

Sustainability



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Message from Advantest's Director of Sustainable Management

Towards a "safe, secure, and comfortable society"

The global economy in 2023 is marked by recessionary concerns, which are increasing due to monetary tightening and soaring energy prices in major developed countries in Europe, the U.S., and Asia. In addition, the slowdown in growth due to the impact of COVID-19 pandemic and the tense situation in Ukraine, continuing from last year, has acted as a drag on economic activity, while sluggishness and financial risks are also coming into view in emerging economies and less-developed regions. Reforms to curb inflation and policies to stabilize the macroeconomic and financial situation are needed at the national level, especially in major countries, to establish a strong and sustainable economic foundation beyond 2024. In addition, challenges such as climate change and other global environmental issues, preservation of biodiversity, and labor market mobility in response to declining birthrates and aging populations, are becoming increasingly serious with each passing year. In this economic and social environment, Advantest strives to maximize customer satisfaction by accurately grasping customer needs and providing solutions in our core semiconductor test equipment business through fair and prudent corporate activities, all while improving our corporate value by ensuring sustainable management that emphasizes "Environmental," "Social," and "Governance."

The following are our ESG initiatives from the Second Mid-Term Management Plan (MTP2), which was formulated and launched in FY2021. We have evaluated and improved our KPIs for "E," the environmental aspect of ESG, and set goals focusing on key issues such as greenhouse gas reduction, the introduction of renewable energy, shortening production times by optimizing production processes, strengthening our development and sales of green products, resource recycling and biodiversity. For "S," the social aspect of ESG, we have enhanced our activities related to human rights and occupational health and safety, conflict minerals elimination, respecting and observing fair trade practices, and procurement policies aiming for increased transparency and reliability throughout the supply

chain as a means to fulfill our corporate social responsibility. In addition, our global human resources initiatives aim to promote diversity, instill human rights policies and strengthen relevant education, and enhance employee engagement. These initiatives and measures also tie into improving customer satisfaction. Regarding "G," the governance aspect of ESG, our board has held frequent discussions based on business strategy briefings, considered how to increase its own efficiency and effectiveness, conducted detailed succession planning, and discussed how to further train employees worldwide in the Advantest Way. We are also working to reinforce our compliance and risk management systems.

Meanwhile, innovations in digital infrastructure such as communication networks and data centers are moving in tandem with rapid changes in technology, such as the evolution of the semiconductors used in these applications. The digital transformation of our world is accelerating. Amidst these changes, Advantest continues to deliver safety, security, and comfort to people worldwide through semiconductor test. Semiconductors are now incorporated into a wide variety of products and infrastructure, from industrial goods to commodities. They enrich people's lives, enhance convenience, and help to solve social issues. These same semiconductors are rapidly evolving to deliver even higher performance in their many roles. As semiconductors come to be used in more and more diverse applications, defective semiconductors no longer just cause inconvenience. Defects in the semiconductors used in automobiles, medical equipment, and data servers can lead to serious problems and even loss of life. Therefore, it is essential for semiconductor manufacturers to carefully check the quality of their devices during the verification process to ensure that they operate as designed, and inspect them thoroughly during mass production. Advantest's products are used for these processes. That is why we believe that our products play a key role in everyone's safe, secure, and comfortable lifestyles.

In the future, we plan to roll out new measures representing our commitment to "E," "S," and "G." We will create a roadmap for our participation in the RE100 initiatives to further strengthen our response to climate change issues, aiming to reduce

greenhouse gas emissions by 60% by FY2030 compared to FY2018. We are determined to work together with our customers, business partners, and other stakeholders to help realize a carbon-neutral society. In terms of "Social," our human capital policy calls for the promotion of diversity from various perspectives, including not only race and gender, but also different cultures and backgrounds, and the reform of various personnel systems, including human resources education, skills development, human resources promotion, and compensation systems. This corporate culture transformation will be carried out in the spirit of our INTEGRITY core values, which help shape each employee's actions. We are also committed to acting in a manner that protects our stakeholders' human rights, and are working to eliminate any attendant risks to human rights from our corporate activities by strengthening our compliance and risk management systems. In terms of "Governance," in order to strengthen the CxO structure introduced in 2021, we shifted from one to three representative directors from January 2023, with the aim of enhancing our global management system. This transition is part of our succession plan, and we are also working to further strengthen our management structure by diversifying our human resources through the appointment of global human resources.

We have designated the further enhancement of ESG initiatives as one of the key strategies of our mid-/long-term management policy, and will continue to innovate on this axis, aiming to further grow our corporate value and contribute to our shared, sustainable future.

Thank you for your continued support.



September 2023

Yasuo Mihashi
Senior Executive Officer,
CFO & CSO
Executive Vice President,
Corporate Strategy Group

Further Enhancement of ESG Initiatives

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

Our Approach to Sustainability Issues

Advantest delivers safety, security and comfort to people worldwide through semiconductor test.

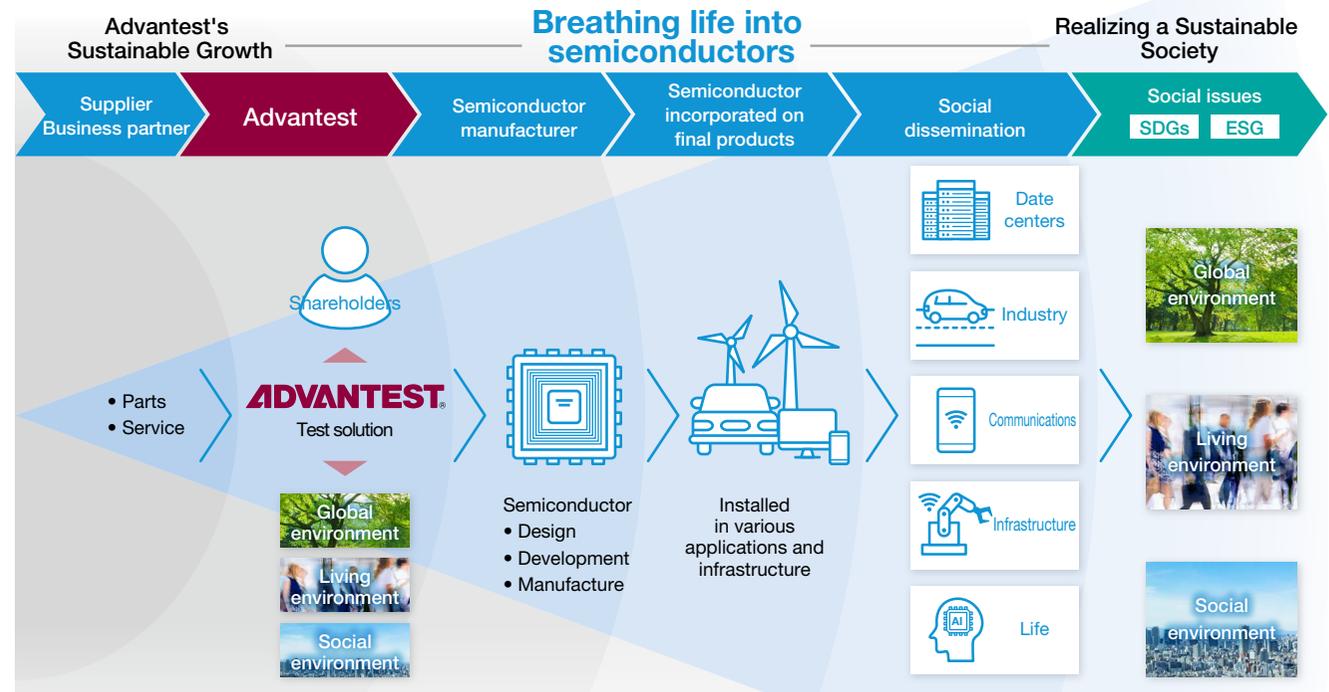
Semiconductors are now incorporated into a wide variety of products and infrastructure. They enrich people's lives, enhance convenience, and help to solve social issues. These same semiconductors are rapidly evolving to deliver even higher performance in their many roles. To maintain and improve our position in the global semiconductor tester market while keeping our focus on safety, security, and comfort, we have defined our purpose and mission as "enabling leading-edge technologies." We will continue to improve ourselves as a company and contribute to the common good through the development of leading-edge technologies, based on trends in advanced semiconductor technology, that are embodied in the products and services we provide to all our customers around the world.

We believe that building positive relationships with all our stakeholders, starting with society as a whole, and including the global environment, our customers, shareholders, employees, and business partners, and developing these relationships in a balanced manner, is crucial for the sustainable development of our business, and ultimately enhances our corporate value and stakeholder value.

The public value of semiconductor test is hard to perceive for many people, but we believe in offering value in a different way. Semiconductors whose performance and reliability are guaranteed by our leading-edge test technology are

incorporated into final products and used everywhere in our lives and industries, contributing to global safety, security, and comfort. Our business environment is constantly changing. Heightened uncertainty attends the geopolitical risk picture, and rapid inflation has also been seen recently. There is an increasing demand for companies to implement ESG measures, such as transitioning to carbon neutrality, ensuring the soundness of their entire supply chain, and strengthening corporate governance. In terms of technology, we anticipate

an increase in demand for semiconductors and the active technological evolution of these semiconductors as digital transformation progresses, and technological solutions are sought for issues such as energy conservation. The semiconductor industry itself is likely to evolve toward greater complexity. Even amidst all this fluidity, we must build a stronger management foundation with the goal of growing sustainably through these challenges so that we can one day celebrate our 100th anniversary.



▶ Further Enhancement of ESG Initiatives

ESG Action Plan 2021 to 2023

Contributing to the Creation of Social Value

We consistently aim to sustainably improve our corporate value.

For us to meet the expectations of society and contribute to humanity's sustainable future, we must build good relationships with all stakeholders, including society as a whole, global environment, customers, shareholders, employees, and business partners, and develop these relationships in a well-balanced manner. By pursuing it, we believed that corporate value will improve and stakeholder value will also increase.

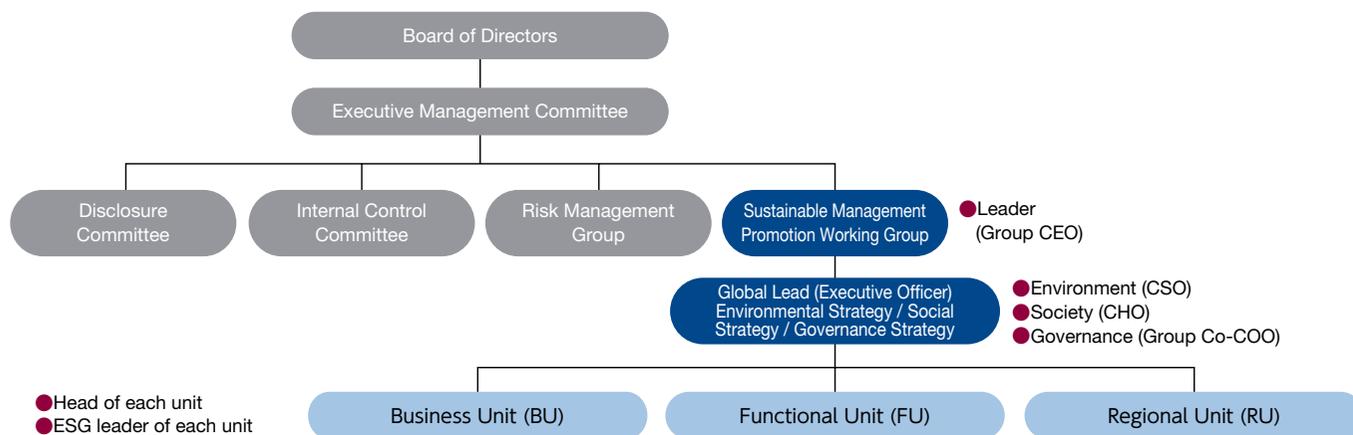
ESG Promotional Structure and ESG Action Plan 2021 to 2023

Among our mid/long-term initiatives to enhance our corporate value, Advantest promotes initiatives to boost sustainability as part of our "sustainability through ESG promotion". Specifically,

based on the recognition that proactive ESG initiatives are essential for the sustainability of both our company and the world, we have established an ESG Basic Policy, which defines a framework of principles for fulfilling our responsibilities.

Based on the ESG Basic Policy, in FY2020 Advantest established the Sustainable Management Working Group (SMWG), an organization directly supervised by the Executive Management Committee, to promote both the growth of our own business and the expansion of our social value contributions. The SMWG is a cross-functional organization with leaders of all business units, functional units, and regional units as members, which sets goals and KPIs related to the environment, society, and governance and directs mid/long-term responses to priority issues.

In addition, with the support of the SMWG, Advantest has formulated an ESG Action Plan, based on our analysis of the importance of ESG issues in each unit, to address sustainability issues. We are working to implement this plan.



Group CEO: Group Chief Executive Officer CSO: Chief Strategy Officer CHO: Chief Human Capital Officer Group Co-CEO: Group Co-Chief Operating Officer

- ESG Initiative Basic Policy -

- 1) In line with the corporate philosophy expressed in the Advantest Way, we believe that taking full consideration of, and implementing concrete actions related to, ESG-related factors is essential for achieving sustainability for both Advantest and society in general. Based on this understanding, we aim for improvement of corporate value over the medium to long term. To fulfill that responsibility, we will strengthen and expand our business while balancing earning power with transparent decision-making and actions, within a framework of respect for stakeholders, consideration for the environment, and harmonious coexistence with society in general. We will also work to contribute to achievement of the SDGs with a view to the sustainability of our global future.
- 2) Our basic policy is as follows.
 1. We continuously seek ways to reduce the environmental impact on the planet and our communities where we live, work, and do business.
 2. We fulfill social responsibilities with a presence throughout the world.
 3. We strive to consistently deliver high-quality products and services to our customers.
 4. We appropriately return profits and disclose information to our shareholders and investors.
 5. We treat our employees fairly, and ensures a positive work environment.
 6. We collaborate and cooperates with our suppliers.
 7. We build a fair, effective, and highly transparent governance system.

▶ Further Enhancement of ESG Initiatives

ESG Action Plan 2021-2023

ESG	Key Issue	Executive in charge ¹	Goal	KPI	2021		2022		2023	2030
					Target	Results	Target	Results	Target	
E (Environment)     	Climate Change (Scope 1+2)	CSO	Reduce GHG emissions from business activities by 60% by 2030 (vs.FY2018)	GHG emissions reduction amount/rate	35%	34%	38%	46%	40%	60%
			Raise renewable energy usage to 70% by2030, Group-wide	Coverage rate by renewable energy	50%	54%	53%	63%	55%	70%
		CPO	Reduce production times 30% through production process reviews (vs.Y2020)	Production time reduction rate for target models (vs.FY2020)	15%	21%	25%	37%	30%	TBD *2
	Value Chain (Scope 3)	CPO	Promote the use of renewable energy by suppliers and contractors	Number of suppliers who have introduced renewable energy	10	12	20	22	40	TBD *3
		CTO	Reduce CO ₂ -equivalent emissions (basic unit) per test by 50% by 2030	Reduction rate in basic units (vs. FY2018)	Set basic unit calculation definition		Defined basic unit calculation definition		20%	50%
	Green Products	CTO	Develop products that are free from polluting substances	Total elimination of PFAS in coolant	New methodology in development plan		New methodology in development established		Announce release plan	Total elimination of PFAS in next-generation models
	Resource Recycling	CHO	Improve in-house recycling rate by promoting the 3Rs	Waste recycling rate (Japan/overseas)	JPN:90% Other regions:73% or more	JPN:64% Other regions:77%	JPN:90% Other regions:73% or more	JPN:88% Other regions:74%		JPN:90% Other regions:73% or more
			Maintain Group-wide water usage at FY2016 levels	Water resource usage	288,000 m ³ /year	236,405 m ³ /year	288,000 m ³ /year	242,129 m ³ /year		288,000 m ³ /year
	Biodiversity	CSO	Promote nature conservation activities (protection of endangered species in biotope, tree planting, beach cleanup, etc.)	Planning and implementation rate of nature conservation activities	10 activities planned, 80% implemented	11 activities planned, 73% implemented	14 activities planned, 80% implemented	14 activities planned, 100% implemented	18 activities planned, 80% implemented	20 activities planned, 80% implemented
	S (Social)	ESG management at Supply Chain	CPO	Share and solve/mitigate ESG issues (risk management, human rights/occupational safety, environment, fair trade, compliance, etc.)	Due diligence implementation rate for major suppliers	90%	100%	95%	100%	100%
Diversity, protection, and respect for human rights		CHO	Fair treatment in gender	Female manager ratio	9.0%	9.6%	10.0%	9.0%	10.5%	17.0%
			Edification and practice of human rights	Participation rate of educational training	100%	99.5%	100%	84%	100%	100%
			Work-life balance	Return-to-work rate after maternity leave (JPN) Exercise rate of childcare leave by males (JPN)	100% 12%	100% 16%	100% 20%	94% 21%	100% 25%	100% 50%
	CPO	Conflict minerals elimination	Percentage of suppliers confirmed to be free of conflict minerals*4	100%	63%	100%	65%	100%	100%	

*1 CHO: Chief Human Capital Officer CPO: Chief Production Officer CSO: Chief Strategy Officer CTO: Chief Technology Officer

*2 Set products and target values considering future product lifecycles

*3 Set target values based on investigation of future major suppliers

*4 KPIs are changed according to actual activities

Further Enhancement of ESG Initiatives

ESG Action Plan 2021-2023

ESG	Key Issue	Executive in charge ¹	Goal	KPI	2021		2022		2023	2030
					Target	Results	Target	Results	Target	
S (Social)  	Customer satisfaction, employee engagement	CCRO	Raise customer satisfaction under New Normal circumstances	Ranking of TechInsights customer satisfaction survey	1st	1st	1st	1st	1st	1st
		CHO	Edification and improvement of attractive corporate culture	Score of Gallup survey	3.5	3.6	Survey not conducted	Survey not conducted	3.8	4.1
	Investing in human resources	CHO	Maintaining and enhancing occupational safety and health	Occupational accident rate (frequency rate)	0.00	0.35	0.00	0.47	0.00	0.00
			Promotion of health management	To be selected in White 500 (JPN)	selected	selected	selected	selected	selected	selected
			Employee capacity building	Education and training expenses (100MY)	N/A	3.9	5.0	4.8	6.0	10.0
G (Governance)  	Board Effectiveness	Group CEO	Provide outside directors with updates on business and management issues	3 times/year	3 times/year	Implemented	3 times/year	Implemented	3 times/year	3 times/year
			Intensify discussion through Off-site meetings by board members	2 times/year	2 times/year	Implemented	2 times/year	Implemented	2 times/year	2 times/year
			Succession planning	Policy/process making, planning, updates	Discussion at Nomination and Compensation Committee and report to the Board of Directors	Implemented	Discussion at Nomination and Compensation Committee and report to the Board of Directors	Implemented	Discussion at Nomination and Compensation Committee and report to the Board of Directors	Discussion at Nomination and Compensation Committee and report to the Board of Directors
			Diversity of board members	Outside directors must include female representation (>40%)	At least 40% outside directors and 1 female	Outside directors 45%, 1 female	At least 40% outside directors and 1 female	Outside directors 56%, 2 females		Goal continuation
			Add ESG performance assessment to compensation	Start from FY2021	ESG linked performance assessment	Implemented	ESG linked performance assessment	Implemented		Goal continuation
	Corporate culture and Code of Conduct, compliance, risk management	CHO	Work Shop/training for all employees (The Advantest Way, Law, Regulations, Information securities, etc.)	Participation rate for e-learning (100%)	100%	98%	100%	92%	100%	100%
		CCO	Strengthening Internal Control	Regularly discuss internal control issues	Regular discussion	2 times/year	Regular discussion	2 times/year		Goal continuation
	Promotion & support of ESG management (Sustainable Management Working Group)	CSO	Support & Report group-wide Policy, Strategy, Plan and implementation	Report to Executive Management Committee and BoD (once a year)	2 times/year	2 times/year	2 times/year	2 times/year		Goal continuation
			Timely and appropriate disclosure (Integrated Annual Report, Sustainability Databook)	Issuance every year	Publication of Integrated Report, Sustainability Data Book, etc.	Published	Published	Published	Published	

¹ Group CEO: Group Chief Executive Officer CCO: Chief Compliance Officer CCRO: Chief Customer Relations Officer CHO: Chief Human Capital Officer CSO: Chief Strategy Officer

Environmental Initiatives

Guided by The Advantest Way, Advantest implements climate change mitigation and adaptation measures from a long-term perspective, aiming to help solve important environmental issues through our business.

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

ESG Action Plan: "E (Environment)"

Implementing our ESG Basic Policy, Advantest formulated our Environmental Action Plan under the "E (Environment)" category of the ESG Action Plan and launched it in FY2021. We have clarified KPIs for the three-year period of our second mid-term management plan (MTP2, 2021 to 2023), with the goal of contributing to climate change mitigation and society-wide CO₂ emissions reduction.

Climate Change Initiatives

Advantest actively engages in international initiatives on climate change.

As a global company, we have set goals linked to international norms and are implementing climate change mitigation measures.

Key Issue	Executive in charge	Goal	KPI	2021		2022		2023	2030
				Target	Results	Target	Results	Target	
Climate Change (Scope 1+2)	CSO	Reduce GHG emissions from business activities by 60% by 2030 (vs.FY2018)	GHG emissions reduction amount/ rate	35%	34%	38%	46%	40%	60%
		Raise renewable energy usage to 70% by2030, Group-wide	Coverage rate by renewable energy	50%	54%	53%	63%	55%	70%
	CPO	Reduce production times 30% through production process reviews (vs.Y2020)	Production time reduction rate for target models (vs. FY2020)	15%	21%	25%	37%	30%	TBD *1
Value Chain (Scope 3)	CPO	Promote the use of renewable energy by suppliers and contractors	Number of suppliers who have introduced renewable energy	10	12	20	22	40	TBD *2
	CTO	Reduce CO ₂ -equivalent emissions (basic unit) per test by 50% by 2030	Reduction rate in basic units (vs. FY2018)	Set basic unit calculation definition		Defined basic unit calculation definition		20%	50%
Green Products	CTO	Develop products that are free from polluting substances	Total elimination of PFAS in coolant	New methodology in development plan		New methodology in development established		Announce release plan	Total elimination of PFAS in next-generation models
Resource Recycling	CHO	Improve in-house recycling rate by promoting the 3Rs	Waste recycling rate (Japan/overseas)	JPN:90% Other regions:73% or more	JPN:64% Other regions:77%	JPN:90% Other regions:73% or more	JPN:88% Other regions:74%	JPN:90% Other regions:73% or more	
		Maintain Group-wide water usage at FY2016 levels	Water resource usage	288,000 m ³ /year	236,405 m ³ /year	288,000 m ³ /year	242,129 m ³ /year	288,000 m ³ /year	
Biodiversity	CSO	Promote nature conservation activities (protection of endangered species in biotope, tree planting, beach cleanup, etc.)	Planning and implementation rate of nature conservation activities	10 activities planned, 80% implemented	11 activities planned, 73% implemented	14 activities planned, 80% implemented	14 activities planned, 100% implemented	18 activities planned, 80% implemented	20 activities planned, 80% implemented

*1 Set products and target values considering future product lifecycles

*2 Set target values based on investigation of future major suppliers

Outline of International Initiatives and Advantest Initiatives on Climate Change

Institution	Advantest's Initiatives
	Based on the IPCC scenario for global temperature increase, Advantest will continue to analyze management risks and opportunities related to our business activities stemming from climate change, together with the relevant laws and regulations, and will enhance our information disclosure
	With respect to the temperature goal stipulated under the Paris Agreement, we have established a CO ₂ emissions reduction target based on scientific knowledge and are working to implement the reduction.
	We have formulated a plan to shift the electricity used in business operations to renewable sources and have begun implementing it.
	We are actively disclosing information on our initiatives addressing risks caused by climate change based on the recommendations by the TCFD, SBTi, and RE100.

▶ Environmental Initiatives

Advantest Joins the Semiconductor Climate Consortium (SCC)

-Accelerating the reduction of greenhouse gas emissions across semiconductor value chain-

Advantest joined the Semiconductor Climate Consortium (SCC), a consortium established by the Semiconductor Equipment and Materials International (SEMI), as a founding member in 2022. We are currently working with companies that agree to the commitment of the SCC to speed industry value chain efforts in reducing greenhouse gas emissions from the semiconductor ecosystem. The SCC is the first global collaborative of semiconductor ecosystem companies focused on reducing greenhouse gas emissions across the value chain.



[Semiconductor Climate Consortium (SCC) Vision]

The Semiconductor Climate Consortium drives progress on climate challenges within our industry value chain and supports the Paris Agreement and related accords driving the 1.5°C pathway.

Collaboration

Align on common approaches, technology innovations and communications channels to continuously reduce greenhouse gas emissions.

Transparency

Publicly report progress and Scope 1, 2 and 3 emissions annually.

Ambition

Set near- and long-term decarbonization targets with the aim of reaching net zero emissions by 2050.

In November of the same year, we shared a "We Commit" video during the SCC session of the 27th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 27), demonstrating our active engagement with solving climate change issues. In addition, in January 2023, our SCC representative, Colin Ritchie, was also appointed as a new member of the SEMI North American Advisory Board (NAAB), where he serves as an advocate for member companies located in North America to address various challenges in the supply chain.

Shanghai office in China Also Achieves RE100

So far, the Advantest Group has completed the transition to renewable energy at our Gunma Factory in Japan, Munich Office in Germany, and San Jose Office in the U.S. In 2022, we also achieved the RE100 target at our Shanghai Office in China. Going forward, we will continue to work aggressively to raise renewable energy usage to 70% by 2030 by introducing renewable sourcing at other Group sites.



Colin Ritchie of Advantest making a presentation in the "We Commit" video, shown at COP27.

Environmental Initiatives

TCFD-based Climate Change-related Information Disclosure

Initiatives for the TCFD recommendations

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

Governance

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

Strategy

Advantest has conducted scenario analysis to consider strategies for adapting to events predicted to occur in the future due to climate change. We began by referring to the Shared Socioeconomic Pathways (SSP) 1-1.9, 1-2.6, and 5-8.5, greenhouse gas emissions scenarios that cover the range of plausible emissions futures, of the United Nations Intergovernmental Panel on Climate Change (IPCC) Sixth

Assessment Report and NZE (Net Zero Emissions by 2050 scenario) and APS (Announced Pledges Scenario) of the International Energy Agency (IEA). We identified the risks that can occur by 2050, which will have a particularly large financial impact on our business, including upstream and downstream of the value chain, and considered the 1.5-degrees/well below 2-degrees Celsius and the 4-degrees Celsius warming scenarios.

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

Under the 1.5-degrees/well below 2-degrees Celsius framework, we assume that climate regulations, such as the introduction of carbon pricing, would be strengthened, helping to achieve Net Zero.

We also expect that companies' responses to Net Zero policies will have a greater impact on the decisions of customers and investors, and that insufficient response will increase transition risks, such as loss of customers and increased reputational risk. On another front, in a low-carbon economy, the demand for semiconductors will increase substantially, leading to an anticipated expansion of our business opportunities, as well as greater adoption of renewable energy and products that contribute to Net Zero targets, such as electric vehicles.

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

4-degrees Celsius warming scenario:

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

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

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

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

Assumed risks in the 4-degrees Celsius scenario

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

▶ Environmental Initiatives

Climate change risks and opportunities

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

Risks related to climate change

Two scenarios described in the TCFD categories were examined regarding business risks related to climate change. (1)"Risks related to the transition to a decarbonized society" and "risks related to the physical effects of climate change", which occur mainly in the 1.5-degrees/well below 2-degrees Celsius scenario (2)"Risks related to the physical effects of climate change", which occur in the 4-degrees Celsius scenario.

Climate change opportunities

While the market is expected to continue to expand based on the semiconductor long-term forecast through 2030, the market for semiconductor test equipment is also expected to grow. Amidst expectations of further semiconductor market growth, which is expected to be driven not only by climate change, but also by various factors such as economic growth and GDP

growth in each country, Advantest has laid out direct business opportunities resulting from climate change as follows. Semiconductors will contribute to Net Zero, which calls for stringent climate change countermeasures to be imposed. We can assume that the quantity of manufactured semiconductors will continue to grow in the future due to factors such as the expansion in semiconductor demand accompanying the digital transformation. Meanwhile, the quality and quantity of semiconductor testing will increase in hand with the sophistication and technological evolution of semiconductors. It is thought that demand for semiconductor test will increase because such demand will be multiplied by the two factors of enhanced test content per chip and the increase in the physical quantity of semiconductors, and so Advantest recognizes the Net Zero movement to be an opportunity presented by climate change. Advantest will make investments to achieve the necessary technological advancements, such as in research and development and in developing the next generation of human resources, as part of our efforts to contribute to Net Zero through semiconductor test and product development of new semiconductor technologies.

Risk management

At Advantest, we consider factors that may hinder business management to be risks and have established a company-wide risk management system. Management risks posed by climate change are also managed within this system. With the support of the SMWG, we analyze and evaluate urgent and anticipated risks posed by climate change. Using the company-wide risk

management system that we have already established, we implement countermeasures to avoid and mitigate those risks to ensure continuity of our business activities in the face of adversity. The SMWG makes timely decisions, and can launch a Task Forces consolidating efforts from related departments to rapidly tackle risks or opportunities, which may be recognized as particularly critical.

Metrics and targets

The metrics and targets for measures taken in respect to risks and opportunities brought about by climate change are managed by the ESG Action Plan 2021-2023. The achievement status of the ESG Action Plan 2021-2023 is reported to the Executive Management Committee and the Board of Directors twice a year for discussion and evaluation. Based on their evaluation, the SMWG will review and update the indicators and goals of the ESG Action Plan 2021-2023. As our mid-term climate change countermeasure target, Advantest has set a goal to reduce greenhouse gas emissions as covered in Scopes 1 and 2 by 60% by FY2030 compared to FY2018, and to reduce greenhouse gas emissions covered in Scope 3 by 15% by FY2030 compared to FY2018. In addition, our long-term target is to achieve net-zero greenhouse gas emissions in Scopes 1 and 2 by FY2050. These goals have been approved by the Science Based Targets Initiative (SBTI), acknowledging that our greenhouse gas reduction targets are based on scientific evidence. While we are making steady progress in reducing emissions from Scope 1 and 2 through the adoption of renewable energy and other measures, progress on Scope 3 is lagging behind our target as of FY2022 due to a significant increase in sales compared to our expectations at the time the target was set. We will further strengthen our efforts to develop products with lower CO₂ emissions and promote collaboration throughout the value chain, aiming to achieve our emission reduction targets.

Climate change-related opportunities

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

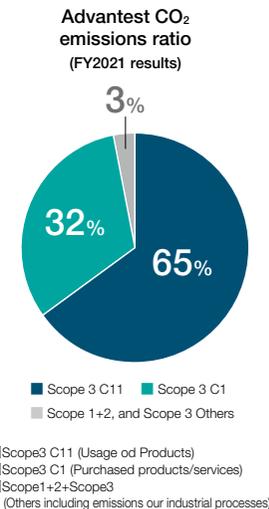
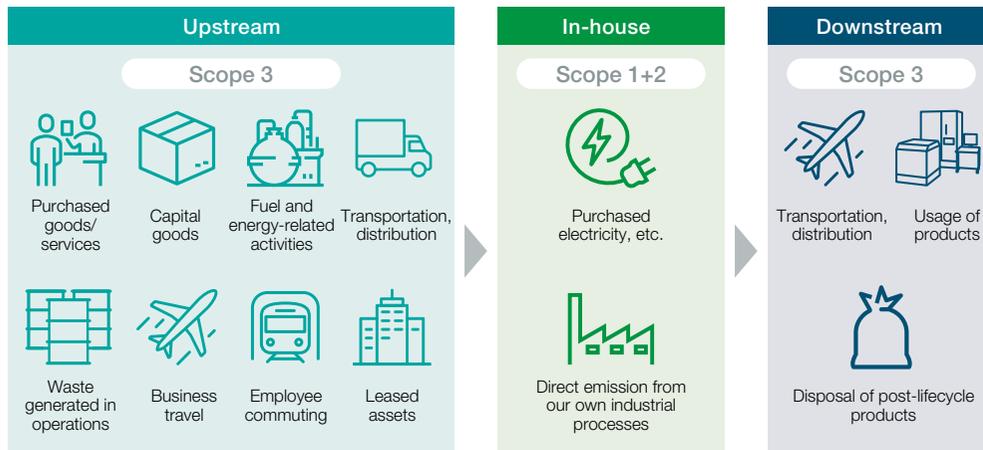
Environmental Initiatives

Climate change risks and opportunities

When addressing climate change, the efforts of individual companies alone may be of limited benefit. Activities that involve entire value chains or industry groups are necessary. The Advantest Group is proactively deploying measures to reduce our environmental footprint in the medium to long term throughout the value chain with the goal of achieving our CO₂ emission reduction targets. In our entire value chain, Scope 3 "Category 1 (C1): Purchased goods/services " and "Category

11 (C11): Usage of products" account for the majority of CO₂ emissions. In addition to CO₂ (Scope 1+2) emissions reduction, we are promoting CO₂ emissions reduction in categories 1 and 11 as a priority item for the environmental targets in our ESG Action Plan. In terms of measures related to these priority items, we launched a task force to promote CO₂ emissions reduction activities in FY2021. We are accelerating CO₂ emissions reduction activities throughout our value chain, aiming to achieve the SBTi certification targets for Scope 1+2 and Scope 3.

CO₂ Emissions in Advantest's Supply Chain



Task Force to Promote CO₂ Emissions Reduction Activities

Task Force	What it affects	Details of Activities
TF1	Scope 3 C11 Usage of products	CO ₂ emissions reduction in product development
TF2	Scope 3 C1 Purchased products /services	CO ₂ emissions reduction through cooperation with our business partners
TF3	Scope 3 C11 Usage of products	CO ₂ emissions reduction through cooperation with our customers
TF4	Scope 1+2 Direct emissions from our industrial processes such as purchased electricity	Reduction of CO ₂ emissions from business activities through the introduction of energy-saving equipment and renewable energy

Task Force 1: CO₂ Emissions Reduction in Product Development (Scope 3 Category 11)

Key Issue	Goal	KPI	2021	2022	2023	2030
Value chain (Scope 3)	Reduce CO ₂ -equivalent emissions (basic unit) per test by 50% by 2030	Intensity reduction rate (Compared to FY2018)	Target Value	Calculation of emission basic unit	20%	50%
			Results	Calculation of emission basic unit	NA	NA

Task Force 1 will collaborate with our R&D departments worldwide to promote the reduction of CO₂ emissions through the development of next-generation products with low power consumption and high efficiency. Specifically, we aim to reduce CO₂ emissions per test (basic unit) from our products during utilization at our customers' sites by 50% by FY2030. Our Scope 3 "Category 11: Use of products" accounts for the largest amount of CO₂ emissions, accounting for 65% of the entire value chain. Reducing these individual CO₂ emissions is essential for reducing CO₂ emissions throughout our value chain. The amount of CO₂ emissions from the use of our products is significantly affected by market fluctuations such as sales. We will contribute to reducing CO₂ emissions through our products by setting targets for reducing emissions per unit of production that are linked to our medium- to long-term business plans, and reviewing them annually.

▶ Environmental Initiatives

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

Key Issue	Goal	KPI					
			2021	2022	2023	2030	
Value chain (Scope 3)	Promote the use of renewable energy by suppliers and contractors	Number of suppliers who have introduced renewable energy	Target Value	10	20	40	TBD (*)
			Results	12	22	NA	NA

(*)Targets for key future suppliers based on research

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

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

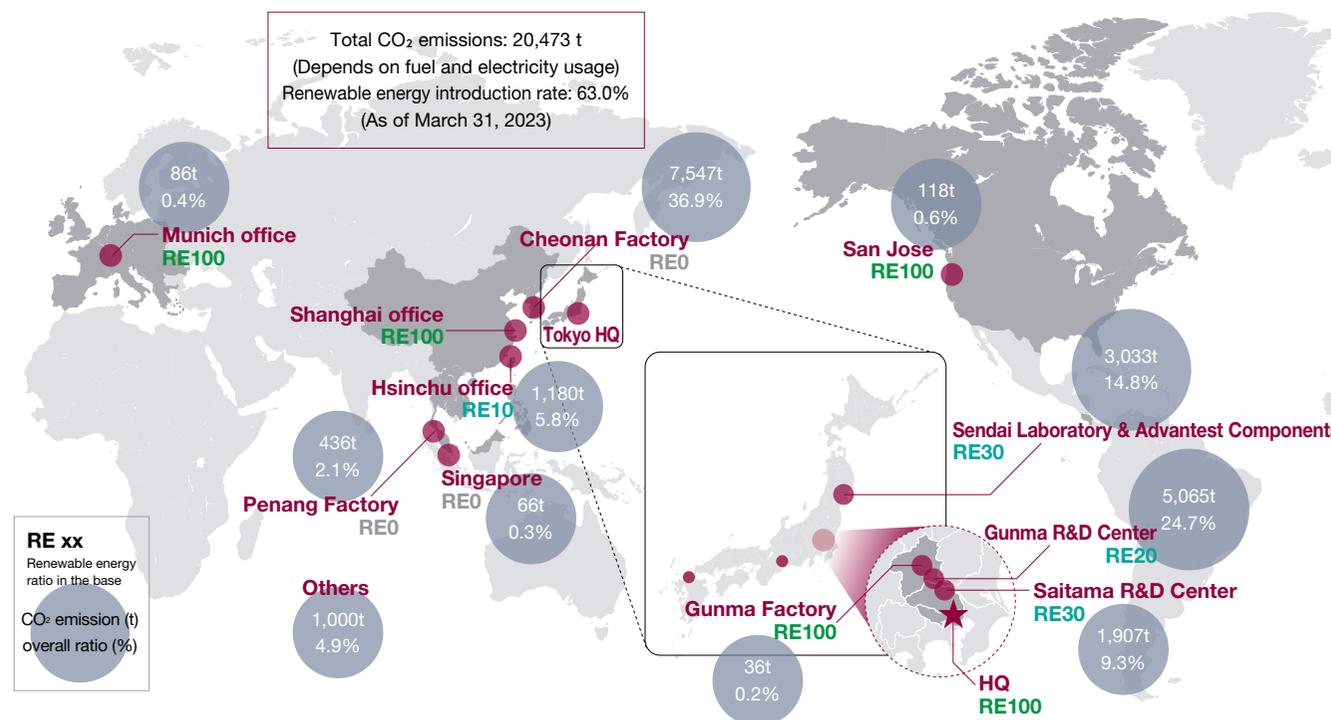
Task Force 3 works along with our sales departments to promote the reduction of CO₂ emissions through the collaboration with our customers. We ask our customers to respond to a questionnaire on their policies and goals regarding climate change, including their requests and expectations for Advantest as their supplier. Based on this information, we will clarify the role that we should play and the issues that should be addressed in our strategies, and reflect them in our ESG activities. We aim to understand our customers' policies and

targets for climate change and contribute to the achievement of their goals as a member of the supply chain.

Task Force 4: Reduction of CO₂ Emissions in Business Activities Through Adoption of Energy-Saving Equipment and Renewable Energy (Scope 1+2)

Key Issue	Goal	KPI					
			2021	2022	2023	2030	
Climate change (Scope 1+2)	Reducing GHG emissions from business activities by 60% by 2030 (compared to FY2018)	GHG emissions reduction rate	Target Value	35%	38%	40%	60%
			Results	40%	46%	NA	NA
	Achieve a company-wide renewable energy introduction rate of 70% by 2030	Renewable energy introduction rate	Target Value	50%	53%	55%	70%
			Results	54%	63%	NA	NA

Task Force 4 will promote a 60% reduction in CO₂ emissions from the Advantest Group's business activities by FY2030 (compared to FY2018) through the adoption of energy-saving equipment and renewable energy. We also aim to increase our renewable energy sourcing rate to 70% by FY2030. In FY2022, we newly introduced renewable sources at our locations in China and Taiwan, as well as at our headquarters, our Sendai Factory and Laboratory, and Advantest Components in Japan. We will continue to contribute to the reduction of CO₂ emissions generated by our own activities by reducing GHG emissions from our business activities and promoting the introduction of renewable sourcing.



▶ Environmental Initiatives

ESG Education

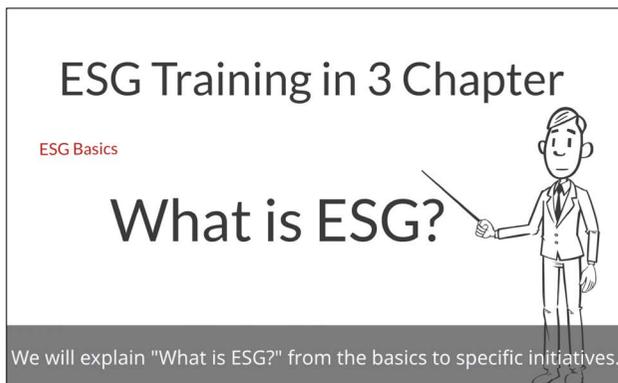
Since 2022, the Advantest Group has provided an ESG education program including Environment (E), Society (S), and Governance (G) topics. In addition, we offer our in-house social networking platform, "My LIFE.ON.", as a place for sharing individual employees' efforts worldwide.

FY2022: General Environmental Education Attendance Status

	Targeted number of employees	Number of participants	Attendance rate
Domestic	2,767	2,567	92.8
Overseas bases	3,556	2,760	77.6
Group Total	6,323	5,328	84.3

Initiative to Promote Understanding Using Videos

To enhance the sustainability of Advantest and the planet, we have established "sustainability through promotion of ESG" at the foundation of our corporate philosophical system, The Advantest Way, aiming to improve our own sustainability and help to bring about a sustainable world. Our ESG Basic Policy



A screenshot of the educational video

provides a framework for ESG initiatives throughout the company, and we have formulated an ESG Action Plan 2021-2023 for its implementation. The ISO14001 management program is used as the basis for our commitment to our goals. Based on this policy, our general environmental education program, formerly conducted under the certification of ISO14001, was renewed as an ESG education program in 2022.

Since a broader understanding of the content is required for this new ESG education program, we made it possible for employees to learn the content in videos, with three steps: "Chapter 1 ESG Basics", "Chapter 2 Climate Change and Human Rights", and "Chapter 3 Sustainability Initiatives". All videos make use of narrations and animation, allowing employees to internalize ESG in an easy-to-understand manner.

Advantest's Biotope Contributes to Resource Recycling

In 2001, Advantest established a biotope at our Gunma R&D Center with the aim of helping to recreate the original, natural landscape of the Kanto Plain, a landscape that is being lost to development. This biotope is the largest of its kind established by any private company in Japan. Since then, over the past 20 years, under the guidance of Gunma University, we have been playing an important role in biodiversity conservation by protecting and nurturing endangered plants and investigating CO₂ fixation speed in our biotope forests.

In 2022, we dredged the pond in our biotope and made fertilizer from the mud for use at our in-house farm. Generally, periodic dredging of the pond is necessary as mud accumulates on the bottom and adversely affects the water quality if left unattended. Pond water containing bottom mud is sucked up with a special pump, and a calcium-based flocculation agent is added, separating water from the mud. Once separated, it is dewatered, resulting in nutrient-rich, silky soil. The clean water is then returned to the pond. Since there is no need to drain the pond, this contributes to biodiversity conservation without harming riparian flora and fauna. Normally,

bottom mud is treated as industrial waste, so converting it into fertilizer helps to reduce waste.



Biotope pond



Dredging the pond

Participation in the 30by30 Alliance for Biodiversity

Since April 2022, Advantest has been a member of the 30by30 Alliance for Biodiversity, under the leadership of the Ministry of the Environment of Japan, which is committed to conserving or protecting at least 30% of Japan's national land and sea areas by 2030.



Social Initiatives

Advantest proactively implements measures to solve social issues throughout our business, based on The Advantest Way and our corporate mission statement, “Enabling Leading-edge Technologies.” Our ESG Basic Policy, formulated in 2021, sets forth our social responsibility as a global company and our commitments to our stakeholders. Meanwhile, our ESG Action Plan (2021-2023) describes specific themes, goals, and KPIs to support and promote company-wide activities and to disclose information.

Respect for Human Rights

Advantest Group Human Rights Policy

The Advantest Group contributes to humanity's safe, secure and comfortable existence by "Enabling Leading-edge Technologies." We recognize that the human rights of all the people we touch must be protected in our global business activities. This is stipulated in The Advantest Way, and lays the foundation of all our activities. In July 2021, the Advantest Group Human Rights Policy was formulated based on The Advantest Way. It is signed by the Group CEO and disclosed to the public as a statement of the Advantest Group's commitment to our responsibility to respect human rights. This Human Rights Policy applies to all Advantest Group executives and employees, including all permanent, contract, and temporary employees. In addition, in cases where our suppliers or other business partners may have contributed to any action with adverse impacts on human rights, which is directly linked to the Advantest Group's business activities, we will work on encouraging respect for human rights through dialogue and consultation to ensure that this policy is understood.

* Please refer to the following URL for the Advantest Group Human Rights Policy.
<https://www.advantest.com/sustainability/society/hrpolicy.html>



Human Rights Due Diligence in the Supply Chain

Integration into the Procurement Process

With the aim of incorporating human rights due diligence into our procurement process, we disclose a clear procurement

policy to our suppliers, who are important members of our value chain, and provide guidance on human rights, labor, and health and safety in the "Advantest CSR Procurement Guidebook."



▶ Social Initiatives

Assessment and Monitoring

As part of our supply chain due diligence, Advantest conducts a CSR Questionnaire for business partners who account for 85% of the transaction value of all Advantest Group companies every year. The contents of the questionnaire mainly refer to the "Supply Chain CSR Promotion Guidebook" in line with international norms and initiatives such as the RBA Code of Conduct as well as reports on the introduction of renewable energy and reduction of greenhouse gas emissions as a response to climate change. In FY2022, we received responses from all 56 companies we contacted. Although no serious risks related to human rights were found at this time, we should keep in mind that the entire supply chain should address social issues. In aiming to do so, we not only provide materials summarizing the results of the questionnaire for each business partner, but also supply feedback on points that were highly evaluated as well as requests for improvement, and hold individual seminars for business partners on specific themes.

Responsible Mineral Procurement

Although Advantest is not subject to Section 1502 of the US Dodd-Frank Wall Street Reform & Consumer Protection Act (Conflict Minerals Clause), we are voluntarily addressing the issue of conflict minerals. Since 2013, Advantest has been implementing an annual mineral procurement survey of our business partners using the Conflict Minerals Reporting Template (CMRT) tool developed by the Responsible Minerals Initiative (RMI)*. In FY2022, we conducted a survey of our business partners and verified the smelters/refiners listed on the CMRT with the information disclosed by the RMI. In total, the ratio of conformant smelters was 65.2%.

We will continue to seek cooperation from our business partners who we are yet to confirm. In FY2023, we will enhance our system to aim for a 100% conflict-mineral-free supply chain.

* RMI: Responsible Minerals Initiative

Survey (CMRT) collection rate	99%
Total number of refineries/smelters	351
Number of conformant certified refiners/smelters	229
Number of refineries/smelters without conformant certification (including pending refineries/smelters)	122

Process for Relief

In line with the United Nations Guiding Principles on Business and Human Rights, we have established a dedicated contact/reporting window for suppliers to receive complaints and consultations regarding human rights, which is available on our webpage. There were no complaints files (no cases) in FY2022.

Occupational Health and Safety

Advantest Group recognizes the importance of Health and Safety (H&S) management, and every year we convene a "Health and Safety Committee Meeting," which decides the health and safety direction and policy for the whole Group. Our approach to health and safety is based on the main activity themes decided on at this meeting, upon which the health and safety committees at each location set their annual targets and plans. We strengthen each location's health and safety activities by sharing information about relevant activities. The industrial accident rate (frequency rate) in whole group in FY2022 was 0.5 whereas the industry average was approximately 2.0 (according to the Ministry of Health, Labor and Welfare).

Advantest has obtained ISO45001 certification, an international standard for occupational health and safety management systems, at Gunma Factory, our main factory. Going forward, Advantest will continue its efforts to improve our working environment and strive to create comfortable workplaces.



Support for Ukraine
~Germany (AEG): Refugee Shelter~

The Advantest Group's overseas subsidiaries are engaged in dialogues with local communities and are implementing human rights initiatives tailored to the social climates in each country.

After the outbreak of war in Ukraine in February 2022 many women, children and older people fled to Germany with only few belongings and no money. In light of these circumstances, Advantest's German subsidiary, Advantest Europe GmbH, has set up an in-house "Ukraine Task Force Team," which is carrying out volunteer activities such as providing accommodation, clothes, and hygiene-related goods to refugees from Ukraine via local aid organizations in Europe. AEG provided used laptops to Freundeskreis Degerloch, an organization that helps refugees. For refugees laptops can really make a difference allowing them access to schooling material and empowering them to prepare diverse applications (job, recognition of qualifications, flat etc.) they need to submit. While making sure that the donated laptops were being utilized, AEG further provided internet access through mobile Wi-Fi hotspot and offered user support to adapt the laptops to their needs. We will continue to contribute to a society in which everyone can enjoy the right to learn freely and live conveniently while leveraging IT capabilities.



Advantest has donated a total of 90 million yen to various international organizations in Japan, the United States, Germany, and Singapore to provide humanitarian assistance to those who are experiencing difficulties due to the situation in Ukraine. Advantest was awarded the Medal with Dark Blue Ribbon by the Japan Committee for UNICEF (United Nations Children's Fund) for our donation to UNICEF, to assist with humanitarian aid for Ukraine.

▶ Social Initiatives

Employee Engagement



Inculcation and Evolution of Our INTEGRITY Core Values

In 2019, Advantest Group launched a corporate culture transformation initiative, which has been steadily evolving ever since. The nine values of INTEGRITY, (Innovation, No. 1, Trust, Empowerment, Global, Respect, Inclusion & Diversity, Teamwork, and Yes) have begun to take root in our daily lives. We will continue to further inculcate and evolve these nine values.

In 2022, we introduced "The INTEGRITY Awards." The INTEGRITY Awards is a peer-to-peer program that offers Advantest employees worldwide a platform to recognize and express appreciation for colleagues who have demonstrated the Advantest's Core Values in exceptional ways and who contributed significantly to the transformation of our corporate culture. Nominations are solicited and selected on a quarterly basis, and the selected employees are nominated for the President's Awards, which are presented on an annual basis. In FY2022, a total of 400 cases named 1,203 nominees for the INTEGRITY Awards. Among them, three employees were chosen and commended in the INTEGRITY category of the President's Awards.

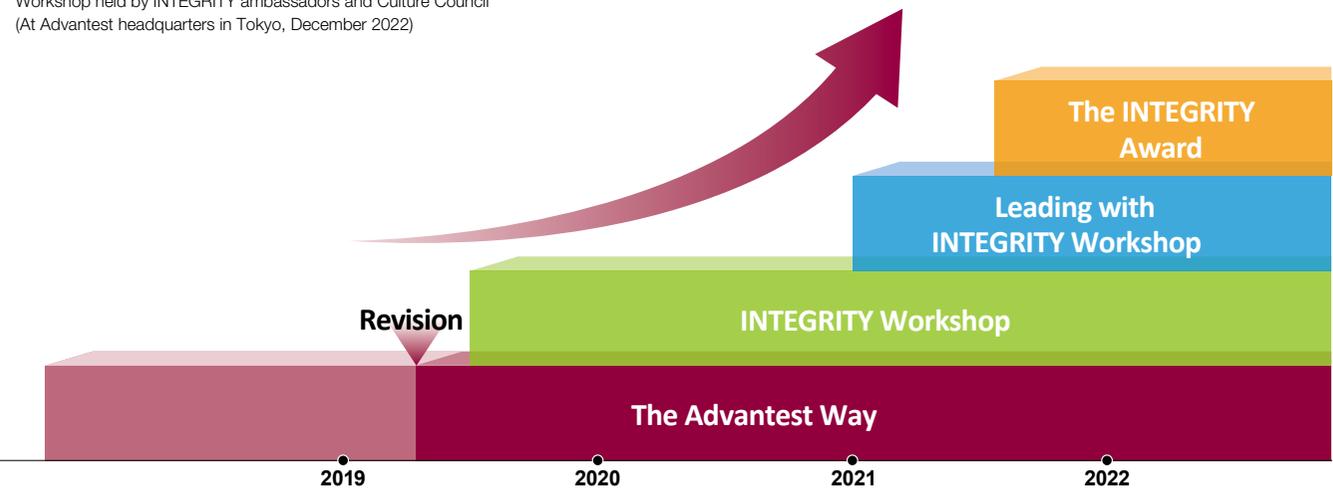
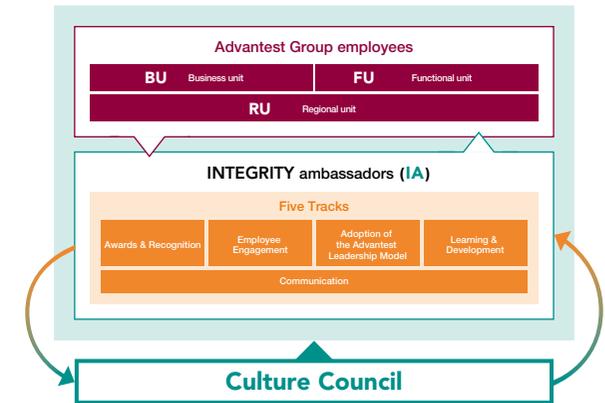
The Advantest Group continues to pursue a corporate culture where the contributions and values of individual employees are recognized and respected by showing appreciation for peers. These company-wide activities have penetrated down to the level of each organization and team, generating self-directed activities not only within each organization, but also across multiple organizations.

In 2022, to further promote activities related to INTEGRITY, a "Culture Council" consisting of President Yoshida and several executive officers was established, and representatives nominated by each business unit, functional unit, and regional unit were appointed as "INTEGRITY Ambassadors." The INTEGRITY ambassadors are 35 enthusiastic employees (as of August 2023), selected from seven countries and regions. The INTEGRITY Ambassador Community is made up of Five Tracks focused on Awards & Recognition, Employee Engagement, the adoption of the Advantest Leadership Model, Learning & Development, and Communication. They are working to further implement INTEGRITY throughout the Advantest Group.



Workshop held by INTEGRITY ambassadors and Culture Council (At Advantest headquarters in Tokyo, December 2022)

INTEGRITY Promotion Structure:



▶ Social Initiatives

**Example of INTEGRITY
Activity-1:
Cross 1-on-1 Meeting**

"Cross 1-on-1" is a little different from the conventional 1-on-1, referring to a place where mentors and mentees can talk one-on-one across organizational boundaries. Mentees are able to gain insights that cannot be obtained from their own departments or daily work alone, which fosters their potential. Mentors also have the opportunity to improve their coaching skills, which is one of the most important elements of our leadership model. What started with just 10 participants in the ATE Business Group (Japan) in 2020 has increased over time with each round of 1-on-1 activity. This activity was selected as one of the President's Award winners of the INTEGRITY Award in FY2021, in recognition of its aim to implement the EMPOWERMENT aspect of INTEGRITY core values, and contribution to expanding our internal network of communication. By the seventh session of FY2022, the activity had more than 140 participants.

**Example of INTEGRITY
Activity-2:
Thank-You Letter**

This activity started at a workshop on "designing communication processes to engage with team members" held for Field Service managers in 2022. As an output from this workshop, "Search for Makélélé" kicked off in the Field Service Group. Claude Makélélé was a famous football player who played in the French national team, whose artful defensive play devoted to assisting other players in the team contributed to many victories. In our daily work, we also have "unsung heroes who diligently play an important, but sometimes overlooked role." These could be people who deal with gray areas (where roles between departments are ambiguous), or people who take the initiative in doing work that other people dislike. The idea was that we could and should express our gratitude to people like Makelele, and by doing so, we could motivate them. Some of the teams developed a "search for Makélélé" with the goal of sending our Makélélés thank-you letters. When we expanded the range of recipients of the letters, not only within the company, but also to subcontractors, we received warmly appreciative responses, and the "circle of happiness" expanded, with one subcontractor employee even winning an internal award.

**Example of INTEGRITY
Activity-3:
INTEGRITY With New
Members of Integrated
Companies**

As of January 1, 2023, R&D Altanova (RDA) was integrated into the Advantest Group. There was much to be done, including officially consolidating RDA onto the Advantest payroll, benefits and other platforms, but also RDA employees in the US, Pakistan and Costa Rica needed to be inducted into the Advantest Way and learn our INTEGRITY Core Values. The HR team of Advantest America held a total of 17 Core Values Workshops for RDA US, Taiwan, Pakistan, and Costa Rica, including 11 onsite sessions as well as six virtual sessions, to share our values with these new members of the Advantest Group. At the end of these workshops, each participant received the official Core Values Certificate of Completion.

The same procedure is being conducted for Shin Puu Technology Co., Ltd. in Taiwan, whose acquisition we completed in April 2023.



Employees of R&D Altanova, who newly joined Advantest Group.

The journey to inculcate the Advantest Group's corporate culture, which started in 2019 by introducing our INTEGRITY Core Values, will continue onwards.

▶ Social Initiatives

Investment in Human Capital

Key Issue	Executive in charge	Goal	KPI	2021		2022		2023	2030
				Target	Results	Target	Results	Target	
ESG management at Supply Chain	CPO	Share and solve/mitigate ESG issues (risk management, human rights/occupational safety, environment, fair trade, compliance, etc.)	Due diligence implementation rate for major customers	90%	100%	95%	100%	100%	100%
Diversity, protection, and respect for human rights	CHO	Fair treatment in gender	Female manager ratio	9.0%	9.6%	10.0%	9.0%	10.5%	17.0%
		Edification and practice of human rights	Participation rate of educational training	100%	99.5%	100%	84%	100%	100%
		Work-life balance	Return-to-work rate after maternity leave (JPN)	100%	100%	100%	94%	100%	100%
	Exercise rate of childcare leave by males (JPN)		12%	16%	20%	21%	25%	50%	
CPO	Conflict minerals elimination	Percentage of suppliers confirmed to be free of conflict minerals*	100%	63%	100%	65%	100%	100%	
Customer satisfaction, employee engagement	CCRO	Raise customer satisfaction under New Normal circumstances	Ranking of Technisights customer satisfaction survey	1st	1st	1st	1st	1st	1st
	CHO	Edification and improvement of attractive corporate culture	Score of Gallup survey	3.5	3.6	Survey not conducted	Survey not conducted	3.8	4.1
Investing in human resources	CHO	Maintaining and enhancing occupational safety and health	Occupational accident rate (frequency rate)	0.00	0.35	0.00	0.47	0.00	0.00
		Promotion of health management	To be selected in White 500 (JPN)	selected	selected	selected	selected	selected	selected
		Employee capacity building	Education and training expenses (100MY)	N/A	3.9	5.0	4.8	6.0	10.0

* KPIs are changed according to actual activities

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

In 2023, the Advantest Group established our "Basic Policy Regarding Human Capital Development" and "Internal Environment Development Policy". The Basic Policy Regarding Human Capital Development emphasizes the following points. Advantest regards employees as human capital essential for its sustainable growth. Advantest strongly believes developing employees as human capital indicates an investment in human capital, and that the "individual

strength" enhanced through this development and the "organizational strength" utilizing enhanced individual strengths are the two "wheels" that drive employee engagement and become the sources of future value creation. Accordingly, Advantest will proactively, continually, and fairly implement measures to develop human capital within the development framework. Our Internal Environment Development Policy defines that the Advantest Way is the cornerstone of our globally unified team of diverse employees, and that Advantest accepts, encourages, and supports diverse workstyles which enable every employee to achieve a good work-life balance.



Policies Regarding Human Capital:
<https://www.advantest.com/sustainability/society/hdpolicy.html>



Education and Training Programs that Foster Individual Strength

We place particular emphasis on education and training, which are important elements of investing in human capital, as they are directly linked to individual strengths. With this in mind, Advantest has established the Advantest Development Framework, which defines the fundamental skills, advanced skills, manager skills, and senior management skills that Advantest seeks for employees to acquire. We provide educational programs and training courses to support the development of the required abilities based on this Framework.

▶ P.29 Human Capital: CHO Message

Expansion of e-Learning Platforms

The e-learning platform implemented throughout the Advantest Group offers multiple courses rich in content recommended by the company, with various difficulty levels. Contents range from Microsoft Office tools tutorials to time management, coaching, communication, and determining team vision and strategies. Employees can immediately put this hands-on training into use in their work.

Initiatives to Promote Female Employees

Advantest has set Inclusion and Diversity as one of our Core Values. We believe that creating comfortable and inclusive workplace environments and instilling working practices that maximize employee capabilities while balancing work and home is imperative for our company.

As of March 2023, the percentage of female employees to total employees is 21.2% (20.8% in the previous fiscal year), and the percentage of female managers to total managers is 9.0% (9.6% in the previous fiscal year). For Advantest Corporation (non-consolidated), the percentage of female employees is 16.1% (16.5% in the previous fiscal year), and the percentage of female managers is 3.6% (3.4% in the previous fiscal year). Although many indices show improvement over the previous fiscal year, increasing the number of female employees and managers still remains an urgent task. Advantest will move forward with initiatives to raise the female employee ratio and establish systems for long-term employment aimed at increasing the ratio of female employees in management positions.

▶ Social Initiatives

Work-Life Balance Programs for Childcare and Caregiving

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

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

It should be noted that re-employment of female employees following childcare leave as a result of these efforts was 94% in FY2022. We are also working on support for fathers, which includes the provision of personal consultations for male employees with children and their supervisors. In FY2021, we aimed to enhance our support system, which began by asking our eligible male employees if they intended to take childcare leave. In addition, starting in FY2022, we have established a childcare leave subsidy of up to four weeks for employees who take childcare leave within eight weeks of the birth of their child.

As a result of these efforts, the ratio of male employees taking childcare leave in FY2021 was 21%, a significant increase from 16% in the previous fiscal year. We will continue to implement proactive initiatives to encourage more men to use our childcare leave systems.

Promotion of Health and Productivity Management

Advantest formulated a Declaration of Health and Productivity Management Policy in September 2019, embodying our focus on initiatives for health and productivity. Top management sent out the message that employee health should be made a priority, as

Advantest continues to promote health check-ups, boost the implementation rate of specified health guidance, and introduce a health portal site, along with various other activities that directly affect employee health. These activities include online dieting/smoking cessation programs, encouraging exercise using a mobile app-based health promotion, and health literacy training. As a result of these efforts, Advantest was once again recognized under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program, which is jointly implemented by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council), as one of the organizations in the large enterprise category. At the same time, METI certified Advantest as one of its "White 500"—the top 500 corporations recognized under the program—for the third consecutive year. This year for the first time, all seven of Advantest's domestic subsidiaries were certified.

Declaration of HPM Policy

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



Dialog with Stakeholders

Sustainability Briefing Held for the First Time

In March 2023, Advantest held a Sustainability Briefing for the first time. We have been making efforts to enhance the disclosure of non-financial information through the Integrated Annual Report and Sustainability Data Book. However, we decided to hold this event recognizing the need to provide an opportunity for a more organic and three-dimensional understanding of Advantest, with regards to topics of great interest to the capital market.

The main themes of the briefing were "management structure" and "human capital," which are key elements in the company's medium- to long-term growth. Headed by Group CEO Yoshida, Co-CSO (Chief Strategy Officer) Mihashi, and CHO (Chief Human Capital Officer) Keith Hardwick, the briefing featured presentations and a question and answer session. Approximately 90 people, including some from overseas, participated in the webinar, covering a wide range of topics including development, human capital for customer support, promotion of diversity including empowerment of women, learning and retention programs and more. Many participants responded favorably to this opportunity.

(*Job titles are those held by the individuals at the time of the briefing.)



* Materials and videos of the Sustainability Briefing are available on our website.

<https://www.advantest.com/investors/ir-library/briefing.html>



▶ Social Initiatives

Development of Semiconductor Human Resources

In the early 2010s, the Japanese semiconductor industry was in decline due to a long period of stagnant performance. Students were being discouraged from undertaking electronics and engineering studies and finding employment in semiconductor-related companies. Facing this reality, Advantest realized that unless we could build a foundation and acquire human capital for the continued growth of the semiconductor industry, it would be difficult for us to sustain our own growth. That aim drives our support for the Power Device Enabling Association (PDEA), which was established in 2012 in anticipation of growing demand for power devices*, from the conceptual stage, and we have been working with car manufacturers, electronic device manufacturers, semiconductor manufactures, and public organizations under the auspices of the PDEA over the past 10 years.

When the PDEA launched its “Semiconductor Engineer Career Certification” in 2014, we published “Measuring × Understanding Semiconductor,” a series of three textbooks that enables comprehensive study of semiconductor fundamentals, development, manufacturing, testing, and quality assurance, to support people preparing for this examination. Although these materials were mainly aimed at engineers involved in semiconductor design, manufacturing, testing, quality assurance, in recent years, demand from

learners in their 20s and 30s is increasing on account of changes in the semiconductor industry environment. The textbooks have also been adopted in special curricula at technical high schools and technical colleges in Kumamoto Prefecture, as well as in the education of new employees at major device manufacturers. Furthermore, these educational materials may enjoy even wider adoption in future, as evidenced by the joint seminars held using “Measuring × Understanding Semiconductor” in cooperation with affiliated organizations such as SEMI Japan, Kitakyushu Foundation for the Advancement of Industry, Science and Technology (FAIS), and Oita LSI Cluster Promotion Council. Advantest will continue to focus on developing future talent with the aim of continuously developing and building a foundation for the semiconductor industry.

*Power devices: Also called power semiconductors, used in power converters like inverters. In recent years, these semiconductors have been attracting more and more attention amid increasing interest in environmental technologies such as energy conservation and low power consumption.



“Measuring × Understanding Semiconductors”
Advantest printed the 3 books: Introduction, Applications, and Power Electronics.



A seminar held by PDEA.

Together with registered companies, academic associations, and experts in the related industries, the PDEA promotes awareness-raising activities within the industry by sharing themes for the practical realization of power devices.

Developing human resources for semiconductors with global industry-academic collaboration

In 2007, Advantest established the Advantest D2T Research Division within the campus of VDEC (the VLSI Design, Education, and Research Center at the University of Tokyo). The Systems Design Lab (d.lab), affiliated with the Graduate School of Engineering at the University of Tokyo, was established in 2019 as a result of reorganization of VDEC, and together with Advantest, it is currently conducting joint research and educational activities aimed at bridging the gap between "design" and "testing".

In June 2023, Advantest established a test engineering course at Arizona State University in collaboration with NXP Semiconductors, a world-class semiconductor manufacturer based in Arizona, USA. Arizona has a significant concentration of semiconductor industry, with many semiconductor manufacturers investing to establish their production bases and wafer-fabs within the state. With Arizona's burgeoning semiconductor industry driving the demand for test engineers, we are aiming to develop semiconductor test personnel with local roots so as to meet these expectations.

Corporate Governance

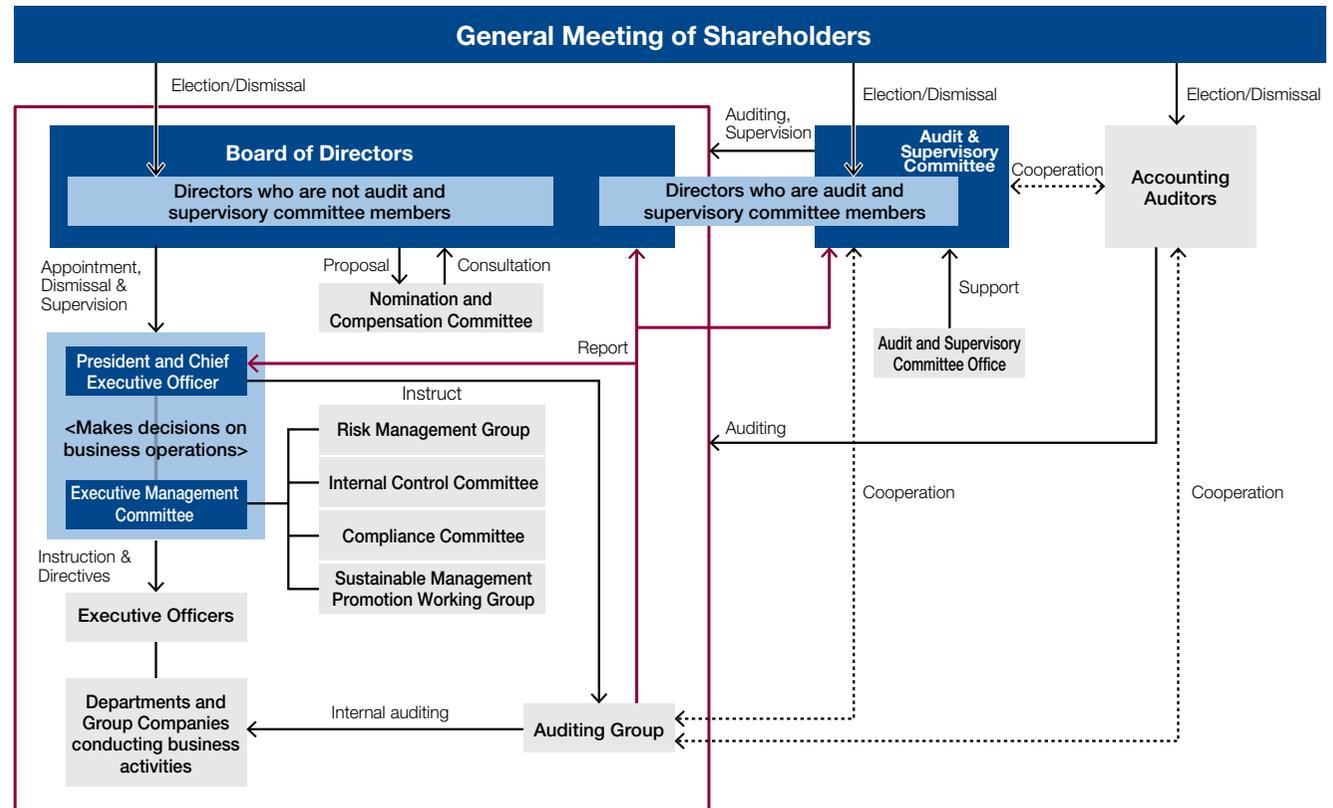
About Advantest's Corporate Governance

Advantest's corporate mission is "Enabling Leading-Edge Technologies." Advantest constantly strives to improve so that we can offer products and services that will satisfy customers around the world, and contribute to the future of society through the development of the most advanced technologies. In accordance with this corporate mission, and in response to our mandate from stakeholders, Advantest emphasizes open, honest and respectful dialogue with all stakeholders at all times, aiming to achieve a sustainable level of business development for the Advantest Group and to enhance corporate value over the mid/long-term. We consistently seek the sources of phenomena to identify their essence and find optimal solutions. To that end, the Advantest Group strives to operate a fair, effective, transparent governance system. Our Corporate Governance Basic Policy is published on our website:

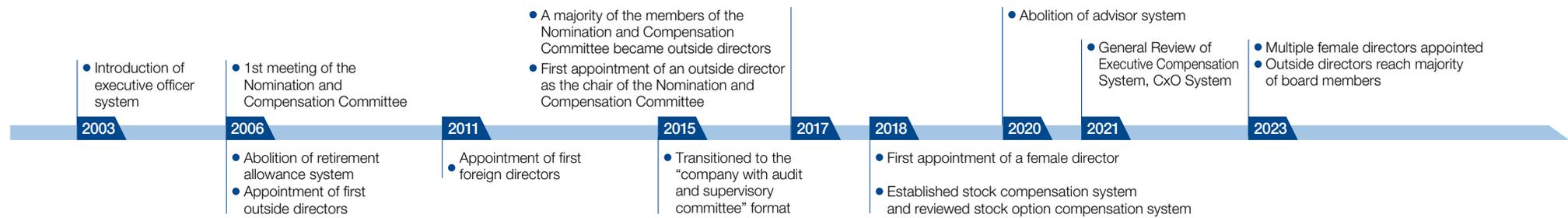
Advantest Corporate Governance Policy
https://www.advantest.com/sustainability/governance/pdf/Corporate_Governance_Policy_20210623_E.pdf



Corporate Governance Structure



Initiatives to Strengthen Corporate Governance Structure



Corporate Governance

Shareholders' Meeting

Advantest regards the annual General Meeting of Shareholders as an important opportunity for dialogue with shareholders.

The 2023 General Meeting of Shareholders was held in Tokyo for the first time in four years for the convenience of our shareholders. Approximately twice as many shareholders attended as in the previous year. We held the General Meeting of Shareholders at our offices in Gunma from 2020 to 2022 in response to COVID-19 restrictions, but after listening to shareholder wishes, we changed the venue of the meeting to Tokyo.

In addition, following the amendments to the Companies Act, we provided the Notice of Access and the summary of shareholder reference documents in the form of a Convocation Notice, which condensed what used to be a 60-page booklet into just a single A3 sheet of paper. This attempt to minimize the use of paper and ink in consideration of the environment has led to significant cost reductions not only in terms of paper and printing costs, but also in mailing costs. Furthermore, this year's meeting was also livestreamed, enabling shareholders to watch the meeting in real time wherever they were. In addition, in order to enhance dialogue with shareholders, we accepted questions online in advance of the meeting, and also allowed them to message us online during the livestream. Of the questions received in advance and during the livestream, those that were deemed to be of high interest to shareholders were answered during the meeting.

Besides the abovementioned, the following efforts were made to maximize dialogue with our shareholders.

- Holding meeting on a day when fewer other companies were holding their shareholder meetings
- Disclosure of the Convocation notice and Business report at least three weeks prior to the meeting
- Disclosure of the Annual Securities Report prior to the General Meeting of Shareholders
- English translation of the entire Convocation Notice and Annual Securities Report

Going forward, we will continue to hold more open and accessible shareholder meetings that are also environmentally friendly.

For more details on the General Meeting of Shareholders, please see our website:
<https://www.advantest.com/investors/shares-and-corporate-bonds/meeting/>



Board of Directors

The Board of Directors of Advantest, as our management decision-making body, makes decisions on significant matters with respect to the management policies and management strategies for the whole Advantest group, and in its capacity to supervise management, it also monitors and supervises Executive Officers in their exercise of their duties. Advantest has strengthened the oversight and supervision functions of the Board of Directors by appointing multiple outside directors. 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 off-site meetings where board members discuss mid/long-term issues that cannot be adequately addressed within the time limits of Board of Director meetings. The Board of Directors met 14 times at the office and twice off-site in FY2022, and all members attended all meetings. At the Board of Directors meetings and off-site 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. As of June 27, 2023, the Board of Directors is composed of three executive directors (inside directors), one non-executive director (inside director), and five non-executive directors (outside directors) for a total of 9 members (including Directors who are Audit and Supervisory Committee members). Of these, two directors are non-Japanese, and two are female. In order to maintain seamless communication despite the diversification of our Directors, Advantest has arranged for simultaneous interpretation at the Board of Directors meetings so that Board members can speak freely in

both Japanese and English. Materials and minutes are also translated into English.

Composition Ratio of Outside Directors



Nationality Diversity on Board of Directors



Gender Ratio on Board of directors



▶ Corporate Governance

Major Items Discussed and Reported at Board of Directors Meetings and Off-Site Meetings in FY2022

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

Effectiveness of the Board of Directors

The role of the Board of Directors is to ensure the sustainable development of the Advantest Group and to enhance corporate value over the mid/long-term. In achieving these goals, the Board of Directors receives appropriate advice from outside directors, who serve as points of contact with the outside world, and reflects them in business activities on the executive side. Therefore, we believe that this advice and these responses are essential for improving the effectiveness of the Board of Directors. We are implementing the following initiatives to achieve these goals.

- Carefully document and track issues raised at the Board of Directors meetings. We make sure to implement extensive discussions at the Board of Directors meetings, eliminating leftover topics, and promptly respond to them on the executive side, which is then monitored by the Board of Directors.
- Evaluate the effectiveness of Board of Directors meetings. A questionnaire-based evaluation is conducted as a summary of the year's Board of Directors meetings.

In order to eliminate unresolved discussions at Board of Directors meetings, as well as to ensure swift executive action

on items discussed, and Board of Directors monitoring of responses, we document the items raised at Board of Directors meetings. In addition, to summarize the Board of Directors meetings during the year, each director is given a questionnaire to evaluate the effectiveness of the Board of Directors.

Document Issues Raised at the Board of Directors Meetings

The Board of Directors discusses a variety of important topics, with discussions often exceeding an hour on a single agenda item. However, it is meaningless if this meeting ends with a mere discussion. We believe that corporate value is enhanced only when issues raised at Board of Directors meetings are decisively conveyed to the executive side and promptly addressed. Therefore, the Secretariat of the Board of Directors, under the direction of the President, clearly documents the issues that were pointed out in the discussions at the Board of Directors meetings every month. Relevant divisions are then responsible for considering measures in response to these issues. The status of responses to the issues pointed out is reported by the President at the following month's Board of Directors meeting. This way, we have adopted a system to ensure that discussions at the Board of Directors meetings are reflected by actions taken or reporting made by the executive side.



▶ Corporate Governance

Evaluate the Effectiveness of the Board of Directors Meetings

In order to evaluate how effective the Board of Directors is at fulfilling its roles and responsibilities, we distribute an “effectiveness evaluation” questionnaire to all directors every year. This helps us analyze the Board’s composition, management, and discussion status.

Results of FY2021 Effectiveness Evaluation & Actions Taken in Response

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

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

FY2022 Changes to the Effectiveness Evaluation

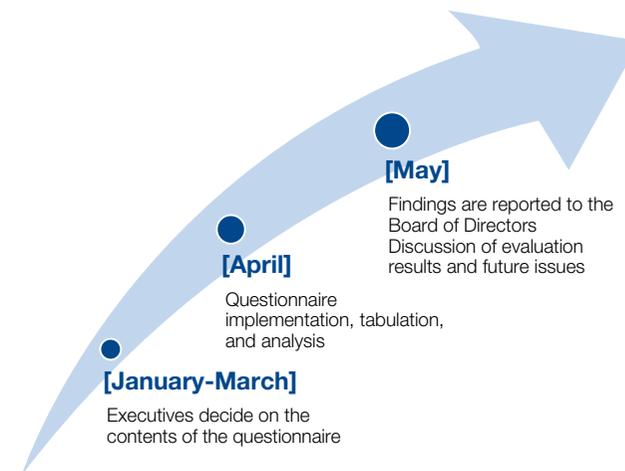
Ever since the effectiveness evaluation questionnaire was conducted in 2015 for the first time, it had consisted of general questions about the composition of the Board of Directors, deliberations, and operation. We have implemented the PDCA cycle of the effectiveness evaluation since 2015 using the above questions, and as a result, certain improvements have been made in the content of operation and deliberation. On the other hand, now that we are in the era of VUCA (Volatility, Uncertainty, Complexity, and Ambiguity), it is essential for us to incorporate external perspectives (social perspectives) in order to enhance our corporate value. Thus, in the effectiveness evaluation for FY2022, we omitted questions on topics that have already achieved a certain level of improvement, and focussed the questionnaire on questions to confirm whether the Board of Directors is able to appropriately incorporate outside knowledge and leverage the discussions at the Board of Directors meetings by the executive side.

Results of FY2022 Effectiveness Evaluation

In our FY2022 effectiveness evaluation, we confirmed that each director discusses matters from a different perspective than other members. The company believes that this shows that the diversity of the Board of Directors has been ensured. On the other hand, the following points were raised as improvements to make the Board of Directors more effective.

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

Effectiveness evaluation process



Opinions from outside directors on FY2022 evaluation of the effectiveness of the Board of Directors

<p>Composition of the Board of Directors</p>	<ul style="list-style-type: none"> • It is desirable to have people with deep technical/industry expertise. • It is desirable to have outside directors who are experienced in cross-border management, business and financial analysis, and understanding of investor expectations and perspectives. • The preferred composition of the Board of Directors shall be discussed on an ongoing basis.
<p>Deliberations and operation of the Board of Directors</p>	<ul style="list-style-type: none"> • It is desirable to devote more time to discussion on business portfolio strategy. • It is desirable to increase sensitivity to changes in society, politics, the economy, and industry in general . • Discussion was diverse, drawing on the experience and knowledge of each board member. • There is room for further deepening the analysis of our core business, including the expansion of the value chain, and the consideration of measures to be adopted. • Succession planning has been sufficiently discussed and examined.
<p>Response by the Executive Side</p>	<ul style="list-style-type: none"> • It is desirable if the time spent on discussions could be linked to more concrete results of business activities. • Sensitivity to the semiconductor test industry is apparent, but even greater sensitivity to the external environment beyond that (e.g., social, political, economic, general industry, etc.) is desirable.
<p>Structure to Support the Board of Directors</p>	<ul style="list-style-type: none"> • The information provided by the Company is sufficient. • It is desirable for the off-site meeting to have a smaller meeting agenda that involves more in-depth discussions. • It is desirable for the materials reported at the Board of Directors meetings to have issues for discussion clarified.

▶ Corporate Governance

Audit System

Audit and Supervisory Committee

Advantest shifted to an Audit and Supervisory Committee system on June 24, 2015. The Audit and Supervisory Committee consists of one internal director and two outside directors. Yuichi Kurita, an inside director who is also an Audit and Supervisory Committee member, has experience as an officer in charge of corporate planning, finance, and administration of the Company. Sayaka Sumida, an outside director who is also an Audit and Supervisory Committee member, is a certified public accountant with many years of experience working for an auditing corporation. Tomoko Nakada, an outside director who is also an Audit and Supervisory Committee member, has extensive knowledge of legal affairs.

Pursuant to our 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, the Audit and Supervisory Committee members attend important meetings such as Executive Management Committee, Business Plan Meeting, Internal Control Committee, receive reports from Directors, Executive Officers and employees on the performance of their duties, request further explanations as deemed necessary, review important approval-granting documents, and inspect the state of business operations and assets at the head office and other important branch offices. With respect to subsidiaries, they communicate with and exchange information via interviews with directors of the subsidiaries and opinion exchange meetings with corporate auditors of the subsidiaries, and receive business reports from subsidiaries as deemed necessary, and conduct audits of Advantest's main consolidated subsidiaries overseas, and confirm 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.

The Audit and Supervisory Committee appoints full-time members of the Audit and Supervisory Committee to enhance the effectiveness of its auditing and supervisory functions. Outside directors who are members of the Audit and Supervisory Committee attend meetings of the Internal Control Committee and, as necessary, participate in on-site inspections of business divisions conducted by full-time members of the Audit and Supervisory Committee, actively auditing and monitoring the status of business execution at the Company. In FY2022, the Audit and Supervisory Committee met 13 times. All meetings were attended by all Audit and Supervisory Committee members.

Accounting Auditor

Our Accounting Auditor performs accounting audits of the consolidated financial statements, accounting documents, etc., and produces 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 FY2022 are Mr. Toshiyuki Matsumoto, Mr. Minoru Ota and Mr. Hiroyuki Nakada. The rotation of the certified public accountants is conducted appropriately at Ernst & Young ShinNihon LLC and no certified public accountants are involved in accounting audits of the same company for more than seven consecutive accounting periods. Lead certified public accountants are not involved in accounting audits of the same company for more than five consecutive accounting periods. If a certified public accountant is involved in accounting audits of the same company for seven consecutive accounting periods, he or she will be involved in accounting audits of that company only after an interval of five accounting periods. Lead certified public accountants who are involved in accounting audits of the same company for five consecutive accounting periods 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

We have established an Internal Audit Office under the direct control of the President with a total of 15 full-time employees (as of July 1, 2023) in charge of internal auditing, including seven employees at Advantest and eight employees at overseas group companies (the U.S., Singapore, and South Korea). In accordance with the increase in the number of business locations in the U.S., the internal audit staff in the U.S. was added to the headcount in FY2022.

Based on the audit plan for each fiscal year, the Internal Audit Department audits the operations of each division of the Company and domestic and overseas Group companies with respect to the audit items of risk response, compliance with laws, regulations, and internal rules, business effectiveness and efficiency, information security, and asset protection. It also identifies problems, formulates recommendations for improvement, and monitors the status of

improvement. In addition, the Internal Audit Department is also responsible for evaluating and reporting on internal control over financial reporting based on the Financial Instruments and Exchange Law.

The Internal Audit Department reports directly not only to the President but also to the Board of Directors and the Audit and Supervisory Committee. Periodic reports are made to the Board of Directors on a semi-annual basis and on a quarterly basis to the Audit and Supervisory Committee.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors, and Internal Audit Department

Cooperation among the Audit and Supervisory Committee and the Accounting Auditors

The Audit and Supervisory Committee holds regular meetings with the accounting auditor at the time of audit planning and on a quarterly basis. At the meeting, the Audit and Supervisory Committee receives reports from the accounting auditors on the audit plan, the status of group audits, the results of quarterly reviews, and the results of year-end audits, while questions are raised as necessary regarding audit issues.

Upon receipt of the text on the key audit matters (KAM) from the accounting auditors, the Audit and Supervisory Committee proactively communicates its opinions and requests regarding the selection of KAM items and the description of specific information.

Cooperation among the Audit and Supervisory Committee and the Internal Audit Department

The Audit and Supervisory Committee receives regular briefings on the annual plan and quarterly activities of the Auditing Group, including the evaluation of internal control over financial reporting based on the Financial Instruments and Exchange Law, and exchanges opinions in lively question-and-answer sessions. The committees also exchange opinions on the results of internal audits on individual topics as deemed necessary.

Cooperation among the Internal Audit Department and the Accounting Auditors

The Senior Vice President of the Auditing Group is responsible for determining the annual plan and scope of the audit of internal control over financial reporting upon consultation with the accounting auditor. In addition to regular quarterly meetings with the accounting auditor regarding the status of internal control evaluations, temporary meetings and exchanges of opinions are held, as necessary.

▶ Corporate Governance

Nomination and Compensation Committee

Advantest has established the Nomination and Compensation Committee as a non-mandatory organization, which complements the Board of Directors, to decide appointment/dismissal of Directors and Executive Officers and their compensation. The Nomination and Compensation Committee shall be responsible for improving the fairness, rationality, and transparency of appointment/dismissal of Directors and Executive Officers and their compensation. The Nomination and Compensation Committee is composed of members selected in members of the Board of Directors under the resolution of the Board of Directors. To introduce an independent viewpoint, more than half of the members are outside directors. The Chairperson of the committee is also an outside director. The Human Resource Department is its secretariat. In FY2022, the Nomination and Compensation Committee met 14 times. Mr. Toshimitsu Urabe, Ms. Sayaka Sumida, and Mr. Yoshiaki Yoshida attended every meeting. All the members were present at every Nomination and Compensation Committee meeting.

Regarding the selection of directors and executive officers, the Nomination and Compensation Committee submit reports of persons as candidates to the Board of Directors who will contribute to a sustainable level of business development and enhancement of corporate value over the mid/long-term in accordance with the "Directors and Executive Officers Nomination/Dismissal Policy and Procedures" prescribed by the Board of Directors regarding Directors and Executive Officers. The Nomination and Compensation Committee also considers the diversity and maintains the appropriate number of directors and executive officers, including gender and international aspects. In addition, regarding independent outside directors, "Independence Criteria of Independent Outside Directors" prescribed by the Board of Directors also applies in addition to the "Directors and Executive Officers Nomination/Dismissal Policy and Procedures" mentioned previously. Candidates recommended to the Board of Directors should have a wealth of knowledge and can be expected to contribute actively to the Board of Directors. The Board of Directors deliberates proposals from the Nomination and Compensation Committee, and determines and appoints candidates for Directors and Executive Officers.

The Board of Directors will deliberate on the dismissal or removal of directors and executive officers when the Nomination and Compensation Committee determines that such dismissal or removal is appropriate, or when other directors propose that the criteria for dismissal or removal be met.

Main Activities of the Nomination and Compensation Committee

Candidates for Directors and Executive Officers and the Management Structure

Under the structure of directors and managing executive officers adopted in June 2022, the Nomination and Compensation Committee has appointed appropriate candidates and proposed them to the Board of Directors. The management structure for strengthening the CxOs was discussed and proposed to the Board of Directors. The Nomination and Compensation Committee discussed management structure in response to changes in the management environment including business expansion, acceleration of further growth, and preparation for future generational changes, and proposed transition to a three-member representative director structure to the Board of Directors. With regard to the composition of directors and senior executive officers after June 2023, the composition of the Board of Directors and the selection of candidates was discussed, along with the management structure associated with the transition to three representative directors, and was reported to the Board of Directors as appropriate.

Succession Plan for Group CEO

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

Knowledge and Experience Required of Directors and Senior Executive Officers (Skill Matrix)

We recognize that the Skill Matrix is a tool to consider the most appropriate executive team and board structure, starting with analysis and forecasting of the business environment, the executive structure to implement these strategies, and the board structure to supervise and guide the execution of the management. In FY2022, the Nomination and Compensation Committee has established knowledge and experience as the elements we seek among our Directors and Senior Executive Officers, based on discussions with non-executive directors.

Operation of Executive Compensation

Individual evaluations of executive bonuses for FY2021 were discussed and finalized. The Nomination and Compensation Committee discussed and proposed to the Board of Directors the fixed compensation, performance indicators for performance-linked bonuses and stock compensation for FY2022. In addition, the Nomination and Compensation Committee established a process to define the roles and expected performances of each Director/Officer and evaluate the results. Based on that, the Nomination and Compensation Committee discussed fixed compensation for FY2023.



Directors and Executive Officers Nomination/Dismissal Policy and Procedures

https://www.advantest.com/sustainability/governance/pdf/Nomination_Dismissal_Policy_and_Procedures_20221222_E.pdf



Independence Criteria of Independent Outside Directors

<https://www.advantest.com/sustainability/governance/pdf/ICIODen.pdf>



Succession Planning

The Nomination and Compensation Committee deliberates and implements the succession plan for the Group CEO, taking into consideration the perspectives of the management team consisting of the senior executive officers, in (1) organizing the personnel requirements, (2) selecting the candidates, (3) evaluating the candidates, (4) narrowing down the candidates, and (5) training the candidates. The Board of Directors receives reports from the

Nomination and Compensation Committee and proactively discusses them.

Succession plans for key positions, such as the leader of each unit, are reviewed annually by a review committee headed by the Group CEO. In addition, in accordance with the policies established by a review committee, the responsible department designs and implements training and development plans for candidates, reporting status to the Nomination and Compensation Committee and the Board of Directors as appropriate.

Executive Compensation

Basic Concept

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 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 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- to long-term perspective on management
 - ⇒ We combine restricted stock compensation (RS), which encourages executives to pursue the medium- to long-term corporate value improvement that shareholders desire, and performance-linked stock compensation (PSU), which encourages the achievement of medium-term management goals that lead to the improvement of corporate value.

Structure of Executive Compensation

The Company's executive compensation system consists of fixed compensation (monetary compensation), performance-linked bonuses (monetary compensation), and stock compensation (non-monetary compensation). The ratio of fixed compensation, performance-linked bonuses, and stock compensation is approximately 1: 1: 1 for Senior Executive Officers (including the President) and 1: 0.8: 0.8 for other Executive Officers. In consideration of their roles and independence, outside directors and directors who are members of the Audit and Supervisory Committee receive only fixed compensation (monetary compensation).

Process for Determining Executive Compensation

The total amount of compensation for directors is proposed to the Board of Directors by the Nomination and Compensation Committee and is subject to approval by a resolution of the Board of Directors and the General Meeting of Shareholders. Compensation to be paid annually to directors (excluding members of the Audit and Supervisory Committee) is proposed to the Board of Directors by the Nomination and Compensation Committee within the total amount of compensation for directors determined by a resolution of the General Meeting of Shareholders, and is determined by a resolution of the Board of Directors. Compensation for directors who are members of the Audit and Supervisory Committee is determined within the total amount of compensation for directors who are members of the Audit and Supervisory Committee as determined by a resolution of the General Meeting of Shareholders, through consultation among the directors who are members of the Audit and Supervisory Committee.

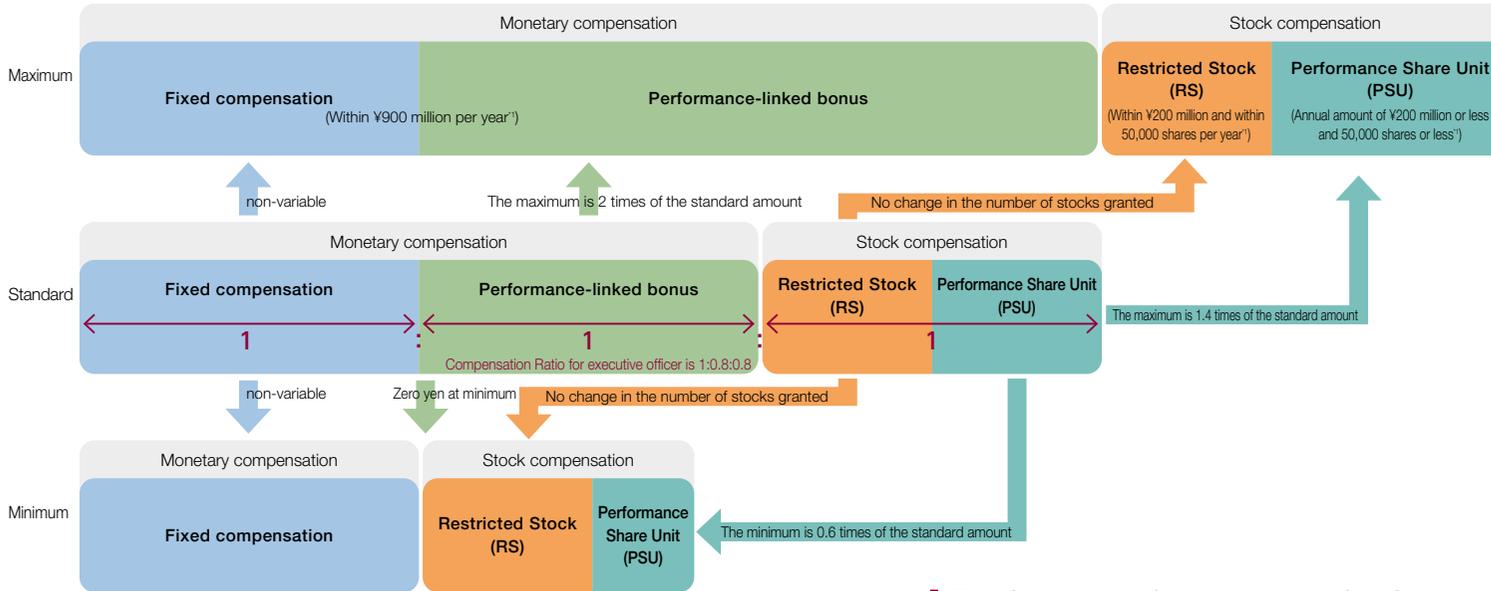
Summary of Executive Compensation

	Fixed compensation	Variable compensation		
Type	Monetary compensation	Performance-linked Bonuses (cash compensation)	Restricted Stock compensation (RS)	Performance-Share Unit compensation (PSU)
Incentive	Fixed compensation	Short-term incentives	Mid/Long-term incentives	Mid/Long-term incentives
Payment	Paid monthly	Paid once a year after the performance of the Advantest Group for the relevant business year is confirmed	It is granted every year, with restrictions on transfer during the recipient's term of office (obligation to continue holding)	After the end of the mid-term management plan, PSU for the preceding three years is vested in a lump sum. PSU for officers who take office or retire in the mid-term management plan will be prorated according to the length of time they have served.
Ranges	Fixed compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data	Based on the current fiscal year's performance and individual evaluation.	50% of stock-based compensation for directors and executive officers (including the president) is RS	50% of stock-based compensation for directors and executive officers (including the president) is PSU. 60% to 140% of the base value is paid based on the results of achievement of mid-term management targets (KPI) for the three-year period.
Indicators/ Formulas	—	[Performance indicators] With the annual profit plan target achievement rate as a KPI, bonuses vary from 0% to 200% of each individual's standard amount. * The standard amount of Senior Executive Officer is 100% Fixed compensation. The standard amount of other Senior Executive Officer is 80% Fixed compensation.	—	The KPIs are the following three items, and the weight of each item is as follows. [EPS growth rate] The target is 14% average annual EPS growth over the three years of the mid-term management plan Fluctuation between 70% and 130% of the standard units
		[Individual evaluation] Up to 30% of the total amount of performance-linked bonuses for executive officers is redistributed based on individual evaluations conducted by the president. Evaluation and redistribution proposals are discussed and approved by the Nomination and Compensation Committee and reported to the Board of Directors. In principle, the president's performance-linked bonus is calculated based on the results of performance indicators, but if the Board of Directors deems it necessary and clearly states their reasoning, it may be increased or decreased.		[Relative Total Shareholders Return (r-TSR)] Comparison between the TSR of TOPIX with our TSR (our TSR ÷ TOPIX – TSR) Fluctuation between -5% to 5% of the standard units
				[ESG evaluation] Evaluation scores of the S&P Global Corporate Sustainability Assessment are used as an index Fluctuation between -5% to 5% of the standard units

Corporate Governance

Visualization of compensation for executive officers

Senior executive officer/Executive officer

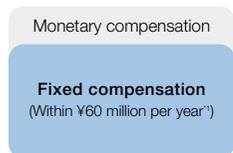


* Apart from this, there is a redistribution adjustment (30%) of performance-linked bonuses based on individual evaluation
 * Senior executive officers who is also a director will be paid separately as director compensation

Board members who is an Audit and Supervisory Committee members



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



*1 According to a resolution of the 79th Ordinary General Meeting of Shareholders, held on June 23, 2021.
 *2 According to a resolution of the 73rd Ordinary General Meeting of Shareholders, held on June 24, 2015

Total Amount of remuneration for directors (FY2022)

Category	Company	Total Compensation (Millions of yen)	Total Compensation by Category (Millions of yen)					Number of Eligible Officers
			Cash Compensation		Non-Cash Compensation			
			Fixed Compensation	Performancebased Compensation	Stock Options	Restricted stock compensation	Performancebased Stock Compensation	
Directors (excluding audit and supervisory committee members) (excluding outside directors)	Advantest	695	184	162	17	137	195	5
	Subsidiary	145	70	75	0	0	0	
Directors (audit and supervisory committee members) (excluding outside directors)	Advantest	43	43	0	0	0	0	1
Outside Directors (not audit and supervisory committee members) (audit and supervisory committee members)	Advantest	72	72	0	0	0	0	5
		(41)	(41)	0	0	0	0	(3)
		(31)	(31)	0	0	0	0	(2)

*1. As of March 31, 2023, the number of directors (excluding outside directors and directors who are Audit and Supervisory Committee members) is 5, and the number of outside directors is 5.
 *2. For stock options granted in or before FY2020, the amount recorded as expenses based on Japanese standards for FY2022 is shown. Stock options were not granted in FY2022. Restricted stock compensation and performance-linked stock compensation amounts shown are the amounts recorded as expenses based on Japanese standards for FY2022.

Board of Directors, Skill Matrix

 <p>Yoshiaki Yoshida Representative Director, President Group CEO</p> <p>100%(14 times) ◆ 100%(14 times)</p>	 <p>Douglas Lefever Representative Director, Corporate Vice President Group COO</p> <p>100%(14 times)</p>	 <p>Koichi Tsukui Representative Director, Corporate Vice President Group Co-CEO</p> <p>100%(14 times)</p>	 <p>Toshimitsu Urabe Independent Director Outside Director of Japan Business Systems, Inc.</p> <p>100%(14 times) 100%(14 times) ◆</p>	 <p>Nicholas Benes Independent Director Representative Director, The Board Director Training Institute of Japan</p> <p>100%(14 times)</p>	 <p>Naoto Nishida Independent Newly appointed Director Special Commission, Toshiba Corporation</p> <p>100%(14 times) 100%(13 times)</p>	 <p>Yuichi Kurita Director, Audit and Supervisory Committee Member</p> <p>100%(14 times) 100%(13 times)</p>	 <p>Sayaka Sumida Independent Director, Audit and Supervisory Committee Member Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd. Outside Audit & Supervisory Board Member, The Nisshin OilIO Group, Ltd.</p> <p>100%(14 times) 100%(13 times) ◆ 100%(14 times)</p>	 <p>Tomoko Nakada Independent Newly appointed Director, Audit and Supervisory Committee Member Founder and Representative, Tokyo Heritage Law Firm Outside Director, Audit and Supervisory Committee Member, TS Tech Co., Ltd.</p> <p>100%(14 times)</p>
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Committee Board of Directors Audit and Supervisory Committee Committee Nomination and Compensation Committee 100% Attendance Rate ◆ Chairperson

Skill Sets Required of Board of Directors and Executive Management Officers

In the nomination and selection of Directors and Senior Executive Officers, the Company recognizes that noteworthy issues around the corporate management and communication with stakeholders have to be taken into consideration, in addition to our Purpose & Mission, management strategies, and business strategies. Our business is indispensable for the manufacturing of semiconductors, which support the development of our society, and also assumes the important function of supporting the stable operation of the facilities and systems in our society and industries, creating great opportunities for growth even in the surrounding areas. The Company has selected the following nine areas for management activities which are considered important for the Company to grow the business in the medium to long term and realize the improvement of our corporate value.

Details of Skill

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

*1: The head of a large company or a company with complicated businesses operations *2: The executive of a specialized service company in the relevant field *3: Supply Chain Management

Board of Directors, Skill Matrix

Skill Matrix of the Board of Directors

		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	
		Nationality	Member of the Audit and Supervisory Committee	Independent member	Top management	Management strategy	Experience and knowledge of business investment and M&A	Knowledge of the semiconductor related industries	Knowledge of the industries & technologies (incl. Environment and Energy)	Research & development	SCM, production, and quality assurance	Sales and marketing	Finance and accounting	Communication with the capital market	Legal affairs, risk management, and compliance	Human capital management	Global business
Inside Directors	Yoshiaki Yoshida	Male	Japanese			○	○				○		○			○	
	Douglas Lefever	Male	American			○	○	○	○		○					○	
	Koichi Tsukui	Male	Japanese			○	○				○		○			○	
	Yuichi Kurita	Male	Japanese	○			○	○				○	○			○	
Outside Directors	Toshimitsu Urabe	Male	Japanese		○	○	○	○							○	○	○
	Nicholas Benes	Male	American		○	○	○					○		○		○	
	Naoto Nishida	Male	Japanese		○			○	○	○						○	
	Sayaka Sumida	Female	Japanese	○	○							○		○		○	
	Tomoko Nakada	Female	Japanese	○	○									○		○	
*Skills of the Senior Executive Officers (excluding those concurrently serving as directors) as of June 27, 2023 will be as follows.																	
Senior Executive Officers	Soichi Tsukakoshi	Male	Japanese					○		○	○					○	
	Keith Hardwick	Male	American			○	○					○		○		○	
	Yasuo Mihashi	Male	Japanese		○	○	○				○		○			○	
	Juergen Serrer	Male	German				○		○							○	
	Sanjeev Mohan	Male	American				○				○					○	
	Richard Junger	Male	German				○			○						○	○
	Yong Xu	Male	Chinese				○				○					○	
	Makoto Nakahara	Male	Japanese				○			○	○					○	

Messages from Newly Appointed Outside Directors



Director
Naoto Nishida

I will add value to the Board of Directors by leveraging my research and development experience and technical background.

I recognize that Advantest, which provides key equipment and solutions to semiconductor device manufacturers around the world, is a very valuable company. For this reason, I am very pleased to have been given the opportunity to serve as an outside director.

As a university student, I worked at a laboratory focused on laser engineering, so when I went to work for Toshiba, I was assigned to the laser equipment research and development department. Starting with the development of the country's first high-power CO₂ laser as part of a large-scale national project, I worked on research and development of various laser devices. What left the biggest impression on me was the development of excimer lasers for semiconductor processes.

17 years after joining Toshiba, I left front-line R&D, and went on to experience management in the research and development department and the production department. I eventually became the company-wide technology supervisor. In addition, after retiring from Toshiba as an executive officer, I was responsible for "Photonics and Quantum Technology for Society 5.0", a part of the Cross-ministerial Strategic Innovation Promotion Program (SIP) led by the Japanese Government's Council for Science, Technology and Innovation (CSTI), for five years, ending in March this year. This program achieved great results, including many social implementations of technologies.

Going forward, I would like to make maximum use of the knowledge, experience, and personal connections I have gained through my career to contribute to the sustainable improvement of Advantest's corporate value and to add value to the Board of Directors.



Director, Audit and
Supervisory Committee Member
Tomoko Nakada

I will utilize the independent perspective of a legal professional to conduct monitoring that contributes to improving corporate value.

I began my legal career in Japan as a judge in the civil division of the Tokyo District Court in the spring of 1997. Starting in the summer of 2000, I studied in the United States (New York and Boston) for two years. Since returning to Japan in the summer of 2002, I have worked as an attorney-at-law admitted in Japan and in New York. Since June 2021, I have also served as an Outside Director, Audit and Supervisory Committee Member of a listed company that manufactures seats for automobiles.

Having practiced law for over 20 years, I recognize that it is crucial to understand the background facts and the business in question before making a legal decision. I have served as an outside counsel for banks and companies, and my consultations often fall in the realm of business judgement rather than legal issues. Many of my clients are foreigners and foreign lawyers, and I use English every day in my work.

As an Outside Director, Audit and Supervisory Committee Member of Advantest, I believe that these experiences—my lawyer's understanding of the importance of grasping the facts before making legal decisions; my experience of giving advice to client banks; my English proficiency and experience in working with foreign lawyers; and my experience of expressing opinions independently as a judge—will help me to monitor management decisions and ensuring that they are made in accordance with the business judgement rule.

I hope to utilize my knowledge and experience so far to review the company from a new, outsider's perspective, and contribute to the improvement of Advantest's medium to long term corporate value.

A Conversation with Directors

Quest for Continuous Improvement

Moderator Looking back on FY2022, what topics/discussions on Advantest's board were particularly striking and memorable?

Lefever In FY 2022, the velocity at which the industry changed was probably more drastic than anything I have seen in my whole career. High growth partly supported by COVID-related stay-at-home demand suddenly stopped in the middle of 2022. This felt as striking as the Global Financial Crisis or even when the dot com bubble burst, if not more. Board discussions up to that point had been focused on components shortage, but within a short period of time, we were talking about inventory management. I would say we had useful and certainly memorable discussions, but we did not have all the systems and practices we needed to react immediately to this sudden shift.

There are companies out there that have overreacted to the supply chain changes and halted everything. Fortunately, we have a broad customer base with a wide variety of product segments. We are able to address this situation by coordinating requests from customer to extend or accelerate delivery dates. In other words, finding that sweet spot and striking the right

Outside Director
Nicholas Benes

Representative Director
Group COO
Douglas Lefever

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

▶ A Conversation With Directors

balance of reacting but not overreacting is important, and this is where the Board can support the executive team.

Benes I think the team did a good job of dealing with the situation under the circumstances. However, as a Director, my job is to monitor, confirm, and encourage. I believe we can improve further by aggregating the right data even more, reducing subjectivity from such data, and analyzing and projecting forward so that volatility can be managed in a more systematic way. This will minimize the risks of underreacting or



overreacting. I think we are making progress, but we can make even more progress.

Lefever The problem is, sometimes it is too late by the time you get the “hard” data. To make proactive decisions, one of the most important things is to stay in close touch with customers and supply chains, listening to what’s happening, and integrating those forward-looking insights and information into forecasts of what is potentially around the corner.

Benes I regret not recognizing these signals last year. These changes did not happen in one day. There were signs out there that we could have and should have been monitoring better, and we are going to learn from this lesson.

Moderator [Benes san, what was the most memorable discussion for you in 2022?](#)

Benes The most memorable discussions for me were those about how we should modify our long-term strategy in advance as sources of demand for semiconductors – end-user demand – become even more diverse than now, as the value of high-end test equipment increases for our direct customers, and as we simultaneously add a whole new business, “analysis”. Many of these discussions center around Advantest Cloud Solutions™ and the incredible amounts of valuable data generated by our core products. These are all exciting but challenging topics. They require adding to our historically “hardware-oriented” brains a “software and solutions-oriented” mindset as well. They also lead to steps we are taking to add to

our organizational infrastructure in advance, because we will almost certainly become a much larger company in the not too-distant future. Pulling these topics together is not easy, but it is fulfilling, and it directly relates to our long-term sustainability. Planning for highly profitable growth that helps customers at many levels, and the world in general, is satisfying work.

Moderator [One area in which our investors and shareholders indicate a high level of interest is our M&A strategy and execution. Advantest has acquired and invested in several companies in recent years. What role has governance played in these transactions or in post-merger integration \(PMI\)?](#)

Lefever We have fairly standardized processes from our M&A, due diligence, and integration teams from a governance perspective. As part of due diligence, one of the things we always look at is cultural fit. To that end, after we acquire companies, we go through our core values training for all employees that is followed by regular follow-ups. It is a strict and sequenced process that we have continued to polish as we learn new lessons. For the most part, we have been successful in bringing in different cultures into the Advantest Way so as to facilitate “cross-pollination.”

Benes At the Board level, I am satisfied that the Company has a systematic way of approaching M&A despite the complexity of its business and the multitude of its locations. We spend considerable time reviewing each M&A transaction in advance, and at each step in the process. Even before a concrete deal emerges, a number of different transactional options are

▶ A Conversation With Directors

constantly being considered. Also, we review PMI planning before we sign each deal, discussing what potential issues that may arise, and confirming who will be in charge of different PMI aspects, etc. The board is well aware that the hardest things to “integrate” are things like corporate culture, ethics, and coordination with other units as part of a truly global company. As Doug said, even though it is not easy, setting a base for “cross-pollination” is one of the key ways we derive extra value from acquisition.

Discussions by the Board to constantly renew and refine our “Grand Design Map” have helped us target the right extensions to our Value Chain and identify the most valuable synergies and cross selling opportunities.

As an M&A advisor and an investment banker, one thing I learned is that the way a company gets good at M&A, is simply to do a lot of it. One of this company’s competitive advantages is that it is one of the most experienced firms I have seen in global M&A here in Japan. Because of this, Advantest is no longer a typical Japanese company, but rather a multinational company with a global mindset which is very unique.

There are many Japanese companies that do global M&A. However, for many of them, the M&A process is slowed and hampered by blindered thinking, hierarchy issues, or organizational blockages. M&A has not been fully integrated as a fast-moving, standardized part of the global organizational culture, and acquisitions are often left to manage themselves on a “stand-alone” basis. In contrast, Advantest’s diverse, cross-national leadership and its focus on “cross-pollination” has helped it integrate well and learn things from foreign colleagues in general. In fact, our Board meeting is sometimes

conducted in a sort of “champon*” style, in a mix of Japanese and English!

Lefever I think another thing that has helped us with M&A is the strength of our local teams and global coordination capability. Although M&A efforts are spearheaded by the M&A team, we also rely on local management teams in building relationships and executing. That is because our M&A targets are in different parts of the globe, so we cooperate with our local management members to communicate with target companies. The fact that we have people in different locations is a strength we play to our advantage.

One thing I should mention is that we have acquired a few companies during COVID-19. Because of travel restrictions imposed by the Pandemic, we have not been able to facilitate cross-pollination as much as we hoped. Having said that, one of the things we learned over time is that as much as we want to cross-fertilize, sometimes it is important to let it happen naturally, because if you force it to happen too fast, you can break things. And anyway it sometimes comes from a direction you did not expect. So, this is a process that requires patience.

Moderator Benes-san, in addition to your experience as an investment banker, you currently serve as Representative Director of the Board Director Training Institute of Japan, a “public interest” non-profit that you founded. How has your career path up until now affected your role as a Director at Advantest? What topics do you tend to focus on?



Benes It is true that my career has reflected a personal focus on governance improvement for nearly 25 years. I do suggest certain governance practices from time to time, my role should not be to insist on particular methods unless others agree or if they are truly essential.

Fortunately, we have an “open-minded” board where you can say what you think and people still get along well, and which improves over time. That’s the most important thing. Being a former banker, I do tend to spend time raising financial topics and questions, analyzing trends, encouraging deeper analysis, discussing what shareholders expect from us, making sure

▶ A Conversation With Directors

M&A transactions are being found, examined, and executed optimally, etc. Things can sometimes get a bit bumpy because bankers and engineers do not have the same skills or perspectives. What is obvious to one is not obvious to the other. However, when we thrash things out in diplomatic fashion, I think the result is better and mutual learning takes place. This is the value of skills and experience diversity. For instance, I cannot add value suggesting how to design new types of test machines, but I can suggest ways to improve financial analysis.

For me, my objective is to bring the concept of “kaizen,” which means continuous improvement, to the Board, because no Board is perfect or ever will be. We should always be asking if there is a better way. Perhaps because of my training as a lawyer and an MBA, I am a strong believer that robust discussion and debate supported by freely proposing ideas and fully analyzing data are key to both governance and management. To do this, I feel that the Board needs to constantly strive for efficiency, by allocating more time for asking questions and debating, and less for receiving readouts of presentations. For instance, I think the Board needs to spend even more time discussing where we should strive to be 10 years from now.

Lefever Yes, we all would like to predict the future better if we could. However, the pace of change in this industry is such that even six months ago, no one could have predicted the explosive growth of generative AI. Even the industry leaders we talk to every day were taken by surprise by this. Given those circumstances, I would like to focus on “stagility*.” In my

journal, I took some notes about the key concepts that underpin the idea of “stagility.” Those are: 1) embrace a growth mindset; 2) develop strategic ability; 3) invest in digital transformation; 4) encourage cross-functional collaboration; and 5) foster a resilient culture. If we do these things, no matter what happens, we can be flexible in coming up with solutions. I feel this is most important, because we cannot see everything that is happening but we can still be a company that can quickly adapt.

Benes That's a good concept. As a person with a non-engineering background, I have even less feel than you for how technological changes will affect us years from now. What I do know, is that as semiconductors are becoming ubiquitous nowadays, with volume and complexity constantly increasing, we have a social duty as the world's leading test equipment supplier to help ensure that they dependably function as designed. We also need to ensure that our products last a long time and use as little energy as possible. Doing so will not only drive our long-term sustainable growth and profits, but also help us contribute to a net zero global economy.

Hard as it is, I think the accelerating complexity and myriad of uses of semiconductors require us to constantly think 10 years ahead and imagine who will be the new future consumers of semiconductors, and what is the range of new products and solutions opportunities for Advantest that may emerge, so that we will be prepared to move quickly to fully realize our enormous potential value.

Lefever As you say, we do indeed have a responsibility to the

world and our customers, especially since semiconductors are now consuming so much of the world's energy and resources. These are major sustainability issues for us, and at the same time, they bring big opportunities.

Benes It is all so much easier said than done. To identify and invest in those emerging opportunities, we need to be constantly asking the questions that deepen long-term vision and foster entrepreneurial, holistic thinking about where the world is heading, and how we can contribute to a better future. I realize what I am saying is very difficult and challenging, but this must be our goal.

*Champon is a Japanese word that means mixing up items that are inherently different from each other.

*Stagility = stability + agility