countermeasures to be imposed. It is to be assumed that semiconductor production volumes will continue to grow in the future due to factors such as the expansion in semiconductor demand accompanying the digital revolution. Meanwhile, the quality and quantity of semiconductor testing will increase in step with the increasing sophistication and technological evolution of semiconductors. Demand for semiconductor test is expected to increase as a result of the combination of two factors: greater test content per chip, and increased semiconductor production volumes. Hence, Advantest recognizes the Net Zero movement to be an opportunity created by climate change. We will make investments to achieve the necessary technological advancements, such R&D costs and human capital development for next-generation technologies, as a part of our efforts to contribute to Net Zero through our semiconductor test business and product development that meets the needs of new semiconductor technologies.

Climate change-related opportunities

Category	Major opportunities	Response/Strategy	Time frame
Product & services/ market	Increased test demand due to strong market growth in semiconductors for AI/HPC, including high-end SoC and HBM	<ul style="list-style-type: none"> <li>Introduction of power optimized products alongside improvements in testing performance</li> <li>Developing new testing methods and testing devices</li> </ul>	Short to medium term
	Expansion of the test business for power semiconductors in line with the EV transition and growing demand for SiC/GaN semiconductors for power conversion efficiency	<ul style="list-style-type: none"> <li>Developing new testing methods and testing devices</li> <li>Providing solutions to increasingly sophisticated testing needs and optimizing test efficiency</li> </ul>	Short to medium term
	Maintaining competitive advantage and business growth through improved customer reliability through the development of products with superior environmental performance	<ul style="list-style-type: none"> <li>Steady implementation of the introduction of power optimized products based on the Sustainability Action Plan 2024-2026</li> </ul>	Short to medium term

Risk Management

At Advantest, we consider the factors that may hinder business management to be risks and have established a company-wide risk management system. The company-wide risk management system is described in "3. Risk Factors (1) Risk Management Structure," and risks related to climate change are also managed within this system. Specifically, Advantest analyzes and evaluates urgent risks and anticipated risks posed by climate change and implements countermeasures to avoid and mitigate those risks within the company-wide risk management system.

Metrics and Targets

Climate change related metrics and targets are listed in [the Securities Report under "\(1\) Sustainability in general 5\) Metrics and Targets."](#)

As a mid/long-term climate change countermeasures target, Advantest has set a goal to reach net-zero Scope 1+2 GHG emissions by FY2050. In addition, we have set targets to reduce Scope 1+2 GHG emissions by 60% by FY2030 compared to FY2018. For more details, please see our website. Furthermore, Advantest has established Scope 3 GHG emissions reduction targets for FY 2030. However, in light of changes in the business environment, we are currently reviewing our Scope 3 targets and considering specific measures to achieve these targets.

GHG emissions (Scope 1+2) (Note 1)

Unit: 1,000 t-CO<sub>2</sub>e

Boundary	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Japan	19.68	19.14	16.25	11.83	11.04	9.15
Overseas	18.45	14.71	11.93	13.21	9.43	8.92
Total	38.13	33.85	28.18	25.04	20.47	18.07

GHG emissions (Scope 3)

Unit: 1,000 t-CO<sub>2</sub>e

Boundary	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Category1	489.53	400.46	482.02	671.61	966.74	881.84
Category11	1,175.02	855.01	1,151.98	1,319.35	1,991.31	1,519.50
Others (Note 2)	28.62	35.37	49.40	61.95	80.26	70.11
Total	1,693.16	1,290.84	1,683.41	2,052.92	3,038.31	2,471.46

\*1 The Scope 2 calculations are based on the market-based method.

\*2 Advantest does not conduct activities that fall under the following categories: 10 (Processing of sold products), 13 (Downstream leased assets), 14 (Franchises), or 15 (Investments). Therefore, these categories are not included in the calculation.

## Business Continuity Initiatives

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

Please refer to Procurement Policy and its Stance for information on our efforts to address parts procurement risks.

[Procurement Policy and its Stance](#)

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

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

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



## Business Continuity Plan

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

### Business Continuity Plan (BCP) – Basic Policy

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

### Determining specific measures for BCP

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

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

## Measures Implemented in Fiscal 2023

In April 2022, we began a project to rebuild the BCP for the entire Advantest Group. We identified series of responses to incidents that may affect our business, from initial response to the continuation of the supply system for products and services as Business Continuity Management (BCM). In fiscal 2022-2023, we proceeded with the reconstruction of BCM at our major domestic business sites, dividing it into three phases: (1) initial response (ERP\*), (2) review and directed by the head office and local task forces (CMP\*), and (3) business continuity/restoration (BCP). The conventional BCP was limited to earthquakes and floods, but we also created an all-hazards BCP, i.e., BCP that is not limited to any particular event, referring to international standards (ISO 22301, etc.). We also worked to develop department-specific BCPs that stipulate measures for the continuation of operations and early recovery in each department, as well as a response plan that assumes the loss of functions (infrastructure) necessary for the continued operation of the business site. Based on the new BCP, drills were conducted at major business sites. In fiscal 2024, we will expand the newly reconstructed plan to other business sites in Japan and major overseas sites.

\* ERP: Emergency Response Plan

\* CMP: Crisis Management Plan

### Disaster Responses

May 2023	Noto region of Ishikawa Earthquake: All companies in Japan carried out safety confirmation.
January 2024	Noto Peninsula Earthquake: All companies in Japan carried out safety confirmation.

## Compliance

Each Advantest employee carries out his or her social responsibilities in line with our high ethical standards, honoring the trust our stakeholders place in us.

### Initiatives to Promote Ethical Business Practices

#### Our Stance and Basic Policy on Compliance

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

[The Advantest Way](#)

#### Compliance Promotion System

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

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

The Compliance Department, which assists the CCO, plays a central role in strengthening the Group-wide compliance system by conducting periodic employee compliance awareness surveys and expanding and disseminating the internal reporting system. Based on the results of the employee compliance awareness survey, training is conducted by region and division according to respective risks, while policies and process rules are improved.

A Disciplinary Committee has been established to ensure due process and to enhance the reasonableness, appropriateness, and transparency of disciplinary actions.

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



## Compliance Education

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

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

Course Name	Number of Participants (employees)	Duration (minutes)	Attendance Rate	
The Advantest Way	6,790	10	100.00%	
ESG	6,823	13	99.82%	
Fair Disclosure/Anti-insider trading	6,841	10	99.84%	
Anti-corruption and Anti-bribery	7,192	10	99.06%	
Export Control	7,188	10	99.65%	
Intellectual Property	7,180	10	99.69%	
Information Security	Information Security IT Security Training	7,163	10	99.80%
	Information Security II	7,148	12	98.38%
Personal Information	7,185	10	99.35%	
Prevention of Anti-competitive Action	7,206	10	99.35%	
Prevention of Embezzlement and Breach of Trust	7,187	10	99.81%	
Total	77,903	115	99.52%	

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

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

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

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

## Prevention of Bribery and Compliance with the Anti-Monopoly Act

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

[The Advantest Way](#)

## Prevention of Bribery and Other Corrupt Practices

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

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

In fiscal 2023, Advantest was not the subject of any legal action relating to bribery or other corrupt practices. Moreover, there have been no cases of violations of the company's internal rules on money laundering or insider trading.

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

## Compliance with the Anti-Monopoly Act

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

Advantest was not subject to any legal action for anti-competitive behavior in fiscal year 2023.

## Internal and External Reporting System

Advantest requires all officers and employees to disclose any suspected violations of laws, regulations, internal rules, or corporate ethics. The Company has established a reporting hotline as an alternative means of communication. The reporting hotline is available in multiple languages, and confidentiality and anonymity of whistleblowers is ensured. In addition, in several countries, the Company has contracted with law firms to establish external hotlines where officers and employees can report directly.

We have also established a reporting hotline that can be used by external stakeholders, including our business partners.

Information regarding the whistleblower and the content of the report, both internally and externally, will be handled appropriately by the appropriate person in charge within the company. Advantest prohibits unfair disadvantageous treatment or retaliation for filing a report.

## Community Engagement

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

## Economic and Industry Organizations

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

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

## Political Contributions and Sponsorships

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

## Export Control

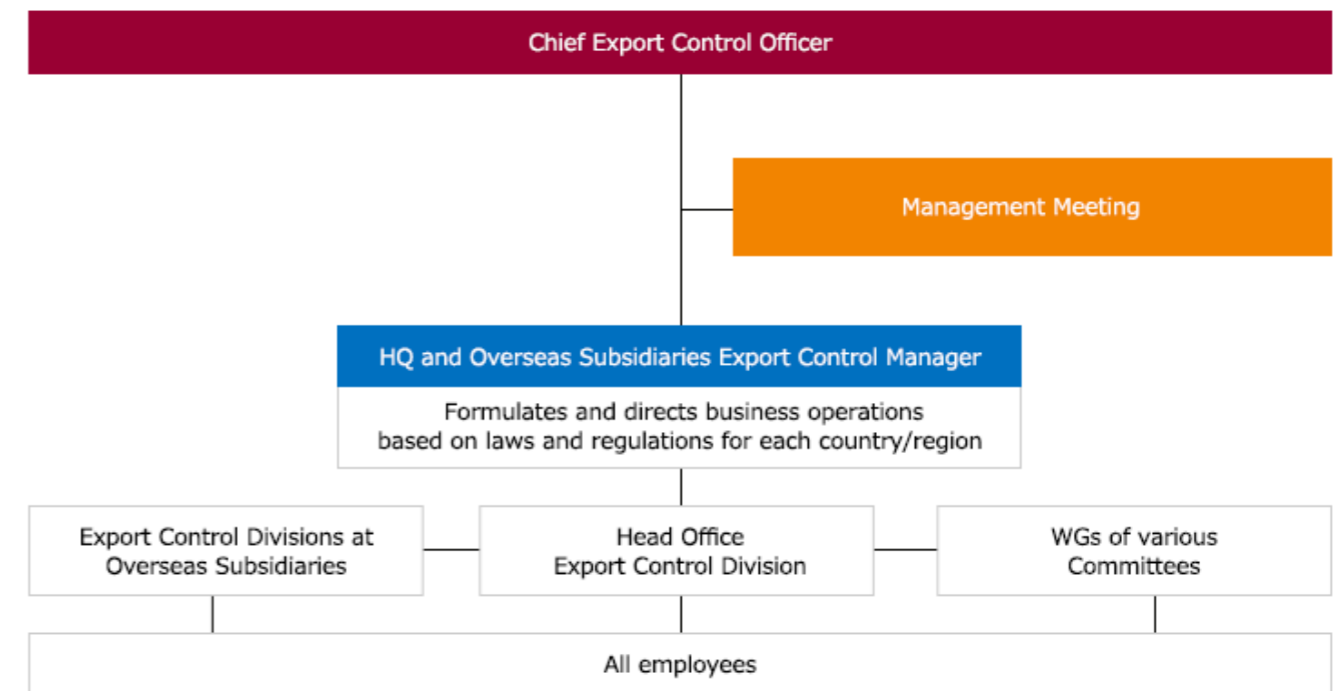
In order to keep products and technologies out of the hands of nations and terrorists that threaten the safety of the international community, the Advantest Group pays the utmost caution to laws and regulations regarding security export control, along with self-management. In the unlikely event of an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



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

### An export control system in compliance with laws and regulations

At Advantest, the Representative Director, Senior Executive Officer and President serves as the chief executive for export control, who establishes and operates the management system under the leadership of the top management. Meanwhile, to ensure that management decisions are promptly communicated to all employees, the General Manager of Administration (Executive Officer) in Japan, where the company's headquarters are located, and the managers of each overseas subsidiary are responsible for export control respectively, who operate in accordance with the laws and regulations of each country or region and establish an internal system that conforms with our basic export control policy and regulations.



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

### Export control in the case of US-China trade friction

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

The specific operations of the working group are as follows:

- For transactions with specific customers
  - Checking the percentage of U.S.-origin items and direct product regulations to determine whether the product is subject to the regulations while considering the strengthening of regulations under the U.S. Export Administration Regulations (EAR).
- For concerns about the objectives of our products
  - In addition to the confirmation of conventional use, obtaining a written assurance that the product does not fall under any further restricted use.
- For concerns that arise regarding customer information due to the introduction of new laws and regulations or amendments to laws and regulations
  - In the case of new customer registration, the existence of and business activities of the company in question will be verified using public information to determine whether to do business with the company.

In addition, in terms of management of existing clients, a written confirmation of non-applicability to effectuated regulations that may newly come into conflict with regulations due to the introduction of new regulations or amendments to laws and ordinances is obtained.

## Export control education

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

## Risk management related to international affairs

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

## Tax Compliance

### Basic Principle

We assess tax risks on a quarterly basis and strive to establish appropriate tax governance throughout the Group under the leadership of our CFO, in order to address tax risks associated with the globalization of our business.

### Basic policy on tax

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

#### (1) Secure transparency

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

#### (2) Build relationship of trust with tax authorities

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

#### (3) Appropriate management of the transfer pricing taxation

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

#### (4) Tax Havens

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



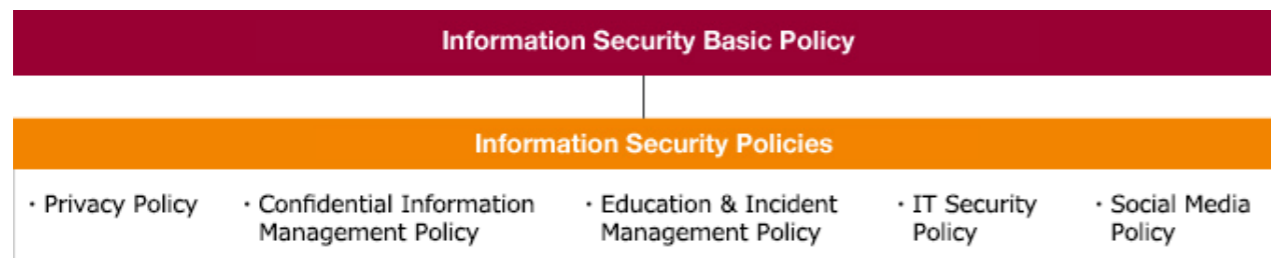
# Information Security

## Our Commitment to Information Security

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

## Policies and Rules Related to Information Security

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



## Organization of the Information Security Management System

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

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

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



## System for Responding to Information Security Incidents

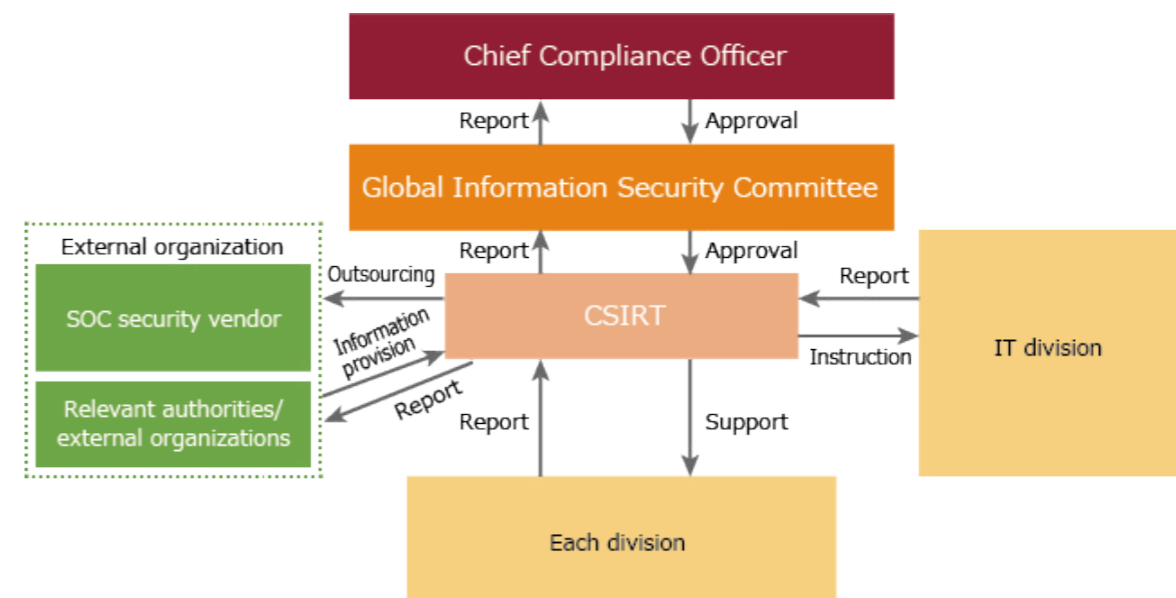
In FY2020, Advantest formed the Advantest CSIRT<sup>1</sup> to reinforce initial response systems for information security incidents. Furthermore, a SOC<sup>2</sup> security monitoring system that operates 24 hours a day, 365 days a year has also been incorporated to facilitate early detection and swift response to global cyberattacks.

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

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

\*1 CSIRT (Computer Security Incident Response Team)

\*2 SOC (Security Operation Center)



## Efforts to protect information

### Information Security Training

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

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

#### Training/Awareness Raising as Part of the Information Security Training

- Information Security Training through e-learning for all employees: 2
- Targeted email threat training: 2
- Broadcast of information to raise awareness: 10

### Initiatives for Strengthening Information Security

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

#### Acquisition status of ISO27001 certification

Japan	August 20, 2021	Semiconductor test system related departments (R&D, manufacturing, sales, maintenance)
Germany	July 29, 2022	Semiconductor test system related departments (R&D, sales, maintenance)
The USA	September 28, 2023	Semiconductor test system related departments (R&D, sales, maintenance)
Singapore	August 15, 2024	Semiconductor test system related divisions (engineering support & maintenance, supply chain management)

### Confidential Information Protection

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

Accordingly, we are committed to ensuring that confidential information is not divulged outside the company by ensuring that it is protected through the use of adequate controls governing its storage, disclosure and handling. In fiscal 2023, there were no incidents involving the unauthorized disclosure of important confidential information, etc.

### Personal Information Protection

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

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

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

There were no major cases of personal information leaks in FY2023.

[Privacy Policy](#)