

Corporate Governance Report

Updated on: June 27, 2019
ADVANTEST CORPORATION

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<https://www.advantest.com/>

This is an English translation of the Corporate Governance Report of Advantest Corporation updated on June 27, 2019.

The corporate governance of Advantest Corporation (“Advantest”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

<I - 1. Basic Views>

Advantest’s corporate mission is “Enabling the Leading-Edge Technology”. Advantest constantly encourages self-study and carries out cutting-edge technological development to provide technologies, products and services that will satisfy customers around the world.

In accordance with the corporate mission of the preceding paragraph, and in response to the mandate from stakeholders, Advantest aims to achieve a sustainable level of business development of the Advantest Group and to enhance corporate value over the mid-to-long term. To that end, Advantest will establish a fair and efficient and transparent governance system. Above is a basic view on Advantest’s corporate governance.

Advantest discloses the “Corporate Governance Basic Policy” at the following website.
(<https://www.advantest.com/investors/management-policy/corporate-governance>)

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

Principle 1.4: Strategic Shareholdings

Advantest may hold shares of other companies for important strategic purposes of the Advantest group (“strategic shares”), including sustainable and long term relationships with business partners, business partnership reinforcement, or research and development efficiency. Advantest holds shares of two listed companies as strategic shares as of June 27, 2019. Some of these two listed companies’ shares were also sold in FY2018 and Advantest will proceed to reduce them.

Advantest should assess whether the purpose for holding all the listed strategic shares is appropriate. The result of this assessment should be reported to the Board of Directors.

Regarding the exercise of voting rights related to strategic shares, Advantest respects the judgment of Advantest's board of directors. However, if Advantest's relationship with the Advantest group would be adversely affected, or if the common interests of shareholders may be impaired, Advantest may vote against the corresponding agenda.

Principle 2.6: Roles of Corporate Pension Fund as Asset Owners

The Advantest group's retirement pension system employs a mixed-type system of "defined benefit corporate pension (DB)" and "defined contribution pension (DC)".

Advantest and its domestic group operate the pension fund through the Advantest Corporation Pension Fund. In order to avoid excessive risk management and speculative operation in investment management of corporate pension funds, the Advantest Corporation Pension Fund has set out a basic policy on pension fund management. The planned appointment of personnel with appropriate qualifications for operation is a future task. Under the defined benefit corporate pension plan, the Advantest Corporation Pension Fund continues to confirm risks of assets and financial products that the Advantest Corporation Pension Fund is considering purchasing while receiving advice from experts. In addition, with regard to the directors that constitute the Board of Directors of the Advantest Corporation Pension Fund, which is the body that deliberates the execution of business by the Advantest Corporation Pension Fund, by making equal the number of directors that Advantest chooses and the number of those elected by the subscriber side, the Advantest Corporation Pension Fund ensures that conflict of interest which could arise between the Advantest Corporation Pension Fund beneficiaries and Advantest are appropriately managed.

Regarding DC, Advantest provided an explanation to the beneficiaries when the fund was transferred to DC.

Principle 4.1.3: Succession planning

Regarding the succession plan, the Board of Directors will take the initiative after considering at the Nomination and Compensation Committee. Regarding the succession plan, Advantest will consider the following:

- In principle, the successor of the representative director would be selected from among Directors and Executive Officers as in-house candidates, and senior managers are considered in-house candidates in the succession plan for directors and executive officers.
- By receiving reports at the Board of Directors meeting from Executive Officers on issues concerning their various operations, outside directors with fewer contact points have an opportunity to directly check the qualifications of candidates for the next representative director etc.
- In the future, Advantest will set up training policies for each successor candidate, strengthen training for successor candidates including senior managers, and discuss the situation at the Board of Directors and the Nomination and Compensation Committee.

[Disclosure Based on the Principles of the Corporate Governance Code]

Principle 1.7: Related Party Transactions

When Advantest engages in transactions with its directors, officers or major shareholders, the Board of Directors shall discuss and approve such transactions beforehand, so as not to harm the interest of Advantest group or the common interest of the shareholders, provided, however, that this shall not apply if the transaction conditions are

similar to general transactions.

Principle 3.1 i): Company objectives (e.g., business principle), business strategies and business plans

Principle 5.2: Establishing and Disclosing Business Strategies and Business Plans

Advantest's corporate mission is "Enabling the Leading-Edge Technology"

Regarding our management strategy and management plan, Advantest established a Grand Design describing what Advantest should do for the next 10 years from 2018. Advantest also established a mid-term management plan for the next three years, both announced at Advantest's 2017 fiscal year financial reporting.

Under our mid-term management plan, Advantest will manage sales, operating margin, ROE, and earnings per share (EPS) in terms of KPI and will promote improvement of P/L and efficient utilization of capital. Numerical targets of this mid-term management plan are net sales of 250 million yen, operating profit ratio of 17%, ROE of 18% and EPS of 170 yen (3-year average figures) under our base scenario. Advantest also has a conservative scenario of net sales of 230 million yen, operating profit ratio of 15%, ROE of 15% and EPS of 135 yen.

Advantest has introduced business management and evaluation tools based on ROIC (return on invested capital ratio). Advantest intends to strengthen our business management by developing the use of these tools.

Details are published on our website.

<https://www.advantest.com/investors/management-policy/mid-long-term-management-policy>

Principle 3.1 ii): Basic views and guidelines on corporate governance based on each principle of the Code

Based on our corporate mission of "Enabling the Leading-Edge Technology", our basic concept of corporate governance is to respond to the mandate from stakeholders, the Advantest aims to achieve a sustainable level of business development of the Advantest group and to enhance corporate value over the mid-to-long term.. Our corporate governance basic policy (refer to the following URL) was established with this aim.

<https://www.advantest.com/ja/investors/management-policy/mid-long-term-management-policy>

Principle 3.1 iii): Board policies and procedures in determining the remuneration of the senior management and directors

Compensation for Directors and Executive Officers is described in "Directors and Executive Officers Compensation Policy and Procedure" as follows. Regarding detailed items of the compensation, please refer to the "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" below.

“Directors and Executive Officers Executive Compensation Policy and Procedure”

1. Purpose

The Board of Directors establishes this Policy and Procedure so that the Directors and Executive Officers Compensation shall be determined to make it effective for a sustainable level of business development and mid-to-long term enhancement of corporate value, to share the shareholders' perspective, and to secure and

motivate superior human resources who manage Advantest group;

2. Structure and Policy in Determination

The Compensation for Directors (excluding Directors who are Audit and Supervisory Committee members) and Executive Officers is comprised of (1) Fixed-Compensation, (2) Performance-linked Bonus and (3) Stock Compensations, to contribute for the purpose written in 1. The amounts and ratios are set in appropriate levels.

The Compensation for Independent Directors is comprised only of (1) fixed-compensation, by considering their roles and independence from the management.

- (1) Fixed-Compensation is determined an appropriate level by referring the market data, and the position and responsibilities.
- (2) Performance-linked Bonus is an incentive for short-term performance, and to be calculated based on the consolidated financial results of Net Sales, Operating Income Ratio, Net Income, and ROE etc..
- (3) Stock Compensations are incentives for long term performance and also to share the shareholders' perspective. Both of "Stock Option" and "Performance-based Stock Remuneration" will be granted by considering Advantest performance trend, economic situations, stock price in the market and like. The vested stocks by "Performance-based Stock Remuneration" will be fluctuated by the consolidated financial results of Net Sales, Operating Income Ratio, Net Income, and ROE etc..

3. Procedures in Determination

In response to consultation from the Board of Directors, the Nomination and Compensation Committee deliberates and proposes the Compensation for Directors (excluding Directors who are Audit and Supervisory Committee members) and Executive Officers to the Board of Directors. The Board of Directors deliberates and determines the compensation based on the proposal from the Nomination and Compensation Committee.

The Audit and Supervisory Committee deliberates and determines the compensation for Directors who are Audit and Supervisory Committee members.

Principle3.1 iv): Board Policies and procedures for the appointment of senior management and the nomination of director candidates

“Directors and Executive Officers Nomination/Dismissal Policy and Procedures”

1. Basic Policy for Nomination

Advantest's basic policy is to nominate persons who can contribute to achieve a sustainable level of business development and mid-to-long term enhancement of corporate value, and who have the following qualities. Detailed appointment criteria will be considered in addition to the following criteria.

- A person who respects the management philosophy of the Advantest group and has excellent personality and insight
- A person who has a good understanding of the Advantest group's history, corporate culture, employee characteristics, etc. and has sufficient experience and knowledge about the business

- A person who, based on the business environment and competitive trends affecting the Advantest group, can provide concrete proposals on management strategies, implementation plans, etc. that can contribute to achieve a sustainable level of business development and mid-to-long term enhancement of corporate value, and who can constantly examine and continue efforts to enhance it
- A person who can sensitively perceive changes in the market related to the Advantest group's industry and the value to be offered, and who can constructively discuss the direction the Advantest group should move forward

2. Detailed Appointment Criteria

(1) Directors (excluding Directors who are Audit and Supervisory Committee members)

The candidate should meet excellent experience, ability, leadership, mid-to-long term foresight and strong ethical values as a person who make decisions on the Advantest 's management and supervise business operations. Personality, experience, years of appointment as Directors of Advantest and like will be considered in addition to the criteria.

(2) Independent Directors (excluding Directors who are Audit and Supervisory Committee members)

The candidate should fulfill "Independence Standards for Independent Directors" and should meet one or more of the below criteria. Personality, concurrent positions as another company's director, executive officer or auditor, years of appointment as an Independent Director of Advantest and the like will be considered in addition to the criteria.

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

(3) Directors who are Audit and Supervisory Committee members

The candidate should fulfill and should meet one or more of the below criteria. Personality, concurrent positions as another company's director, executive officer or auditor, years of appointment as Directors of Advantest and like will be considered in addition to the criteria.

- a person who worked at Advantest as a Director, an Executive Officer, or an employee in Corporate Administration area or Internal Audit group.
- a legal professional such as attorneys
- a person who has management experience for another company
- a person who has excellent knowledge and experience in finance or accounting
- a person who has excellent knowledge and experience in the Advantest's business field
- a person who has wide and deep experience in R&D
- a person who has enough experience or ability equivalent to above persons

(4) Representative Director, Chairman of the Board, Vice Chairman of the Board

For Representative Director, Advantest will select the person best suited to lead the Advantest group from among the Directors appointed at the General Meeting of Shareholders. Advantest also can

select the Chairman of the Board who convenes the Board and act as the chairperson, and the Vice Chairman of the Board who supports the Chairman of the Board, among the Directors.

(5) Executive Officer

The candidate should meet excellent experience, ability, leadership, as a person who has responsibility for business operations. Personality and like will be considered in addition to the criteria. Also, as the President and CEO, Advantest will select the person best suited to lead the Advantest group from among the Executive Officers. Advantest also can select Corporate Vice Presidents, Senior Executive Officers and Managing Executive Officers.

3. Dismissal criteria of Directors and/or Executive Officers

If any one of the following criteria applies, an individual is subject to dismissal proposal.

- In the case of violating laws, articles of association, or other rules of the Advantest group, causing a significant loss or operational obstruction to the Advantest group
- When it becomes clear that the individual lacks the qualifications stipulated in the appointment of Directors and/or Executive Officers or selection criteria
- In the event of a significant downturn in the Advantest group's business performance (Applicable only to a President and CEO, and a Representative Director)
- In the event of serious business slump in the responsible business or the area of responsibility (Only for Executive Officers)
- When a relationship with antisocial forces is recognized
- When conduct runs contrary to public order and morals
- If there is a serious obstacle to the performance of duties due to health reasons etc.

4. Procedures for the Nomination

The Nomination and Compensation Committee deliberates and proposes nomination recommendations for Directors and Executive Officers to the Board of Directors. Based on the Committee's proposal, the Board of Directors determines the agenda item regarding the election of Directors to be resolved at the General Meeting of Shareholders and submit it to the General Meeting of Shareholders.

In appointing Executive Officers, the Nomination and Compensation Committee proposes to the Board of Directors. The Board of Directors deliberates the proposal from the Nomination and Compensation Committee and appoints Executive Officers.

Regarding the Representative Director, Chairman of the Board, Vice Chairman of the Board, President and CEO, Corporate Vice President, Senior Executive Officer and Managing Executive Officer, the Board of Directors deliberates and selects them based on the proposal of the Nomination and Compensation Committee.

5. Procedures for Dismissal

When a report on the results of deliberations by the Nomination and Compensation Committee falls under the dismissal criteria for Directors and/or Executive Officers or if there is a proposal for dismissal from another Director, the Board of Directors will deliberate. When judging that an individual fall under the dismissal criteria at the Board of Directors meeting, Advantest responds as follows:

- Representative Director, Chairman of the Board, Vice Chairman of the Board:

A person will be dismissed by the position

- Directors:
Advantest will submit a proposal for dismissal of Directors to the Extraordinary General Meeting of Shareholders.

- President and CEO, Corporate Vice President, Senior Executive Officer and Managing Executive Officer:
An individual will be dismissed as the position.

- Executive officer:
Dismissed from the position of Executive Officer.

Principle 3.1 v): Explanations with respect to individual appointments and nominations based on iv)

Regarding the appointment of candidates for Directors who are not Audit and Supervisory Committee members, and for Mr. Yuichi Kurita and Mr. Kouichi Nanba, please refer to the Convocation notice of the 77th Ordinary General Meeting of Shareholders (Page 7-17), and for Ms. Tsuneko Murata please refer to the convocation notice of 76th Ordinary General Meeting of Shareholders (Page13-14).

(<https://www.advantest.com/investors/shares-and-corporate-bonds/shareholders-meeting>)

Supplementary Principle 4.1.1: Roles and Responsibility of the Board

In principle, to make more flexible decision-making and prompt business management, decisions on business execution other than matters deemed to be exclusive matters by the Board of Directors on the basis of laws and regulations and the matter of important business execution Board of Director delegates to the president and CEO. Executive officer meeting (Jomukai) composed of Executive Officers, will review important matters concerning business execution.

From FY2017, Advantest reviewed the rules of the Board of Directors, delegated more authority to representative directors (CEO), and at the Board of Directors, enhanced the report on the execution of duties by the Executive Directors.

Principle 4.8: Effective Use of Independent Directors

5 directors out of a total of 10 members of the Board of Directors are independent directors as of June 26, 2019.

Principle 4.9: Independence Standards and Qualification for Independent Directors

It is stated in the “Independence Criteria of Independent Outside Directors” as follows;

“Independence Criteria of Independent Outside Directors”

Outside Directors of Advantest shall be judged to be independent when none of the following provided conditions apply presently.

1. Major Business Partner

- (1) Entity transacts with Advantest as Major Business Partner or Executive thereof
- (2) Major Business Partner of Advantest or Executive thereof

2. Expert

Consultant, Accountant or Lawyer who receives a large amount of money or other compensation from Advantest. (In case that the receiver of such compensation is a legal entity or group such as union, the person who belongs to such entity.)

3. Relative

- (1) Relative of person who falls in the condition set forth in 1 or 2 above.
- (2) Relative of Executive or Board Director of the subsidiary of Advantest
- (3) Relative of person who was an Executive or Board Director of Advantest or subsidiary of Advantest recently.

Notes:

- *1 “Recently” shall mean a time range substantially identical to presently.
- *2 “Major Business Partner” means a partner whose revenue from transactions with Advantest accounts for a considerable part of their revenue, or a partner supplying Advantest with commodities or services indispensable to Advantest’s business.
- *3 “Executive” means the “executive” defined in the Ordinance for Enforcement of the Company Act.
- *4 “Relative” means the person’s relative within the second degree of kinship.

Supplementary Principle 4.11.1: Concept of composition of the Board

Please refer to “the Principle 3.1 iv) Board Policies and procedures for the appointment of senior management and the nomination of director candidates” above.

Supplementary Principle 4.11.2: Directors served as directors, *kansayaku* or the management at other company

Regarding the status of important concurrent positions of outside director candidates and Directors, they are announced in disclosure documents such as “convocation notice of ordinary General Meeting of Shareholders” and business report.

Supplementary Principle 4.11.3: A summary of the results of the board meeting effectiveness

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

(Result of FY2017 and action in FY2018)

It was pointed out that there is room for further improvement in improving the effectiveness of the successor plan such as for the representative director, and the election and dismissal process of the management team and

training for the Directors. Based on the item pointed out above, the Board of Directors discusses the succession plan and dismissal process and Advantest describes the result in the “Advantest Corporate Governance Policy” and the “Corporate Governance report”. Advantest will provide corporate governance training to the members of Board of Directors and Executive Officers (including foreigners). Advantest will provide other training as necessary. The points where improvement is needed will be addressed in future. In addition, there were indications about improving the diversity of the members of the Board of Directors. One new female director was appointed at the annual General Meeting of Shareholders of June 27, 2018.

(Result of FY2018)

Followings are the main items that were pointed out. Advantest will consider taking action on these items.

- Succession plan of Representative Director
- Reanalysis of risks that influence our business
- Investigation of director training menu

Supplementary Principle 4.14.2: Training policy for directors

It is stated in the “Director Training Policy” as follows;

“Director Training Policy”

1. Advantest provides and arranges following actions for new Directors to acquire necessary knowledge on the Advantest’s business, finances, organizations and other matters so as to enhance their understanding of their roles and responsibilities:
 - (1) To explain the roles and responsibility required for Directors;
 - (2) To explain Advantest group’s business, finances, organizations, major internal regulations, corporate governance structure, and internal control systems;
 - (3) To update above (1) and (2) for incumbent Directors as necessary.
2. Advantest should provide and arrange training opportunities suitable for each director as necessary.

In FY2018, Advantest conducted training as follows.

- For a newly appointed director, Advantest explained Advantest group’s business, or organization etc.
- For members of the Board of Directors and to directors, Advantest conducted a lecture on governance.

Principle 5.1: Policy for Constructive Dialogue with Shareholders

It is stated in the “Basic Investor Relations Policy” as follows;

“Basic Investor Relations Policy”

Under the direction of our CEO, and in line with the Basic Investor Relations Policy expressed below, Advantest’s IR team promotes dialogue with its shareholders and investors as an essential aspect of corporate value. Our commitment to open communication both ensures accountability to our stakeholders, and plays an important role in growing our corporate value over the medium to long term.

1. Disclosure Policy

(1) Disclosure of Material Information

Advantest discloses material information as appropriate in a transparent and timely manner, in compliance with Japan's Financial Instruments and Exchange Act, the regulations of the stock exchanges and other related laws and regulations ("Acts").

Important information is defined as corporate information that must be disclosed in a timely manner under the Acts when important matters concerning Advantest or its subsidiaries are determined or when an important event occurs, and other corporate information requiring timely disclosure under the Acts.

(2) Voluntary Disclosure

Advantest also discloses general corporate information other than material information, when we deem it may have a material impact on the investment decisions of our shareholders and investors, as rapidly and transparently as possible.

2. Disclosure Methods

To ensure our fair disclosure to shareholders and investors, material information is disclosed via the methods stipulated by law and by the regulations of all the stock exchanges on which Advantest is listed, both in Japan and overseas. Additionally, all such information is promptly posted on our corporate website.

Information falling outside the scope of material information is disclosed via news releases, at press conferences and our quarterly information meetings, and is also posted on our website. We reserve the right not to respond to enquiries regarding certain information related to competitiveness or privileged information that Advantest has a duty to protect.

3. Forward-Looking Statements

In its disclosures, Advantest may make forward-looking statements that reflect management's views with respect to future plans, strategy, and financial performance. Such statements are based on information available at the time of disclosure and are subject to various risks and uncertainties. To ensure that investors are aware of these risks, Advantest's disclosures are accompanied by cautionary statements.

4. Communication Structure

Advantest's IR Section handles communications with shareholders and investors. In principle, all Advantest's IR communications go through our IR spokespersons—the CEO, CFO, Executive Vice President and Vice President in Corporate Relations Group and IR personnel—but other executives, including Outside Directors, may also be appointed IR spokespersons in certain cases through IR personnel, depending on individual requirements and the content to be communicated. The IR section supports our IR spokespersons by liaising with other divisions and collating relevant and specialized information to enhance our dialogue with shareholders and investors.

5. Comprehensive Communication

In addition to our earnings announcements and postings on our public website, Advantest strives to maximize shareholders' and investors' awareness of our business environment and management strategies through individual meetings, site tours, segment-specific briefings, and other such opportunities for

communication.

6. Incorporation of Feedback Through Dialogue

Feedback and opinions received from shareholders and investors is shared at the Board of Directors, and incorporated into our planning for a sustainable level of business development and mid-to-long term enhancement of corporate value.

7. Management of Insider Information and Fairness in Disclosure

Advantest has defined internal rules for the prevention of insider trading, as explained in the sections of Advantest’s “Code of Conduct” related to management of material information and executive buying and selling of shares. Moreover, our IR spokespersons are consistently prudent in avoiding the disclosure of material information and other sensitive information in conversation or other venues for communication, where multiple personnel are typically present to check on one another.

8. Quiet Periods

To ensure fair disclosure of financial information, Advantest stipulates a quiet period that runs from the day after the closing of each quarter until earnings for that quarter are announced, to prevent information leaks and to maintain disclosure fairness. During this period, Advantest refrains from answering inquiries about business performance and related matters. However, material information subject to disclosure rules will be disclosed in an appropriate and timely fashion, even during quiet periods.

9. Analyst Reports

Advantest will not evaluate or comment on any analyst reports concerning Advantest. However, if a report contains factual errors relating to past events, those errors may be pointed out.

10. Market Rumors

Our basic policy is not to comment on market rumors. However, in the event a market rumor exerts a significant influence on the capital markets, or one of the stock exchanges on which Advantest is listed approaches us for clarification, we will respond appropriately and responsibly.

< I - 2. Capital Structure >

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	48,995,300	24.73
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	21,689,800	10.94
TRUST & CUSTODY SERVICES BANK, LTD.	5,992,700	3.02

(INVESTMENT TRUST ACCOUNT)		
THE BANK OF NEW YORK MELLON 140051	4,220,100	2.13
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 4)	3,795,600	1.91
CDSIL AS DEPOSITARY FOR OLD MUTUAL GLOBAL INVESTORS SERIES	3,014,900	1.52
JP MORGAN CHASE BANK 385151	2,981,305	1.50
BNYM FOR GOLDMAN SACHS JAPAN	2,871,600	1.45
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 5)	2,673,100	1.34
SSBTC CLIENT OMNIBUS ACCOUNT	2,660,157	1.34

Controlling Shareholder (except for Parent Company)	-
Parent Company	N/A

Supplementary Explanation

In the Report of Possession of Large Volume made available for public inspection, the following companies are reported as the shareholders, but this has not been taken into account in the above "Status of Major Shareholders", as Advantest has been unable to confirm the number of shares substantially held as of the end of the fiscal year.

Nomura Securities Co., Ltd. and its two affiliates;
Sumitomo Mitsui Trust Asset Management Co., Ltd. and its one affiliate;
Mitsubishi UFJ Trust Company and its two affiliates;
Baillie Gifford and Company and its one affiliate;
BlackRock Japan Co., Ltd. and its eleven affiliates;
Daiwa Asset Management Co., Ltd and its two affiliates, and
Mizuho Securities, Co., Ltd. and its one affiliate.

< I - 3. Corporate Attributes >

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

< I - 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with

Controlling Shareholder>

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<I - 5. Other Special Circumstances which may have Material Impact on Corporate Governance>

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

<II - 1. Organizational Composition and Operation>

Organization Form	Company with Audit and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	10
Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)
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Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Osamu Karatsu	From another company											
Toshimitsu Urabe	From another company											
Nicholas Benes	From another company											
Tsuneko Murata	From another company											
Kouichi Nanba	Lawyer											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Osamu Karatsu		○		Mr. Osamu Karatsu has a wealth of knowledge and experience as a semiconductor specialist. This will contribute to the sustainable enhancement of corporate value of Advantest and the effectiveness of the Board of Directors as it reflects his insights on the industry to which Advantest belongs in the management of the Advantest group. Thus, Advantest believes that he is a suitable person as an outside director.
Toshimitsu Urabe		○		Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company, particularly overseas experience in the United States and Asia, experience in business investment decisions, etc., and extensive experience in administrative management for example human resources. This will contribute to the sustainable enhancement of corporate value of Advantest and the effectiveness of the Board of Directors as we reflect his insights in the global management of the Advantest group. Thus, Advantest believes that he is a suitable person as an outside director.
Nicholas Benes		○		Mr. Nicholas Benes has extensive knowledge and experience about corporate governance matters, and experience in investment banking including M&A transactions. This will contribute to the sustainable enhancement of corporate value of Advantest and the effectiveness of the Board of Directors as we absorb his insights on corporate governance and the perspective of shareholders, and reflect them in the global management of the Advantest group. Thus, Advantest believes that he is a suitable person as an outside director.
Name	Membership	Designation	Supplementary	Reasons of Appointment

	rship of Audit and Supervi sory Commi ttee	on as Independ ent Director	entary Explanati on of the Relations hip	
Tsuneko Murata	○	○		Ms. Tsuneko Murata has practical experience as an executive at private companies and the Japan Pension Service. In addition, she is familiar with compliance measures and corporate governance as a legal manager. Furthermore, she has abundant experience of auditing as an auditor at Japan Pension Service and Japan Finance Corporation. This will contribute to the enhancement of the audit and supervision of the Advantest group as we absorb her insights stemming from her corporate legal and auditing knowledge and experience and reflect them in the audit and supervision of the Advantest group. Thus, Advantest believes that she is a suitable person to enhance supervisory and oversight functions.
Kouichi Nanba	○	○		Mr. Kouichi Nanba has not been directly involved in the management of a company in the past, but he has a wealth of experience and a high level of expertise in law and compliance, after serving as a judge mainly in charge of civil cases for many years, and as engaging in the practice of corporate legal affairs as a lawyer. This will contribute to the enhancement of the audit and supervision of the Advantest group as we absorb his insights and reflect them in the audit and supervision of the Advantest group. Thus, Advantest believes that he is a suitable person as an outside director.

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	1	2	Inside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee

Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Audit and Supervisory Committee appoints two employees to support the duty of the Audit and Supervisory Committee. The personnel matters of Audit and Supervisory Committee support employee should get prior approval from Audit and Supervisory Committee. The employee who assists the Audit and Supervisory Committee performs its duties in accordance with the instructions of the Audit and Supervisory Committee members and ensure independence from Directors and other officers and employees who are not members of the Audit and Supervisory Committee.

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

The Audit and Supervisory Committee, the Auditing Group and other internal control departments, the Accounting Auditors, and the corporate auditors of each Advantest group collaborate with one another so as to carry out regular discussions or timely meetings.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee

Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

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 is responsible for the functions of both “the Nomination Committee” and “the Compensation Committee”. 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 a half of the members are independent Directors. The Human Resource Department is its secretariat. Members from the close of the General Meeting of Shareholders in 2018 to the close of the General Meeting of Shareholders in 2019 are Mr. Seiichi Yoshikawa, Mr. Megumi Yamamuro and Mr. Yoshiaki Yoshida. During this term, the Nomination and Compensation Committee met 14 times, and all the members were present in every committee (i.e. Mr. Seiichi Yoshikawa attended 14 times, Mr. Megumi Yamamuro attended 14 times and Mr. Yoshiaki Yoshida attended 14 times.). The main discussion agenda of the Nomination and Compensation Committee is as follows.

- Revision of “Directors and Executive Officers Nomination/Dismissal Policy and Procedures”(*1) and “Directors and Executive Officers Compensation Policy and Procedures”(*2).
- Compensation of directors and officers (e.g. Fixed Compensation, Performance-linked bonus and Stock Compensation etc.)
- Nomination of candidates of directors and officers in FY2019.

Present members are Mr. Toshimitsu Urabe, Mr. Kouichi Nanba and Mr. Yoshiaki Yoshida. Mr. Toshimitsu Urabe is a chairperson.

The Nomination and Compensation Committee will recommend persons as candidates to the Board of Directors who will contribute to a sustainable level of business development and enhancement of corporate value over the mid-to-long term in accordance with the “Directors and Executive Officers Nomination/Dismissal Policy and Procedures” (*1) prescribed by the Board of Directors regarding Directors and Executive Officers. In addition, regarding independent outside directors, “Independence Criteria of Independent Outside Directors” (*3) prescribed by the Board of Directors will also apply in addition to the “Directors and Executive Officers Nomination/Dismissal Policy and Procedures” mentioned previously. Candidates recommended to the Board of Directors should have a wealth of knowledge and can be expected to contribute actively to the Board of Directors. The Board of Directors deliberates proposals from the Nomination and Compensation Committee, and determines candidates of Directors and appoints Executive Officers.

When a report on the results of deliberations by the Nomination and Compensation Committee falls under the dismissal criteria for Directors and/or Executive Officers or if there is a proposal for dismissal from another Director, the Board of Directors will deliberate.

- (*1) “Directors and Executive Officers Nomination/Dismissal Policy and Procedures”: Please refer to the Principle 3.1 “iv): Board Policies and procedures for the appointment of senior management and the nomination of director candidates” above.
- (*2) “Directors and Executive Officers Nomination/Dismissal Policy and Procedures”: Please refer to the Principle 3.1 “iii): Board policies and procedures in determining the remuneration of the senior management and directors” above.
- (*3) “Independence Criteria of Independent Outside Directors”: Please refer to the Principle 4.9 Independence Standards and Qualification for Independent Directors above.

[Independent Directors]

Number of Independent Directors	5
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Matters relating to Independent Directors

Regarding “Independence Criteria of Independent Outside Directors”, please refer to the Principle 4.9 Independence Standards and Qualification for Independent Directors above.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options
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Supplementary Explanation

Regarding performance-linked remuneration, please refer to the “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” below.

Recipients of Stock Options	Inside Directors Employee / Subsidiaries' Directors Subsidiaries' Employee / Other
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Supplementary Explanation

Advantest will grant stock options to Directors or employees who have important roles and responsibilities.

Regarding Directors who are members of the Audit and Supervisory Committee and Outside Directors, they are not eligible for grant of stock options and performance-linked stock remuneration by resolution of the Ordinary General Meeting of Shareholders held on June 27, 2018.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
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Supplementary Explanation

Individual disclosure is made in the Annual Financial Report for those with total consolidated compensation of 100 million yen or more.

Qualified person:

- Mr. Yoshiaki Yoshida:
Total remuneration 132 million Yen (basic remuneration: ¥60 million; cash bonus: ¥51 million; stock options ¥17 million; performance linked stock remuneration: ¥4 million) in FY2018
- Mr. Sae Bum Myung:
Total remuneration 108 million Yen (basic remuneration: ¥50 million; cash bonus: ¥42 million; stock options ¥12 million; performance linked stock remuneration: ¥4 million) in FY2018
- Mr. Hans Juergen Wagner:
Total remuneration 112 million Yen (basic remuneration: ¥60 million; cash bonus: ¥39 million; stock options ¥10 million; performance linked stock remuneration: ¥3 million) in FY2018

*The remuneration of Mr. Hans Juergen Wagner includes that paid by Advantest Europe GmbH.
Exchange rate is €1 = ¥128.82.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Advantest has established a Nominated Remuneration Committee, which is chaired by an Independent Director and a majority of its members are Independent Directors, to increase the objectivity and transparency of Compensation for Directors (excluding Directors who are Audit and Supervisory Committee members) and

Executive Officers. Additionally, “Directors and Executive Officers Compensation Policy and Procedure” (Please refer to Principle 3.1 iii) above) has been approved by the Board of Directors based on the deliberation and report by the Nomination and Compensation Committee.

Compensation amounts and performance indicators, etc., have been approved by the Board of Directors based on the deliberation and report by the Nomination and Compensation Committee within the total amount of director compensation, etc. (*4) determined by resolution of the General Meeting of Shareholders and “Directors and Executive Officers Compensation Policy and Procedure”.

Advantest determines Directors and Executive Officers Compensation to make it effective for a sustainable level of business development and mid-to-long term enhancement of corporate value, to share the shareholders' perspective, and to secure and motivate superior human resources. Compensation for Directors (excluding Directors who are Audit and Supervisory Committee members and Independent Directors) and Executive Officers is comprised of (1) Fixed-Compensation, (2) Performance-linked Bonus as a short-term incentive and (3) Stock Compensations as long-term incentive, to contribute for the purpose written above.

Compensation for Independent Directors is comprised only of (1) fixed-compensation, by considering their roles and independence from the management.

The Audit and Supervisory Committee deliberates and determines compensation for Directors who are Audit and Supervisory Committee members within the total amount of the compensation (*4) that is determined by resolution of the General Meeting of Shareholders.

(1) Fixed-Compensation

Fixed-Compensation is determined at an appropriate level by referring to market data, and position and responsibilities.

(2) Performance-based Bonuses as short-term incentives

Performance-based Bonuses are calculated based on the consolidated financial results of Net Sales, Operating Income Ratio, Net Income, and ROE etc. of each fiscal year. Bonuses will not be paid if Advantest could not achieve 8% of ROE or none of minimum levels of each performance indicator. Bonuses calculated based on performance indicators are approved by the Board of Directors after they have been reviewed by the Nomination and Compensation Committee.

(3) Stock Compensations as a long-term incentive

Stock Compensations are comprised of Stock Option (common type) and Performance-based Stock Remuneration and will be granted after considering Advantest performance trend, economic situations, stock price in the market and the like.

Stock Options (common type) are rights to gain profit by exercising when the stock price exceeds a predetermined exercise price. The exercisable period is from 2 years to 5 years after the allocation date.

The vested stocks by Performance-based Stock Remuneration will be fluctuated by the consolidated

financial results of Net Sales, Operating Income Ratio, Net Income, and ROE etc. in three consecutive fiscal years.

(4) Compensation Ratio

The compensation ratio for executive directors is described in the Supplementary Explanation of [Director Remuneration] above. The ratio of Performance-linked Bonus varies from 0 to 85 depending on the performance, since the ratio of stock compensation may increase or decrease due to fluctuations in the stock price or the fair value of options. In addition, Performance-based Stock Remuneration is fluctuated depending on performance. The amounts of Performance-based Stock Remuneration has been introduced in August 2018, the total amount of compensation is recorded only for the 8 months.

- (*4) The upper limit of cash compensation of all Directors (excluding Directors who are Audit and Supervisory Committee members) is JPY600 million per year. The upper limit of cash compensation of all directors who ware Audit and Supervisory Committee members is JPY100 million yen per year. The upper limit of performance-linked stock remuneration is JPY200 million. The upper limit of stock options is JPY200 million.

[Supporting System for Outside Directors]

At Advantest, the president's office and the general affairs department (Board of Directors secretariat) are in charge of supporting Outside Directors. In addition, Advantest provides data and reference materials for Board of Directors meetings to all the board members by three business days prior, in principle.

Advantest (and/or group-wide) information such as our business execution situation is reported directly to Outside Directors from appropriate personnel as necessary.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Shin ichiro Kuroe	Advisor	Activity of outside economic organization etc.	Full-time, paid	25th January 2017	1 year (In case of contract renewal, the term is 1 year)

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	1
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Others

Advantest resolved the appointment / reappointment of Advisors at the Board of Directors.

<II - 2. Regarding Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)>

Advantest promotes management efficiency by separating the management decision making function and supervisory function from the function of the execution of operations.

The Board of Directors of Advantest, as the management decision making body, shall make decisions on significant matters with respect to the management policies and management strategies for Advantest group, and in its capacity to supervise management, the Board of Directors shall monitor and supervise the status of exercise of duties by Executive Officers. Advantest strengthens the oversight and supervision functions of the Board of Directors so as to appoint multiple outside directors as members of the Board of Directors. From the close of the General Meeting of Shareholders in 2018 to the close of the General Meeting of Shareholders in 2019, the Board of Directors met 14 times, Mr. Yoshiaki Yoshida, Mr. Osamu Karatsu, Mr. Seiichi Yoshikawa, Mr. Soichi Tsukakoshi, Mr. Yuichi Kurita and Ms. Tsuneko Murata attended 14 times, and Mr. Sae Bum Myung Mr. Hans-Juergen Wagner and Mr. Megumi Yamamuro attended 13 times. At the Board of Directors meetings, directors with a wealth of knowledge and experience expressed their opinions from each point of view on the agenda proposed by the management team, and active discussions took place. The main agenda items to be resolved or reported by the Board of Directors were decisions on matters to be discussed at the basic management policy, the Executive Officer personnel, agenda submitted to the General Meeting of Shareholders, budget / financial settlement, and acquisition or sales of businesses etc. The Board of Directors of Advantest (including Directors who are Audit and Supervisory Committee members) is composed of five inside directors and five outside directors as of June 26, 2019.

Advantest delegates necessary authorities to ensure the prompt and efficient performance of duties. Advantest's Managing Executive Officers Committee meets to deliberate important matters that delegates its authorities. The Managing Executive Officers Committee meeting is held approximately twice a month. The Managing Executive Officers Committee (Jomukai) is composed of Managing Executive Officers.

Advantest shifted to a Company with Audit and Supervisory Committee on June 24, 2015. The Audit and Supervisory Committee investigates the status of business and property, based on the audit policy and audit plan formulated by the Audit and Supervisory Committee. In addition, the Audit and Supervisory Committee will audit the execution of duties by Directors, Executive Officers and other business executing agencies through collaboration with internal control teams and Accounting Auditors. Advantest's Audit and Supervisory Committee composed of one inside director and two outside directors as of June 26, 2019. Audit and Supervisory Committee has appointed one person as a standing Audit and Supervisory Committee

member in order to enhance effectiveness of audits and supervisory function by the Audit and Supervisory Committee through information gathering by attending important meetings and conducting hearings about reports on operations received from execution departments as well as through strengthened collaboration between the accounting auditor and the internal audit division. Mr. Yuichi Kurita, a member of the Audit and Supervisory Committee member, has many years of experience in Advantest's financial and administrative officers and has sufficient knowledge of finance and accounting. Also, Ms. Tsuneko Murata and Mr. Kouichi Nanba, who are members of the Audit and Supervisory Committee members, have sufficient knowledge of legal affairs. The Chairperson of the Audit and Supervisory Committee is Mr. Yuichi Kurita. The other status is stated in the section on “the Audit and Supervisory Committee” in “the Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” above.

With regard to internal auditing, Advantest have established an audit office and several selected internal employees routinely monitor the operation status of Advantest, as well as identifying problems and making recommendations for improvement.

Regarding accounting audits, Advantest has audited with Ernst & Young ShinNihon LLC and received predetermined audits. The certified public accountants who executed Advantest's accounting audit work in fiscal 2018 are Mr. Makoto Usui, Ms. Kaeko Kitamoto and Mr. Keiichi Wakimoto. Number of years of all those auditors continuous audit is within seven years. In addition, assistants performing Advantest's accounting audit work include those with expert knowledge such as system experts, with CPAs as the main constituents.

Regarding nomination/dismissal and compensation, Advantest has established a Nomination and Compensation Committee, which is stated in the section on “Voluntary Establishment of Nomination/Remuneration Committee” in “the Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management”.

Advantest has entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act with each of non-executive Directors. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.

<II - 3. Reasons for Adoption of Current Corporate Governance System>

Advantest separates the Board of Directors and business execution agencies that have management decision making and supervisory functions for the purpose of improving management efficiency and transparency.

Advantest has also established an executive officer system to respond quickly to changing business environments, promptly execute business operations, and improve transparency.

Furthermore, in order to audit the execution of duties by Directors, Executive Officers and other business executing agencies, Advantest shifted to a Company with Audit and Supervisory Committee on June 24, 2015.

III. Implementation of Measures for Shareholders and Other Stakeholders

<III - 1. Measures to Vitalize General Shareholder Meetings and Smooth Exercise of Voting

Rights>

	Supplementary Explanations
Early Notification of General Shareholder Meeting	More than 3 weeks before the date of the meeting.
Scheduling AGMs Avoiding the Peak Day	Avoid conflict of dates to facilitate participation by holding them 1 to 2 days prior to busy dates
Allowing Electronic Exercise of Voting Rights	Exercise of voting rights via the Internet from our website
Participation in Electronic Voting Platform	Advantest participates in the voting rights electronic exercise platform
Providing Convocation Notice in English	Convocation notice is available in Japanese and English on our Corporate website.
Other	All reported items at the shareholders meetings are disclosed on our Corporate website. An interaction opportunity with shareholders and members of the Board of Directors are planned after the shareholders meeting.

<III - 2. IR Activities>

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	“Basic IR Policy” is disclosed on our Corporate website. https://www.advantest.com/investors/management-policy/basic-investor-relations-policy
Regular Investor Briefings for Analysts and Institutional Investors	Quarterly financial closing announcement and meeting is conducted.
Regular Investor Briefings for Overseas Investors	IR roadshow is conducted a few times a year in Europe and the US.
Posting of IR Materials on Website	https://www.advantest.com/investors Financial closing announcement, annual report, convocation notice are disclosed on our website in English and Japanese.
Establishment of Department and/or Manager in Charge of IR	Corporate office department, IR section is in charge.

<III - 3. Measures to Ensure Due Respect for Stakeholders>

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Advantest established “basic CSR policy”. Advantest will strive to respect stakeholders and contribute toward realizing a sustainable society by harmonizing with society
Implementation of Environmental Activities, CSR Activities etc.	CSR activities are actively organized and conducted by Corporate Communication Department CSR Environment office
Development of Policies on Information Provision to Stakeholders	“Sustainability Report” is reviewed and announced every year on Corporate WEB site.

IV. Matters Related to the Internal Control System

<IV - 1. Basic Views on Internal Control System and the Progress of System Development>

To ensure compliance with laws and ordinances as well as the Articles of Incorporation, and to ensure that actions are taken faithfully and ethically, Advantest shall establish the Advantest Code of Conduct for all Directors, Executive Officers and employees of Advantest group, and notify such Directors, Executive Officers and employees of these codes. Furthermore, Advantest shall establish the “Code of Ethics for Executives” for Directors and Executive Officers.

As a framework to realize full compliance with laws and ordinances, Advantest shall establish the Corporate Ethics Committee that monitors the implementation of the Advantest Code of Conduct. In addition, to handle reports or consultation regarding questionable matters in light of the Advantest Code of Conduct, Advantest shall establish the “Corporate Ethics Helpline”, a system in which a person who reports shall not be treated disadvantageously.

With respect to potential risks behind management environment, business activities and corporate assets of Advantest group, Advantest shall identify and classify risk factors for each important business process, analyze the magnitude of risks, possibility of actual occurrence and frequency of such occurrence, etc., and create written policies and procedures regarding the appropriate response to and avoidance/ reduction of the risks, as part of the internal control activities.

With respect to emergency situations such as disasters, Advantest shall establish the Risk Management Group, create written emergency action guidelines and prepare by implementing education and training programs on a regular base.

The Internal Control Committee shall thoroughly manage risks and report material risks to the Board of Directors.

Advantest is making efforts to prevent occupational injuries, create a comfortable working environment, and promote the good health of its employees through the establishment of the Safety and Health Committee.

Advantest shall properly retain and manage the information regarding the exercise of duties by Directors (i.e., minutes of general meetings of shareholders and reference materials, minutes of meetings of the Board of Directors and reference materials and other important documents regarding the exercise of duties by Directors) pursuant to the internal rules that stipulate details such as the period of retention, person in charge of retention and method of retention. Advantest shall establish the Information Security Committee that is responsible for protecting personal information and preventing confidential information from leaking.

Advantest shall establish and operate the same quality of internal control system for Advantest and each company of the group in order to conduct the consolidated group management placing an emphasis on business evaluation based on consolidated accounting. The internal control system of Advantest is supported by each department of Advantest that is responsible for each group company, and is established and operated as a unified

system based on the policies of the group created by the Internal Control Committee. Significant matters concerning the status of each group company that is controlled by the Internal Control Committee shall be reported to the Board of Directors. The Auditing Group of Advantest supervises an internal audit to each group company.

<IV - 2. Basic Views on Eliminating Anti-Social Forces>

Advantest has no relationship with anti-social forces such as organized crime groups. Advantest resolutely refuses requests for purchasing literature, making contributions, payment of membership fees or any kind of approach from antisocial forces.

The Advantest Code of Conduct states that "We will have absolutely no relationships with antisocial forces and movements, such as organized crime groups. We will adamantly refuse to purchase literature from, make contributions or pay membership fees to or comply with any other demands of antisocial forces and movements." Advantest strives to thoroughly inform all Directors, Executive Officers and employees of the Advantest Code of Conduct.

In the event of contact, unfair demands or obstructive acts by antisocial forces, the General Affairs Department will become the supervising department and the General Affairs Division will respond as unlawful request prevention supervisor while cooperating with police and lawyers.

In-house training on corporate ethics explains how to deal with antisocial forces. Advantest also conducts a code of conduct review once a year, including the fact that it has no relation to antisocial forces. In addition, agreements with business partners, such as the basic purchase agreement, incorporate a clause of exclusion of antisocial forces.

V. Other

<V - 1. Adoption of Anti-Takeover Measures>

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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<V - 2. Other Matters Concerning Corporate Governance System>

Advantest conducts disclosure controls to disclose accurately, fairly and in a timely manner the relevant laws such as the FIEL and "the securities listing regulations" of TSE, etc.

The Disclosure Committee Secretariat has function as disclosure control collects decisions, incidents and financial information of Advantest and its affiliated companies.

Among the disclosed information, Advantest has established the Disclosure Committee and conducts disclosure control procedures for regular statutory disclosure documents such as information to be submitted to the KLF, and the CEO · CFO evaluate and certify the effectiveness of disclosure control procedures. We further strengthen

these documents, by auditing the financial statements by the independent outside auditors and reviews by outside legal counsel as necessary.

In the disclosure processes, Information gathered by Disclosure committee secretariat will be decided on a timely basis by a person in charge of information and disclosed after being approved by the meeting of board of directors and CEO • CFO depending on content and urgency.

In order to ensure that all important financial information and non-financial information are disclosed in a timely and appropriate manner, Advantest has formulated "The ADVANTEST Way & Code of Conduct" which promote corporate activities in accordance with higher ethical standards, honesty and social justice and is working to ensure thorough corporate ethics. In addition, in June 2004, we enforced the "Code of Ethics of officers" and clarified that officers take honest and ethical actions. Furthermore, we established the Internal Control Committee to achieve the four objectives of "business effectiveness and efficiency", "reliability of financial reporting", "compliance with laws and regulations" and "asset conservation" and strive to maintain and manage internal control.

With the above, we ensure the appropriateness of disclosure.

[Summary of internal controls and procedures and financial information gathering and reporting process]

