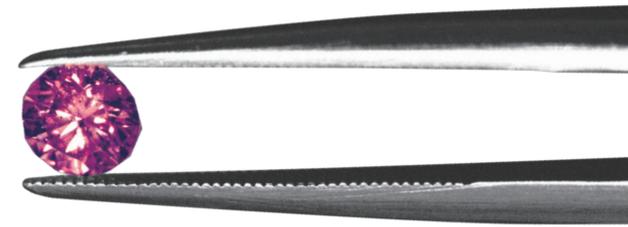


ADVANTEST®

Corporate Report

2011 With Web Extras

TEST *forward*



▶ Editorial Note

For fiscal 2011, we have published the Corporate Report in two forms: “Corporate Report 2011,” a printed brochure containing an outline and highlights of our business, and “Corporate Report 2011 with web extras,” a PDF version of the report with additional details of our business activities. The Corporate Report 2011 with web extras has been edited on the principle of the plan-do-check-act (PDCA) cycle to bring Advantest’s CSR activities into focus.

▶ Link to Our Website

The Corporate Report 2011 with web extras is a summary of the Advantest Group’s social and environmental activities. For specific examples and more detailed information, please visit our website.

<http://www.advantest.co.jp/en-index.shtml>

▶ Scope and Period Covered by This Report

This report covers activities performed by Advantest and its affiliates (11 in Japan and 16 overseas, as of March 31, 2011) during fiscal 2010 (April 1, 2010 to March 31, 2011).

* Activities performed prior to or after the above period are also mentioned as references to expand readers’ understanding.

▶ Guidelines Referenced

GRI, “Sustainability Reporting Guidelines (G3)”

Ministry of the Environment,
“Environmental Accounting Guidelines 2005”

Ministry of the Environment,
“Environmental Reporting Guidelines 2007”

Japanese Standards Association,
ISO 26000: 2010, Guidance on social responsibility

Contents

- 2 Editorial Note, etc.
- 3 Message from the CEO
- 5 The ADVANTEST Way & The Code of Conduct
- 6 Working to Solve Social Issues through Our Business Activities

▶ Corporate Governance | Advantest’s Management Structure

- 7 Enhancing Management Transparency
- 9 Building Integrity and Trust
- 10 Strengthening Risk Management and Security

▶ Corporate Citizenship | Advantest and Our Stakeholders

- 12 Focusing on Customer Satisfaction
- 15 Growing with Our Suppliers
- 16 Continually Improving Our Corporate Value
- 17 Creating a Positive Work Environment
- 22 Capitalizing on Our Expertise to Contribute to Society

▶ Environment | Advantest and the Global Environment

- 23 In Harmony—Global Environmental Conservation and Economic Growth
- 26 Conservation of Biodiversity
- 27 Promoting Environmental Management
- 28 Protecting the Environment through Leading-edge Technology
- 31 Combating Global Warming
- 33 Fully Utilizing Limited Resources
- 35 Communicating the Importance of Environmental Conservation
- 36 Environment-Related Data
- 37 Reaction to Independent Review of CSR Report 2010/
Independent Review of CSR Report 2011

Message from the CEO

Our goal is to be a global company that contributes to social progress by bringing security and comfort to people's lives through the development of cutting-edge technologies

Haruo Matsuno

Representative Director
President and CEO
Advantest Corporation



Expanding our global presence with cutting-edge technologies

Since its establishment in 1954, Advantest has adhered to its corporate mission of delivering “Technology Support on the Leading Edge,” and supporting social progress by bringing safety and security to people's lives around the world through its measurement technologies. In addition to PCs, mobile phones, and LCD TVs, semiconductors power a wide range of newer electronic devices such as smartphones and tablets, and are being used increasingly in automobiles and medical devices, making them truly indispensable to our lives and futures.

Against this backdrop, Advantest is working to expand and enhance its lineup of leading-edge and high-quality products, and develop its global presence to identify and meet the needs of customers around the world in a swift and accurate manner. This year, Advantest took a giant step toward further globalization with the acquisition of Verigy Ltd., a global semiconductor test equipment

manufacturer with business and product capabilities that work in synergy with our own.

Advantest's leading-edge technologies, built up over the company's long history, now cover a wide variety of fields. One such example is the TAS7000 3D Imaging Analysis System. Made commercially available in 2010, this is the world's first system that uses terahertz waves to perform nondestructive chemical and constituent analysis of materials and displays the results in both 2D and 3D visual form. This proprietary technology will enable the expansion of Advantest's technological reach into the automotive, pharmaceutical and security industries, to name a few.

Advantest continually aspires to deliver products that will benefit society and contribute to the development of growth industries, such as medical electronics, the environment, and energy. To accomplish this goal, we will continue to actively promote R&D activities.

Human resources—invaluable assets for business and society

The single most important role of corporate executives is to create a climate in which human resources can be fully nurtured and developed. Products that contribute to society can only be created in a climate where respect for individuals is valued. Based on the recognition that human resources are valuable assets of companies and society, we will continue our efforts to provide a work environment that enables employees to feel empowered and rewarded by their work.

Now in its second year, our corporate initiative, “1000 Days,” continued to record steady achievements in fiscal 2010. The initiative, in which employees form cross-functional, self-directed teams to accomplish specific goals, has proven to be highly effective in building teamwork among staff and collaboration across divisions. Through this process, employees not only learn the role teamwork plays in success, but more importantly, they gain respect for their colleagues’ commitments and achievements. Of the “7S” Principles that guide 1000 Days (Speed, Simplicity, Steadiness, Skills, Streamlining, Surprise, Smile), I personally consider “Smile” one of the most important. Seeing smiles on the faces of our stakeholders is a testament to the success of our efforts, and lately I am encouraged by what I see. The smiles on the faces of many employees, our most important stakeholders, are a positive sign that our work environment has become a more comfortable and inspiring place to be. In the future we will continue to improve upon and develop a work environment where employees can fully leverage their potential.

Quest for the Essence of CSR

Advantest regards corporate social responsibility (CSR) as a critical business element. We strive to fulfill our responsibilities while respecting our stakeholders and working in harmony with society. With regard to the conservation of the global environment, our activities cover a broad spectrum, including combating global warming, development of “green products,” and proactive efforts to reduce waste. Green products in particular have achieved a 20% reduction of

energy consumption over our conventional products. Our attention to designing with increased energy efficiencies and decreased product footprints has helped our customers achieve significant progress in energy conservation. For the continued health of the global environment, we are committed to making further improvements in these areas.

We are also strongly committed to raising awareness of the importance of biodiversity among our employees and suppliers, in accordance with the Guidelines of Action for Biodiversity enacted in fiscal 2010. This and our other ongoing environmental efforts were praised highly at the 9th Japan Sustainable Management Awards, sponsored by the Japan Sustainable Management Awards Committee and Mie Prefecture, and earned the Awards Committee Special Prize in fiscal 2010, following the “Excellence in Environmental Management” prize we received the previous year.

In order to meet the ISO 26000 standards issued in November 2010, and to further promote our CSR activities, we will initiate closer alliances with nonprofit and nongovernment organizations and communities, and will commit to paying closer attention to the voices of people in need. For emergency aid to the victims of the Great East Japan Earthquake that occurred on March 11, 2011, and to assist reconstruction in the affected areas, we have donated 100 million yen. Our CSR activities are driven by society’s current needs. At the same time, our corporate mantra, “Quest for the Essence,” helps us determine our course of action from a studied perspective. Today, with ISO 26000 as a guideline, we pursue CSR from a global perspective, exploring and discussing our responsibilities with all employees.

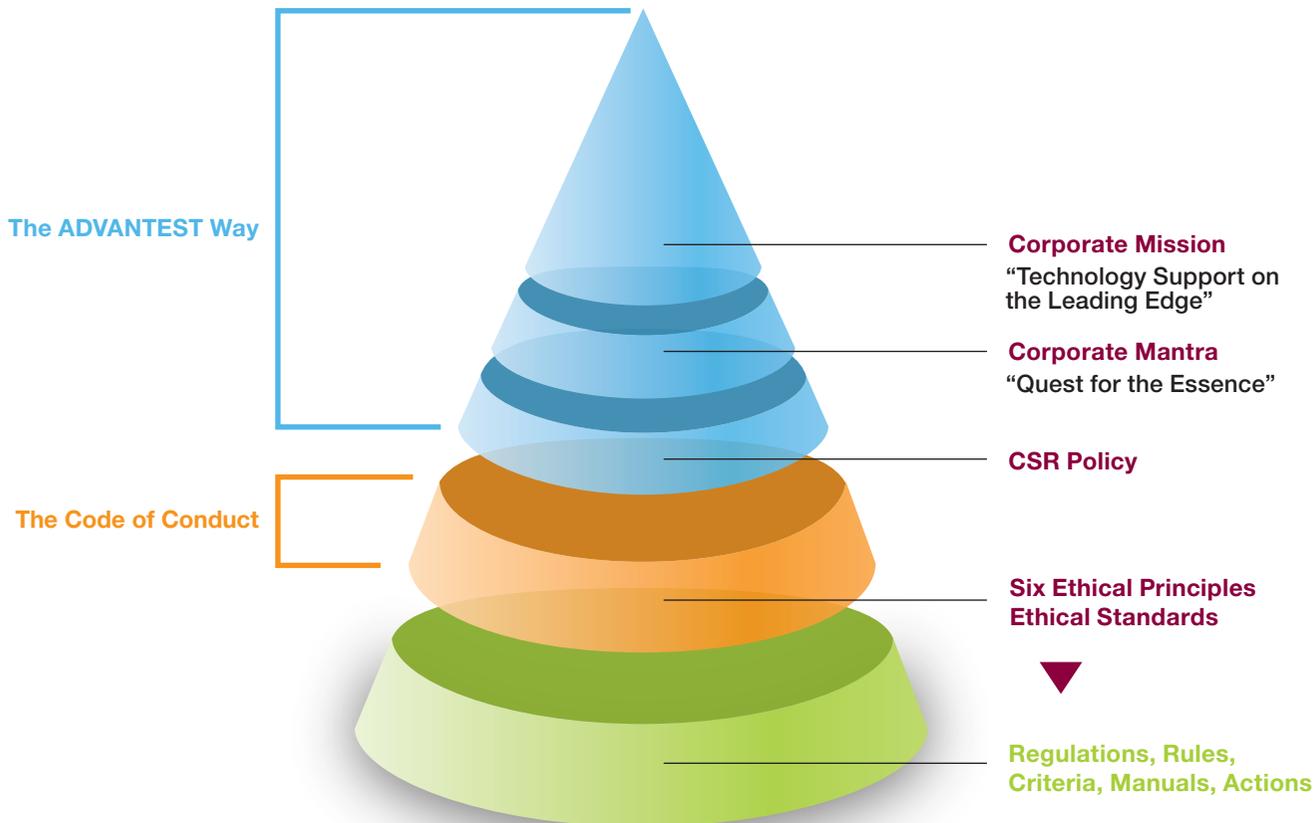
As we work to further enhance society’s trust, customer satisfaction, and shareholder value, on behalf of all Advantest employees, I would like to express our gratitude for your continued support.



The ADVANTEST Way & The Code of Conduct

In fiscal 2008, we revised our Corporate Social Responsibility (CSR) Policy, which summarizes our CSR initiatives. We also combined our three social commitments—our Corporate Mission, “Technology Support on the Leading Edge,” our Corporate Mantra, “Quest for the Essence,” and our CSR Policy—under a single policy, The ADVANTEST Way, to more firmly implant them. Advantest’s mission is to bring safety and security to our increasingly connected society. Naturally, we

consider CSR a cornerstone of our business, and encourage all employees to cooperate closely in the implementation of an effective CSR program. We are committed to transparent corporate management along with social and environmental activities, and aim to meet the expectations of our customers and all of our stakeholders through leading-edge measurement and testing technologies with a global perspective based on The ADVANTEST Way and The Code of Conduct.



CSR Policy

In line with our Corporate Mission and Corporate Mantra, we at Advantest aim to achieve a sustainable level of business development while enhancing our corporate value.

ADVANTEST respects each of its stakeholders and strives to maintain harmony with society in all its operations while contributing to the goal of a sustainable society.

- We work in harmony with *society* to preserve the *environment* and reduce our footprint.
- We strive to consistently deliver high-quality products and services to our *customers*.
- We appropriately return profits to our *shareholders* and disclose information appropriately to our *investors*.
- We are committed to cooperation with our *suppliers* in the interests of mutual prosperity.
- We treat our *employees* fairly, and constantly endeavor to improve their working environment.

Six Ethical Principles

1. Challenge with courage.
2. Increase communication with an open mind.
3. Enhance our own competence and use it to a maximum extent.
4. Provide our customers with satisfaction and a feeling of security.
5. Be aware of social responsibility and act in a good faith.
6. Act with a global viewpoint.



We have published The ADVANTEST Way and The Code of Conduct in booklet form. These have been distributed to all employees, and we have ensured they are all well aware of the contents. We have also set up a Corporate Ethics Helpline that everyone at Advantest can use for advice or to report inappropriate conduct, whether in a legal sense or in relation to The Code of Conduct.

Working to Solve Social Issues through Our Business Activities

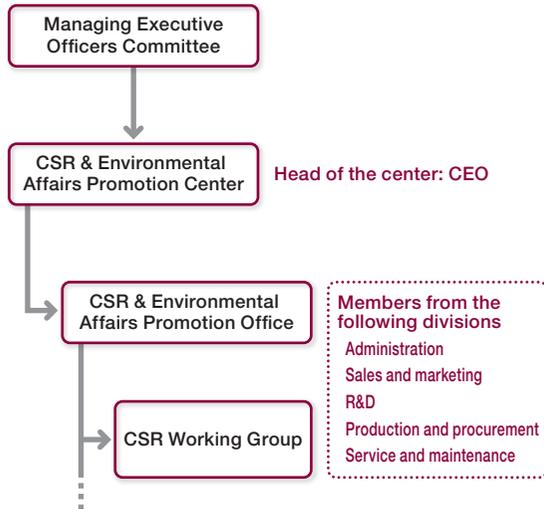
CSR organization and policy

At Advantest, the CSR & Environmental Affairs Promotion Center is headed by the CEO, and all CSR activities conducted by the company are spearheaded at the senior executive level. There is also a cross-divisional CSR Working Group in place to ensure that CSR activities are performed across all the company's operations. In accordance with the ISO 26000 standards issued in November 2010, the Working Group utilizes a global system for information sharing and activity coordination that further enhances CSR activities throughout the company.

For our future CSR activities, we will prioritize the seven core topics defined by ISO 26000, and focus on those deemed to have the greatest material impact.

Advantest will also work on social problems that are closely related to our business activities so that we can more effectively utilize our management resources.

Organization



Key organizational highlights

- (1) The CSR & Environmental Affairs Promotion Center—headed by the CEO to emphasize the commitment of management—spearheads all CSR activities.
- (2) The CSR Working Group ensures that CSR activities laterally encompass all divisions of the company.

Major policy points

In accordance with ISO 26000, our approach to CSR centers on:

- (1) Material impact
- (2) A focus on solving specific problems

CSR Working Group

Advantest's CSR Working Group plays a major role in ensuring that CSR activities are performed across all divisions of the company. Although corporations, including Advantest, have tended to place focus on social contributions that benefit a diverse array of stakeholders, ISO 26000 has reemphasized the importance of being actively involved, through our business activities, in social issues related to each of the seven core topics—in other words, “aggressive CSR.” To implement this aggressive CSR program, the members of the Working Group meet regularly to review ISO 26000 metrics and to identify the future direction of our global activities. We remain committed to ensuring the penetration of CSR throughout the company so that all employees share a common understanding of our goals and take pride in our commitments.

CSR training

Objectives:

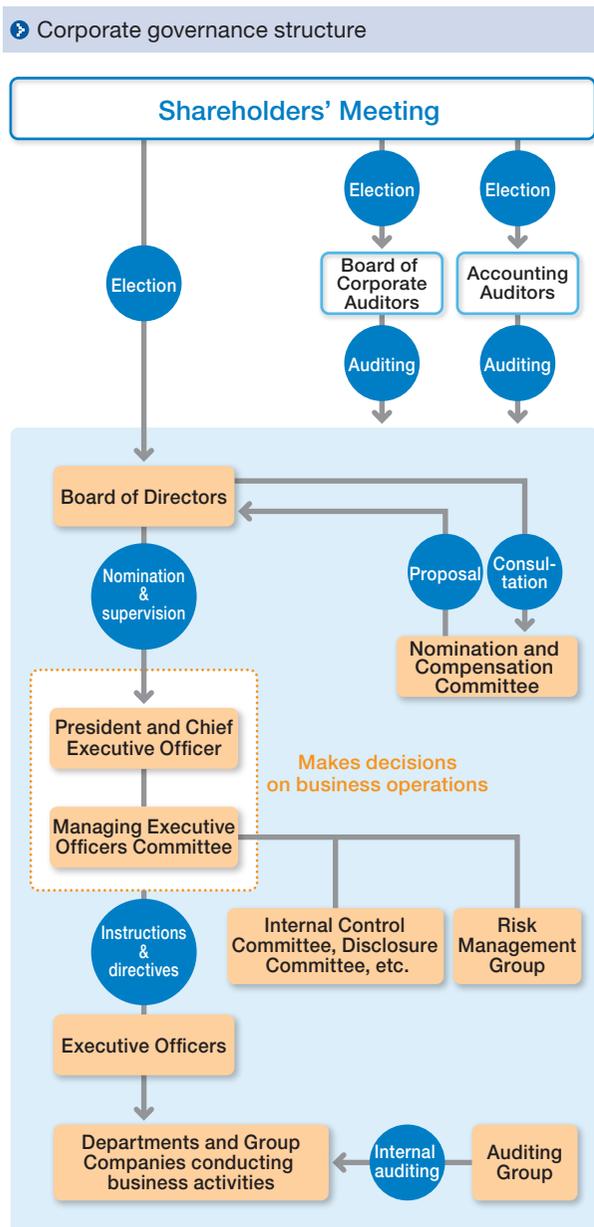
- Understand social responsibility and the basics of ISO 26000
- Identify CSR issues that need to be worked on and determine the direction of future activities
- Ensure the penetration of CSR and its implementation at the individual level

Contents:

- Comparison of Advantest's CSR activities with those considered “best-in-class”
- “Aggressive CSR”—active involvement in solving social problems through business activities
- Future direction of CSR and its development on the individual level (Lecturer: Mr. Mitsuo Ogawa, Craig Consulting)



Enhancing Management Transparency



Our approach to corporate governance

We aim to increase operational transparency, achieve sustainable growth, and increase our corporate value in line with the basic principles of management set out in The ADVANTEST Way and The Code of Conduct, a set of rules and standards of behavior that all executives and employees must observe. We clearly separate decision-making and supervising functions from executive functions, enhancing management efficiency and transparency.

Management structure

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

Advantest utilizes a corporate audit system built around the Board of Directors and Board of Corporate Auditors. We have also introduced an executive officer system in order to improve our response times and enhance corporate governance.

Board of Directors

The Board of Directors makes decisions on management policy, strategy, and other critical matters for the Group. It also monitors and supervises the company's executive officers to ensure business is conducted swiftly and efficiently. Effective June 2006, we shortened directors' term of office from two years to one, to clarify their management responsibilities and build a management structure capable of rapidly responding to changes in our business environment. The Board of Directors currently consists of eight directors*, of whom six are internal directors. Two are external directors.

We also have established the Nomination and Compensation Committee to discuss matters concerning the nomination and compensation of officers in consultation with the Board of Directors, and propose the results to the Board of Directors.

*As of April 1, 2011

Executive officer system

Advantest has introduced an executive officer system to boost management efficiency by separating decision-making functions from executive functions. Executive Officers are selected by the Board of Directors as senior management dedicated to the execution of operations. They have the responsibility of swiftly and efficiently implementing management policies and strategies determined by the Board of Directors. The term of each Executive Officer is limited to one year to clarify their accountability. There are a total of 16 Executive Officers*, some of whom are based in Japan while others are assigned to locations in North America, Europe, and Asia to enhance integration of the company's global operations.

*As of April 1, 2011

Enhancing Management Transparency

Internal controls

We created an internal controls system compliant with the US Sarbanes-Oxley (SOX) Act, enacted in July 2002. The system has since been upgraded to meet the compliance requirements of Japan's Companies Act, which came into effect in May 2006, as well as the Financial Instruments and Exchange Act (April 2008). In June 2010, our Internal Controls Committee assessed the efficacy of our fiscal 2009 internal controls, and met again in February 2011 to confirm the progress of assessment in fiscal 2010.

As part of an internal system of control, we carefully identify and classify potential risks that may be latent in our management environment, business activities, and company properties. We analyze the seriousness and probability of these risks, and formulate policies and procedures to properly manage them.

Furthermore, in the interests of consolidated group management where focus is placed more on consolidated financial performance than on separate aspects of financial performance, we ensure that the same high-quality internal control systems are maintained and operated throughout Advantest Corporation and its affiliates. The internal control systems employed within Advantest's worldwide affiliate companies are operated regionally in accordance with the group-wide, uniform policy formulated by the Internal Control Committee. Important matters concerning internal controls that occur within the Group are reported to the Board of Directors by the Internal Control Committee.

Audit system

The auditors audit the directors, Executive Officers and other executive bodies of the company in accordance with the audit policy and audit plan created by the Board of Corporate Auditors. They carry out their duties by attending the meetings of the Board of Directors and other important meetings, and conducting detailed reviews of Advantest's operations and assets. The Board of Corporate Auditors has four auditors, two of them full-time. Two are internal auditors and two external*. We have also established an Auditing Group, an internal audit organization. The Auditing Group monitors the status of Advantest's internal controls on a daily basis, and identifies problems and recommends improvements wherever needed.

*As of April 1, 2011

Internal auditing

Advantest's Auditing Group annually conducts an internal audit of risk and operational control of each Group company to ensure compliance with relevant laws and regulations. As a listed company on the New York Stock Exchange, Advantest is required to comply with the US Sarbanes-Oxley (SOX) Act. We therefore utilize the COSO framework* and the control self-assessment (CSA)** technique to ensure that the operational processes of each division exceed the standards required. In recognition of the indispensability of these efforts in boosting the transparency of our business activities and building a positive corporate culture, we work hard to address each and every problem discovered during an internal audit.

*COSO framework:

A framework for internal control proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992. In order to ensure—largely for the benefit of shareholders—that internal control is performed systematically over the activities of the manager and all other personnel, internal control is defined as having three objectives: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, (3) compliance with applicable laws and regulations, and consisting of five components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, (5) monitoring. These components are considered to be the standard elements by which to measure the effectiveness of internal control.

**Control self-assessment (CSA)

An internal control method that allows executives and managers directly involved in businesses of the entity to assess the effectiveness of the entity's control processes and risk management. With this technique, it is expected that risks can be identified, and control activities can be assessed and improved effectively and efficiently.

Building Integrity and Trust

Basic policy

Companies aiming for sustainable growth need employees who fulfill their social responsibilities with a strong sense of ethics. They also need to earn the trust of stakeholders. Advantest has established The ADVANTEST Way—the fundamental policy informing our management and operations which comprises our Corporate Mission (“Technology Support on the Leading Edge”), Corporate Mantra (“Quest for the Essence”) and CSR Policy—as well as The Advantest Code of Conduct, which provides specific guidelines for employees to enhance their ethical awareness.

Challenge for 2010

To encourage the swift discovery and solving of problems, we have distributed “The ADVANTEST Way & The Code of Conduct” booklet (in Japanese, English, and Chinese) to employees of all Group companies, and set up a Corporate Ethics Helpline. However, as a challenge for fiscal 2010, there was still a need to remind all the employees across the Group of the importance of ethical and legal compliance, and review operational processes.

Plan

Provide senior managers of Advantest and affiliates in Japan and overseas with mandatory training and lectures on the importance of maintaining high compliance awareness in corporate operations. Then encourage each participant to lead compliance enforcement activities at their organizations to ensure that all Group companies have the same level of compliance awareness.

Do

During the biannual Global Business Meeting held in September 2010, a specialist from the Corporate Ethics Office provided a lecture on corporate compliance to 19 senior managers of Advantest and affiliates in Japan and overseas. Participants were reminded of the importance of compliance to sustainable growth by looking at examples of illegal acts or scandals committed by other companies, and gained a deeper understanding of the effectiveness of ethics and risk management (prevention and response) and internal controls as well as specific management methods. Afterwards, internal audits or other forms of internal controls were conducted at each Group company to ensure that business activities were being conducted properly.

Check and Action

By looking at global examples of illegal acts or scandals committed by other companies, the participants were reminded that each employee's individual commitment to The Code of Conduct is essential to sound business activities. This has heightened the participants' compliance awareness. In the future we plan to survey participants to improve the way these lectures are provided.

Challenge for 2010

There was a need to reinforce the checks of operational processes in accordance with the internal controls system to ensure that they are implemented properly, and maintain and enhance the soundness of business management. There was also a need to introduce measures designed to increase each employee's awareness of compliance.

Plan

- (1) Check internal controls regarding compliance at all Group companies through the Auditing Group. (Send personnel of the Auditing Group to each business site to conduct audits or go through checklists to perform a control-self assessment (CSA).)
- (2) Consider measures to regularly remind employees of the importance of compliance.

Do

- (1) The personnel of the Auditing Group visited 28 Group companies, both in Japan and abroad, and spent about two hours asking 20 to 30 questions from a checklist at each company to investigate whether applicable laws, such as companies, labor and subcontract laws, are observed, and whether internal controls are implemented strictly. It took six months to complete all the investigations.
- (2) As a first step, we plan to conduct a survey to better understand the current level of employees' awareness regarding compliance. We will also place a special feature article on compliance in our corporate magazine as a measure to create the same level of compliance awareness across all employees and have them share a common understanding of compliance.

Check and Action

- (1) The results of the investigations were generally favorable. There were some cases in which documents had not been updated, and advice was provided accordingly. We need to conduct follow-up checks to make sure that the documents are constantly updated.
- (2) We were originally planning to conduct an ethical awareness survey during fiscal 2010, but because extra consideration was needed before finalizing the content, we decided to postpone it until fiscal 2011.

Strengthening Risk Management and Security (Intellectual Property & Business Continuity Plan)

Basic policy

Advantest observes all laws and regulations concerning intellectual property rights, and respects third parties' intellectual property rights. Advantest conducts intellectual property activities that are instrumental in promoting sustainable development of our business.

Challenge for 2010

- (1) There was a need to objectively analyze the technological capacity of the Advantest Group as a whole, and identify our strengths and weaknesses to find a method for effective R&D investment to enhance technological capacity.
- (2) There was a need to ensure that all employees gain a deeper understanding of intellectual property rights, and be aware of risks related to their daily tasks.

Plan

- (1) Restructure the intellectual property rights management system so that all the rights owned by the Advantest Group, including affiliates in and outside Japan, can be centrally and more effectively managed.
- (2) Provide employees with training on risks associated with intellectual property rights. Tailor the content of training depending on the type of job the employee is engaged in so that the training is more relevant to each employee.

Do

- (1) We investigated applicable laws and regulations of each country and intellectual property rights rules of each affiliate. We then developed the Advantest Group Intellectual Property Rights Rules, which cover all common practices. The rules were enforced in 2010. We are also preparing memoranda that are to be concluded between Advantest Corporation and its affiliates, which reflect applicable laws and regulations of each country to provide more detailed rules. The memoranda are scheduled to be completed in fiscal 2011.

We also investigated intellectual property rights owned by our affiliates, and changed the intellectual property rights management system in a way that enables Advantest Corporation to centrally make decisions on whether or not to apply for a patent and in which country the application for a patent is to be filed, and monitor all application procedures. This allows Advantest Corporation to centrally manage all patents owned by the Group and classify them by technological field.

- (2) Training on intellectual property rights conducted during fiscal 2010

Trainees	Subject	Lecturer	No. of trainees
Newcomers, new managers	Basic knowledge	Intellectual Property Department	Approx. 50
R&D personnel	Patent risk	Outside lecturer	Approx. 150

We plan to train personnel responsible for R&D, PR and advertising, and manual creation in issues related to trademarks and copyrights.

Check and Action

- (1) The personnel of Advantest Corporation and its affiliates are discussing possible improvements to the memoranda. In this way the memoranda when created will be more relevant and reflective of the applicable laws and regulations of each country.
- (2) We will strengthen training for personnel engaged in operations that require knowledge of intellectual property rights. We will also conduct surveys after each training program and analyze participants' level of understanding in order to improve our training and materials.

Our increased awareness of the importance of patents led to the establishment of the IP Promotion Working Group in October 2010. The members are participating in various activities to gain more knowledge about patents.

Basic policy

Our basic policy regarding preparations for and response to large-scale disasters is as follows:

- (1) If a disaster occurs near any of our offices and factories, the safety of employees and their families must be secured first and foremost.
- (2) Disaster prevention activities, as well as recovery activities in the event a disaster occurs near any of our offices and factories, must be conducted diligently and in collaboration with local communities.
- (3) We must fulfill our responsibility to our stakeholders by ensuring that any damage caused to our business by a disaster has a minimal impact on suppliers and other stakeholders.

Challenge for 2010

Advantest created a Business Continuity Plan (BCP) in fiscal 2007 as a preparation for a serious earthquake. While we have been working since then to enhance awareness of the importance of disaster prevention and business continuity among employees, and strengthen the business continuity system, an urgent need to revise the BCP has arisen as a result of a change in the group organization in fiscal 2009 and 2010.

Plan

We focused on the following two issues in fiscal 2010:

- (1) Review the BCP to meet the needs of the rapidly changing business environment.
- (2) Review measures currently taken when production equipment is relocated to prevent it from falling over during an earthquake.

Do

- (1) We created a draft of the revised BCP, which covers not only earthquakes but also other emergency situations, such as other natural disasters and changes in our business environment. The next step we will take is to align the Disaster Recovery Manual of each division with the new BCP.
- (2) We added Advantest Laboratories in Sendai and Sendai Factory to the sites designated as requiring special measures against earthquakes, including those to prevent machinery from falling over, and took necessary measures for these sites. As for factories where the layout is currently under reconsideration as part of our production rationalization plan, we decided to review their earthquake measures in fiscal 2011.
- (3) We implemented training aimed at assessing the safety and whereabouts of employees and their immediate families. These will be held at the same time as disaster drills, on an on-going basis.

Check and Action

When the Great East Japan Earthquake occurred on March 11, we confirmed the safety of all employees of our Group companies in Japan by March 15. Regarding property damage, although there was some damage to air-conditioner fittings, ceilings, and walls, facilities indispensable to R&D and production were almost unaffected, thanks to anti-seismic measures taken previously. Our factories and offices in the Gunma region recommenced operations on March 15, and those in the Sendai region started office work on March 22. During the rolling blackouts implemented after the earthquake, we introduced a shift work system to maintain sufficient production levels. Regarding disaster-related shortages of certain parts, we have formed an emergency project team to find alternative parts and modify designs in order to maintain product quality and deliver products on time. We will learn from the earthquake and continue to improve the safety of our offices and factories, reinforce the business continuity system, and work on training employees to ensure that the BCP will be implemented effectively.

Strengthening Risk Management and Security (Information Security)

Basic policy

We regard information provided by customers and suppliers, and information about Advantest's technologies and businesses, as crucial assets. We ensure that all executives and employees are aware of the importance of such information, and utilize it effectively within the framework of appropriate controls.

Challenge for 2010

To improve the overall level of information security, there was a need to balance technical security, physical security, and personal security while taking into account the characteristics of our operations and business environment.

Challenge for 2010

The Inventory Book of Confidential Information and the Confidential Information Security Questionnaires periodically collected from affiliates in and outside Japan and each division of Advantest revealed that the security level of some divisions did not meet our standards. Therefore, as a challenge for fiscal 2010, there was a need to contact those divisions individually to urge them to take action for improvement.

Plan

We focused on the following in fiscal 2010:

- (1) Reinforce information security in overseas business activities.
- (2) Monitor the management of information assets.
- (3) Enhance employees' information security awareness across the Advantest Group.

Plan

- (1) Grasp accurately how security measures are implemented at each affiliate and division of Advantest, and clarify issues that need to be improved.
- (2) Ensure that all employees of the Advantest Group are familiar with the Group's security control procedures, and share issues faced by each affiliate company and division.

Do

- (1) The personnel of the Security Control Office visited each overseas affiliate, reviewed security management practices, and provided guidance for improvement.
 - (2) Investigations were conducted as to the usage of PCs and other information systems, and rules for users were revised based on the investigation results.
 - (3) In our annual investigation into confidential information management across all corporate divisions, guidance was provided for improvement as necessary.
 - (4) Training on how to handle confidential information was provided to all employees of the Advantest Group.
 - (5) Advantest registered for and participated in Information Security Awareness Month, a campaign promoted by Japan's National Information Security Center (NISC), and solicited ideas for improving security from employees.
 - (6) A manual of hints for managing confidential information throughout its life-cycle was prepared and distributed.
- The progress of these activities, as well as security-related incidents, is reported at a monthly meeting of the Information Security Committee.

Do

- In fiscal 2010, we focused on the following two issues where risk was considered to be particularly high, and took preventive actions at affiliates in and outside Japan:
- (1) Improvement in the way information assets are handled
 - Guidance was provided to information security managers at each company to improve procedures for protecting confidential information from external threats.
 - We checked that documents have a confidentiality level clearly indicated, disclosure destinations are recorded, and permissions for storage of and access to confidential information are set properly in accordance with specific rules.
 - (2) Improvement in the way information systems are handled
 - We checked that rules are strictly observed when PCs or other information systems have to be taken off corporate premises.
 - Our rule is that whenever confidential information has to be taken off corporate premises, such actions be recorded precisely. The Security Control Office personnel held discussions with information security staff at each affiliate regarding the best way to maintain these records.

Check and Action

It is a challenging task to develop a system to effectively control information security, yet this is just the first of our tasks. We also need to respond to the changing environment quickly, and maintain the system so it is sound at all times. We enhanced the efficiency of security measures in fiscal 2010 to support smooth business operations at each office and factory. In fiscal 2011, we plan to review security rules to create a security control system that can be adapted to our changing environment.

Check and Action

The Security Control Office personnel met and discussed various issues with the information security staff at each affiliate and division, and gained deeper mutual understanding in many areas. We will continue to maintain lively communication with affiliates and divisions, and, through cooperation with them, enhance both security and efficiency.

Focusing on Customer Satisfaction (Sales and Marketing)

Basic policy

Our overarching goal is to enhance customer satisfaction by providing our customers with leading-edge, cost-effective test solutions that meet their time-to-market needs. Our customers include Integrated Device Manufacturers (IDMs), fabless semiconductor manufacturers and OSAT companies, the subcontractors to whom chip-makers outsource production.

Challenge for 2010

Increasing market competition is forcing down the average selling price of semiconductors and squeezing the profit margins of manufacturers. Yet, with each new generational change in technology, manufacturers are forced to invest in higher-performing test equipment that enables faster delivery and a competitive advantage. This ongoing capital investment in testers and other production equipment places a heavy financial burden on manufacturers, and is forcing many of our customers to seek a new business model that does not rely on frequent capital outlays.

Plan

To meet the demands of semiconductor manufacturers and subcontractors for higher-performance, lower-cost test equipment, while lessening the risks associated with the changing business environment, and to accomplish this through the introduction of the "loading linked lease" business model, a usage plan offered by Advantest to satisfy the increasingly complex needs of our customers.

Do

This project was initiated in 2009. After formulating the concept and seeking feedback from semiconductor manufacturers and subcontractors, input was channeled to the relevant Advantest business groups who then devised the new "loading linked lease" business model to mitigate concerns over capital outlay.

Under the new "loading linked lease" model, rather than purchasing new test systems with each technology shift, our customers can now lease testers for a fee based on their utilization rate. This enables customers to have greater flexibility and access to new technology, without relying on capital spending.

This business model has been particularly well received by subcontractors who need to introduce new testers on a continual basis but who cannot anticipate their order stream. More than 100 test systems are already out on lease under this program, primarily in Taiwan.

Check and Action

This business model allows our customers to cut capital spending and mitigate the risks associated with market uncertainty while helping Advantest increase its business opportunities, leading to a win-win situation for Advantest and its customers. We intend to further enhance value for our customers by analyzing their feedback.

Basic policy

The Sales Division strives to enhance customer satisfaction by offering optimal solutions to meet a variety of customer demands, concerning lead time, price, performance, and others, through effective utilization of the Advantest Group's global resources.

Challenge for 2010

The emergence of local handler manufactures in South Korea has caused the memory handler market to become extremely competitive. Lead times and prices are coming under extreme pressure. In addition to these two factors, to survive in this market it is also vitally important to respond quickly to meet the specific needs (e.g., product specifications) of each customer. Delivering high-quality Japanese-made handlers, which have a long lead time, to customers in South Korea is not a viable option for Advantest if it seeks to beat the competition posed by local manufacturers.

Plan

To address the above challenge, in fiscal 2010 we focused on the following initiatives:

- (1) Start producing Advantest's flagship product, the M6242 memory handler, in South Korea, which is home to some of the world's leading memory manufacturers.
- (2) Designate responsibility for the procurement of materials and the production and sales of products to our local affiliate to minimize prices and reduce lead times.
- (3) Improve the quality of our service by ensuring our South Korean customers are serviced by local support engineers who can meet their specific needs.

Do

In February 2011, we empowered Advantest Korea, our local affiliate, to start production of M6242 memory handlers. The handlers are manufactured by a newly formed production division staffed by a team that has built up solid expertise over many years supporting the handler market and related fields. Recognizing the key importance of increasing local procurement in order to achieve the prices and lead times required in the South Korean market without compromising Advantest's quality standards, we analyzed the quality and price of several thousand parts to identify those best suited to our purposes. This done, our local sales and marketing, production and administrative staff can process orders and make arrangements tailored to meet the specific needs of each customer. Through these efforts, we have achieved prices that are acceptable to customers and have cut lead times while assuring the same level of quality our customers have come to expect from Advantest.

Check and Action

Because delivery requires flexible coordination, it is necessary that information collected by the local sales and marketing team is reflected in production management on a real-time basis. This helps us realize better planned production and reduce lead times for not just handlers but for all test systems. Furthermore, we support our local staff to ensure they can adequately respond to customer requests for additional products or services.

Focusing on Customer Satisfaction (Quality Assurance)

Basic policy

Customer satisfaction is the most fundamental principle underpinning Advantest's creativity. Our product quality policy—"Offer the timely, high-quality products our customers want, by designing for quality and globally optimizing the product engineering process"—characterizes our portfolio of products that offer not only superior performance but also superior environmental friendliness and safety.

Challenge for 2010

To achieve even higher design quality, Advantest makes the utmost effort to identify potential problems through design reviews in the upstream development process. These systematic, companywide efforts have proved effective, though even more strenuous and focused design review is required.

Challenge for 2010

We installed two T2000 test systems at a factory of a customer who had adopted the T2000 for the first time. However, several malfunctions occurred with the first system soon after it was installed, and a malfunction was also found in the second system at the time of installation. Because the factory mass produces products for Asian markets, we needed to solve the problems immediately to assure stable operations.

Plan

Invite relevant experts to participate in design reviews to address specific issues and improve the quality of design reviews.

Plan

As a result of joint investigations conducted by the Field Service Group and other related departments, it was found that the malfunctions had happened for two reasons: a problem with Advantest's design and the customer's unfamiliarity with operation of the system. We therefore decided to focus on solving the design problem, renewing the installed systems, and offering product training to the customer.

Do

We have developed the Design Review Meister System, which involves forming groups of five to 10 experts—one "Meister" and the rest "Reviewers"—for each technical area and ensuring that at least one Meister or Reviewer is always present at design review meetings where technical knowledge in a specific area is required. We have also created a mailing list for each group so that the Meister and Reviewers can be easily contacted whenever necessary.

Do

After receiving complaints from the customer, representatives of the quality assurance division visited the customer to explain measures planned as a result of our investigations. To remedy the design problem, we offered to replace the installed systems with redesigned systems, and proposed a reinstallation schedule. We also explained important matters that need to be observed when operating the systems and recommended that the customers' staff undergo the product training provided through the distributor. The customer agreed to both the product replacement and staff training, and we adjusted the implementation schedule.

Check and Action

The Design Review Meister System has led to the vitalization of the design review process by encouraging active discussions and is proving effective not only in terms of identifying problems but also in training employees. The system has also helped network the personnel involved, who can now consult each other regarding any design concerns prior to the review. We are also beginning to see feedback from employees on improving the system, indicating that the system is gradually becoming an integral part of our design quality assurance process.

Check and Action

The redesigned systems installed at the factory experienced no malfunctions for months after being installed, demonstrating a favorable result for both Advantest and the customer. We will continue to make every effort to keep malfunctions to a minimum, including by reviewing the content of the customer training program.

On the other hand, while the design review process has become stringent, some employees are becoming overly reliant on it and are failing to conduct sufficient self-checks prior to the review. Analyses of problems discovered in the product quality evaluation reveal that they are often the result of simple mistakes that are difficult to spot during design reviews. We will therefore strengthen checks prior to design reviews, among other measures, to eliminate such simple mistakes.

Focusing on Customer Satisfaction (Customer Support)

Basic policy

Rather than routinely operating within existing norms and methods, we seek to first identify what our customers really want at the start of all our activities. This is how we maintain a better quality of service than our competition.

Challenge for 2010

To remedy malfunctions and restore our customers' production equipment to full functionality in the shortest possible time frame, we need to get engineers and equipment on the spot as soon as we can. As one of our challenges for fiscal 2010, we recognized a need to promote more immediate action by each division to improve our response time.

Plan

- (1) In Japan, solve no less than 85% of problems reported to the Customer Support Center within 24 hours. In cases where the transportation of replacement equipment or parts is involved, solve no less than 95% of problems within 48 hours.
- (2) Maintenance parts in stock are currently shipped the day after orders are received. Review the process so that we can ship 80% or more orders on the same day.
- (3) Outside Japan, maintain inventories of replacement equipment and parts at each service center so that we can ship upwards of 95% of orders from the service center nearest to each customer.

Do

- (1) In Japan, when we started the improvement activities, the rate of problems solved within 24 hours, or 48 hours in cases where the transportation of replacement equipment or parts was required was 64% and 50% respectively. We created visual representations of the progress of support activities and promoted swift action to ensure repairs would not be dragged out unnecessarily. We also collected feedback from customers after each support job to help us improve our problem solving capabilities.
- (2) From past experience we knew it was quite difficult to enhance employee awareness of the importance of shipping maintenance parts on the same rather than the following day. (At the beginning of the program only 12% of orders were sent out on the same day.) We therefore visualized a process for evening out the shipment flow for stocked parts to ensure they are shipped the same day.
- (3) For markets outside Japan, we analyzed replacement equipment and parts delivered from each service center and developed a centralized system based in Japan for determining and controlling inventories at each service center.

Check and Action

In Japan, the rate of problems solved within 24 hours, or 48 hours in cases involving the transportation of replacement equipment or parts, improved to 90% and 95% respectively. With regard to the delivery of maintenance parts in stock, 80% of orders from customers in Japan were shipped on the same day, while all orders from overseas customers were shipped within three days, including the time required to complete export procedures. Furthermore, 93% of replacement equipment and parts required in overseas markets were delivered from local service centers.

Basic policy

Since many of our customers choose to adopt the fabless manufacturing model and outsource production (fabrication) to subcontractors, Advantest derives more than 80% of its sales from overseas markets. Although our market is expanding worldwide and our customers are relocating their production footholds to foreign countries, our global support system is well set up to meet all the needs of our customers in a timely manner.

Challenge for 2010

The greatest challenge is to help our customers maintain stable operations of their production equipment. We need to reinforce our support system on a global scale so that we can swiftly and effectively solve any production equipment problems and minimize our customers' downtime.

Plan

We reviewed our existing support system and decided to launch a new system from fiscal 2011, as described below, to meet the challenge.

- Integrate the Customer Support Center for customers in Japan and the global support division responsible for assisting the customer support functions of overseas affiliates to create a new Global Support Center.
- Establish an Emergency Support Team to deal with urgent matters.
- Increase the number of personnel supporting the new system and develop their skills.

Do

We formulated the following action plans:

- A new Global Support Center, staffed with dedicated engineers on standby, will be established to provide a central contact point for all support requests and inquiries from customers around the world and reduce our response time.
- An Emergency Support Team will be formed. Expert engineers from this team will be quickly dispatched to on-site locations to solve urgent and challenging problems at an early stage.
- A new training program will be developed to rotate global customer support personnel between overseas and Japanese units to help them improve their language, cultural adaptation and technical skills.
- New personnel will be trained and assigned to support customers around the world.

Check and Action

Our goal for overseas customer support is to complete all the work required to solve a problem within 72 hours (downtime) after the problem occurs. In fiscal 2010, we achieved this goal in more than 90% of all cases. When we are not able to solve a problem within 72 hours, we conduct systematic research to identify the reasons so that we can improve our performance in the future.

Growing with Our Suppliers

Basic policy

Under Advantest's CSR Policy, which pledges respect for our suppliers, we value communication with our suppliers, and maintain fair business relationships in accordance with relevant laws and regulations. Furthermore, we are committed to sharing values and building collaborative relationships with our suppliers with the goal of mutual growth.

Challenge for 2010

There was a need to ensure that all the divisions engaged in procurement comply with legal and ethical standards and conduct fair transactions at all times based on The ADVANTEST Way and The Code of Conduct.

Challenge for 2010

To select suppliers through a fair and equitable process, we indicate clear selection criteria and feed back the results of questionnaire surveys and evaluations. However, one of our challenges for fiscal 2010 was to vitalize communication with suppliers in order to forge even stronger ties with them.

Plan

To address the above challenge, in fiscal 2010 we focused on the following initiatives:

- (1) Provide training on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (hereinafter, "Subcontractors Act"), one of the most important procurement-related laws, to purchasing and R&D personnel.
- (2) Conduct internal audits to ensure that procurement transactions performed by each division are appropriate and take necessary measures if any problems are identified.

Plan

To address the above challenge, in fiscal 2010 we focused on the following initiatives:

- (1) Conduct a questionnaire survey to investigate our suppliers' status with respect to compliance with the Advantest Procurement Policy.
- (2) Modify the supplier evaluation system to conduct an evaluation every quarter and feed back the results to support suppliers' efforts to make improvements.
- (3) Organize social events to meet suppliers, share information and build deeper relationships.

Do

- (1) A seminar on the Subcontractors Act was held on December 13, 2010, for all purchasing personnel as well as R&D staff who deal with suppliers. For this year's seminar, an expert from the legal division was invited to talk about the key issues from a legal viewpoint. After the seminar, the comprehension level of the attendees was checked through simple yes/no questions so that they could identify which areas they needed to work on.
- (2) The Auditing Group conducted internal audits to ensure that procurement transactions performed by purchasing personnel upon request from R&D staff comply with prescribed procedures. Although no legal violations were discovered, failures to meet the Advantest standards were identified. We are working to solve these problems as soon as possible.

Do

- (1) A questionnaire survey on the Advantest Procurement Policy was conducted to find out how each supplier is working on CSR activities, including their environmental and business continuity plans.
- (2) Suppliers were evaluated every quarter in terms of quality, price, and delivery. We fed back the results to each supplier, and requested them to improve any items that were considered to fall short of our standards by using the PDCA cycle. Their progress was checked during the next quarter's evaluation.
- (3) Suppliers were invited to a New Year's party held on January 14, 2011. The President of Advantest spoke directly to about 260 participants, representing 150 suppliers. We also organized an annual suppliers' meeting and an annual suppliers' reception, and officially commended suppliers that received high evaluation ratings.

Check and Action

The training and audits conducted in fiscal 2010 alone were not sufficient to ensure ongoing compliance in procurement. We will therefore conduct training and audits each year to enhance employee awareness and monitor the way each transaction is processed in order to ensure fair relationships with our suppliers.

Check and Action

We will check the progress of suppliers' improvement regarding matters judged not to meet our standards and consider the best way to support suppliers in cases where sufficient improvement has not been made. In doing so, we will cooperate to find ways to reinforce our business relationship with each supplier. We will also continue to share information with suppliers regarding initiatives to cope with the impact of the March 11, 2011 Great East Japan Earthquake and utilize findings to formulate future disaster measures.

Continually Improving Our Corporate Value

Basic policy

Advantest believes the best ways to serve the interests of our shareholders and investors are to continually create corporate value and exceed shareholders' expectations.

Challenge for 2010

Through IR activities we aim to obtain a fair evaluation of our corporate value and earn the trust of investors by communicating our management vision, business strategy, and business activities in a timely manner.

Challenge for 2010

We need to ensure that our General Meeting of Shareholders not only complies with regulatory requirements but is also an effective means of deepening shareholders' understanding of Advantest and gaining their support.

Plan

The global stock market, which has been dominated by Western players, is now seeing the increasing presence of Asian investors. By capitalizing on this trend while continuing our fundamental IR activities we hope to increase opportunities to contact investors and deepen their familiarity with Advantest.

Plan

The General Meeting of Shareholders represents a rare opportunity for Advantest to directly communicate with investors. With this in mind, we focused on the following activities in fiscal 2010: Make the meeting productive and worthwhile for attendees, and ensure the clear and accurate communication of information on Advantest, even for shareholders who are not able to attend.

Do

Advantest conducts "IR road shows" twice every year at which senior management officials meet overseas shareholders and investors to directly explain the company's business strategies and targets. In fiscal 2010, we arranged IR road shows in Singapore and Hong Kong, as well as North America and Europe, meeting with 84 institutional investors in total. We also met more than 600 securities analysts and institutional investors in Japan during the year and conducted a wide range of IR activities. These included activities to increase participation at investor conferences and, for the first time, conducting a tour of our Sendai R&D Center and factory.

Do

The fiscal 2010 Ordinary General Meeting of Shareholders was held on June 24. The convocation notice was sent out on June 1 to give shareholders sufficient time to consider the agenda. We also ensured that English versions of the convocation notice and other documents used in the meeting were available on our website so that all necessary information could be instantly shared with overseas shareholders.

On the day of the meeting, we made every effort to create an atmosphere conducive to questioning and enjoyed a lively Q&A session. After the meeting, a reception was organized to promote interaction between shareholders and Advantest executives.

An Interim Report sent to shareholders in November included a visually appealing special feature on Advantest's contributions to business and society.

Check and Action

Through IR activities conducted in fiscal 2010, we found there was strong interest in Advantest among investors around the world coupled with high expectations for the company. We will continue to increase opportunities to meet investors while ensuring the timely, clear and accurate communication of information by actively participating in investor conferences and redesigning our website.

Check and Action

These activities served to deepen our shareholders' understanding of Advantest. However, there are still many shareholders who were not reached by these activities or are not familiar with Advantest's products and services, which are aimed solely at the industrial rather than household sector. In order to serve these shareholders, we will continue to implement similar initiatives on an ongoing basis.

Creating a Positive Work Environment (Employment and Development of Global Human Resources)

Basic policy

The Advantest Group has pledged to respect the human rights of every employee and eliminate all forms of direct and indirect discrimination on the grounds of race, creed, gender, nationality, religion, disability, and any other grounds determined to be the basis of discriminatory practice. We practise fair and equal recruitment and treatment of personnel and provide equal career development opportunities for individuals able to work globally.

Challenge for 2010

- There was a need to promote the recruitment of culturally aware workers with outstanding communication skills and the ability to perform well in the global arena.
- In an increasingly borderless business environment, there was a need to accelerate the globalization of human resources development and organizations through active exchanges with personnel from overseas affiliates.

Plan

- Promote the recruitment of students in other countries and foreign students studying in Japan to expand the workforce and remain competitive in the global arena.
- Continue exchanges of human resources between Advantest Corporation and its overseas affiliates to allow employees on both sides to work in different cultural environments and share knowledge and expertise with local employees through daily operations and training. Through this exchange program, participating employees are expected to improve their job skills, versatility and adaptability to a range of environments.

Do

- For the first time, Advantest participated in job fairs for foreign students held all over Japan to boost recruitment of international employees. We also timed induction activities for each overseas student to coincide with their graduation and start date, taking a more flexible approach than in the past to help ease them into their new environment.
- The human resources exchanges with overseas affiliates are implemented frequently at each division regardless of type of job. Under this program, which is specifically designed to promote interaction among personnel in Japan and abroad, employees participate in the exchange either on a short-term or on-loan basis.

Check and Action

- We were able to recruit students in overseas countries and foreign students studying in Japan through the job fairs. We plan to participate in similar job fairs, both overseas and in Japan, to further globalize our recruitment activities. Although induction training is generally geared toward new graduates who join the company in April, we are modifying this to allow all new graduates to take the training irrespective of when they start work.
- We presently count among our workforce employees from eight countries and three of the 16 executive officers at Advantest Corporation are non-Japanese. We will continue to provide equal opportunities to all promising individuals regardless of nationality while underscoring the need to develop a global perspective and global organizations through borderless promotion and personnel exchange.

Basic policy

Advantest actively supports employees who work consistently to refine their skills, acquire greater expertise, and broaden their knowledge. We conduct human resources development based on the following ambition: to develop among our workers an adventurous spirit and cosmopolitan outlook while enhancing their management skills.

Challenge for 2010

Although we have training programs open to every employee to teach them everything from the basics of a particular job to the latest technological trends, sluggish business performance up to the previous fiscal year forced us to make some cuts. One of our challenges for fiscal 2010, therefore, was to bring our training programs back to full-scale operation, while also planning a shift to a new training system that better reflects the changing business environment.

Plan

Identify the qualities required of employees to meet the needs of the rapidly changing business environment and our own globalization, and create a new training system that will help develop such qualities. Resume suspended programs while planning and implementing new programs to make training even more effective.

Do

Our existing training system is designed to train the personnel of Advantest Corporation and its affiliates in Japan. However, because the system needs to be redesigned from a more global perspective, our staff examined the training systems adopted by each of our overseas affiliates and interviewed the relevant personnel to get ideas for the new company-wide training system. With regard to the newly added training programs, we decided to use both external and internal instructors, depending on the program content, to ensure the effectiveness of each course.

⇒ See page 20 for more details on the training programs.

Check and Action

The new training programs were implemented on a trial basis in fiscal 2010. As surveys conducted after the program showed that many attendees found the programs useful, they will be provided again in fiscal 2011.

With regard to the new training system, we plan to finish developing it in fiscal 2011 by incorporating the views of both Japanese and overseas affiliates to make the system more global-oriented.

Creating a Positive Work Environment (Diversity/Work-Life Balance)

Basic policy

Advantest values the diversity of its workforce and strives to create a workplace environment where every employee can achieve their full potential.

Challenge for 2010

Advantest respects the personal values of individuals and promotes a climate in which all employees can be fully engaged regardless of their gender, age, or nationality. Recognizing, however, that women remain underrepresented in our workforce (accounting for 9.0% of all employees and 1.5% of all managers), we identified a need to increase the recruitment of women in fiscal 2010.

⇒ See page 20 for statistics on male and female employees.

Plan

The overwhelming percentage of new graduates employed by Advantest have traditionally been male engineering majors and our earlier attempts to attract women have largely fallen short. In fiscal 2010, therefore, we participated in a job fair for women and planned and held a site tour to raise awareness of the advantages of working at Advantest among prospective female recruits, specifically engineering students.

Do

In partnership with about 30 other companies, we organized a job fair specifically targeting women. At the fair, we met with a large number of students and explained Advantest's workplace environment, possible career paths, and various programs, highlighting the areas in which female employees currently excel.

We also conducted a tour of Gunma R&D Center for female engineering students from around the country. Female employees engaged in R&D showed the students around the center, describing their cutting-edge work and a typical day at the Center.

Check and Action

The percentage of women who joined the company as new recruits in April 2011 was 23.7%. We will continue our efforts to increase this figure.

⇒ See page 20 for statistics on new graduates employed by Advantest.

Basic policy

Advantest supports the achievement of a good work-life balance by its employees based on Japan's Next Generation Education and Support Promotion Act. We believe that the work-life balance concept will help make the company a comfortable place to work for all employees and ultimately contribute to increasing the company's corporate value.

Challenge for 2010

There was a need to reduce overtime hours and create a work environment that facilitates the achievement of a good work-life balance in order to allow our employees to actively pursue their own outside interests and become well-rounded individuals.

Plan

- The most important issue was the reduction of overtime hours. To solve this issue, we set the goals specified below and then focused on increasing operational efficiency, changing employee mindsets, and making the most of the available work arrangements such as flextime and shift work.
 - (1) The number of employees whose monthly overtime hours are 86 hours or more: zero
 - (2) Average monthly overtime hours: 36 or less
- We also focused on providing more flexibility in start and finish times and introduced half-day leave slots to make it easier for employees with working spouses to share household chores and responsibilities.

Do

In fiscal 2010, the company reduced the maximum working hours under Japan's "Article 36 Agreement," pledged to do everything possible to reduce overtime hours for all employees, and reminded supervisors of their responsibility to ensure employees do not work excessive hours. As in the previous fiscal year, we continued to make announcements via the public address system urging employees to leave the office on time on Wednesdays and where individual employees were found to be working excessive overtime, this was brought to the attention of their immediate supervisors in the middle of each month.

We also made the following arrangements to enhance our employees' work-life balance.

⇒ See page 20 for actual data.

- (1) Broaden the scope of employees eligible to work under the childcare/home health care provider shorter-hours system to those whose spouse works full time.
- (2) Give employees with childcare/home health care provider responsibilities more flexibility with regard to start and finish times as an additional measure to the existing flextime system.
- (3) Offer each employee five days of annual leave—more than the number required by law—to care for sick/injured children or family members, and introduce half-day leaves.
- (4) Relax conditions on the taking of cumulative paid leave (Simplify procedures and allow employees to take their leave on a half-day basis).
The half-day leave in (3) and the simplified cumulative paid leave process in (4) will be introduced in fiscal 2011.

Check and Action

Although we achieved the second goal specified in the Plan, we failed to accomplish the first. The reason for this failure was that we had to deal with unexpected problems and meet short lead times. Countermeasures to prevent recurrence were discussed at leader meetings. We have set the same goal for fiscal 2011.

With regard to the work-life balance issue, we will ensure that all employees are well aware of the new arrangements developed in fiscal 2010 and work to improve them while monitoring how they are utilized.

Creating a Positive Work Environment (Mental Health/Safety and Health)

Basic policy

Lively workplaces are created by lively employees. At Advantest, the Health Promotion Office supports the physical and mental health of employees and promotes a safe, comfortable work environment.

Challenge for 2010

To maintain employee health, it is important for managers to understand mental health issues and make every effort to alleviate employees' occupational stress to prevent health impairment. Managers also need to know how to identify and address any mental health problems their subordinates may be having at an early stage.

Plan

- (1) Conduct manager training on mental health care in the workplace to promote the prevention and early detection of problems.
- (2) For employees who wish to resume working after a long absence due to a mental health issue, improve our return-to-work support program so that it better reflects actual circumstances.

Do

We implemented the basic mental health training program for managers at Advantest Corporation and its affiliates in Japan. The training session was conducted 12 times in total at eight locations across the country between January and March 2011. The total number of participants was 366. Advantest's own occupational physician delivered the training, explaining the importance of mental health care from the viewpoint of corporate risk management, stressing the responsibilities workplace supervisors have to the company as well as to the affected individuals.

At Advantest, we operate a program to support employees returning from a leave of absence. Under the program, employees can consult and seek counseling from the company's occupational physician or access other forms of tailored support as needed to help them to return to work. Although the importance of cooperation between the affected employee, the family doctor, the occupational physician, the employee's section or department, and the personnel division was well understood, in reality the care undertaken by those concerned following a return to work was not well coordinated. We therefore modified the program to require related parties to meet before reinstatement to discuss the condition of the employee, the readiness of the employee's organization, and the process of reinstating the employee to normal working hours.

Check and Action

The time between a manager first noticing that an employee may be suffering from a mental health problem and seeking expert advice on how to proceed has shortened since the mental health training was conducted. Based on this success, we plan to provide more practical training for managers and self-care training for general employees in the future.

The discussion among concerned people including the employee's immediate supervisor before the employee returns to work has proved effective in coordinating care taken after reinstatement, but there is still room for improvement in helping the employee resume work under normal conditions.

Basic policy

The Advantest Group places a high priority on maintaining the safety and health of all personnel in every corporate activity it undertakes. To this end, we actively promote safety and health activities aimed at creating a safe, comfortable work environment.

Challenge for 2010

Although safety and health are managed mainly by the Safety and Health Committee established at each business site of Advantest Corporation and its affiliates in Japan, there are still gaps in the level of knowledge and awareness of safety and health issues among individual employees and divisions, resulting in discrepancies in the progress of activities.

Plan

Develop safety and health standards and review the training system used by Advantest Corporation and its affiliates in Japan to standardize safety and health activities across the Advantest Group. By creating a new safety and health system in this way, build a foundation for future activities.

Do

We focused particularly on training designed to reinforce prevention of accidents at work.

- (1) The safety and health training system was reviewed and, based on the revised system, safety and health training plans were formulated by each Safety and Health Committee. These plans are slated for implementation from fiscal 2011.
- (2) A list of qualifications required for promoting safety and health activities was created. Based on this list, we started to train and qualify personnel in a more planned manner, taking into account the possibility of existing qualified personnel being transferred off-site.
- (3) Training on the following subjects was conducted by Advantest's occupational physician:
 - Safety and health training for Safety and Health Committee members
 - Health training for visual display terminal (VDT) operators at R&D Centers
 - Training to prevent heat stroke for employees engaged in environmental maintenance
- (4) Hazards were identified in each workplace and protective equipment standards were revised. Necessary protective equipment was purchased based on the new standards and distributed to each workplace.

Check and Action

Although we worked hard to train internal instructors after confirming the details of the safety training, this did not progress as planned in fiscal 2010.

In fiscal 2011, we will ensure that formulated plans are implemented and standards are observed by our own employees as well as suppliers. When we have completed the safety and health training system in Japan, we will expand it gradually to include overseas affiliates. Furthermore, we will review internal emergency safety rules based on the lessons learnt from the Great East Japan Earthquake and ensure they are followed across the company.

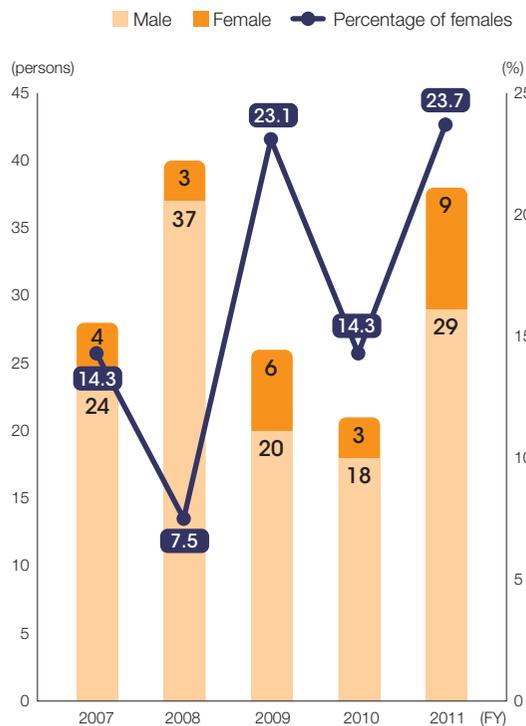
Creating a Positive Work Environment (Data)

(1) Major training programs (See p.17)

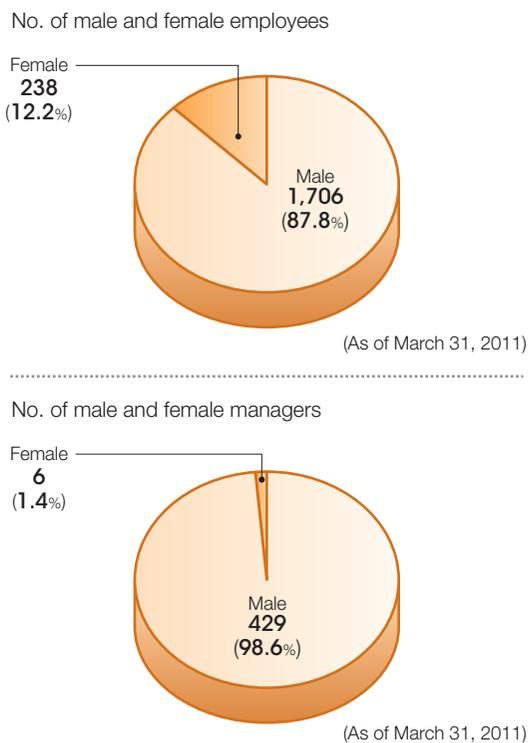
Program	Objective	Target	No. of times implemented	No. of trainees
Mental Health Training*	Enhance management skills	Managers	12	387
Career Development Program*	Enhance management skills	Managers	2	30
Technology Marketing Course*	Enhance marketing skills	Engineers	1	14
Problem-Solving Training*	Enhance marketing skills	Engineers	1	16
Technology Seminar	Acquire knowledge about the latest technologies	Engineers	78	1,701

*New programs introduced in fiscal 2010

(2) No. of new graduates employed (See p.18)

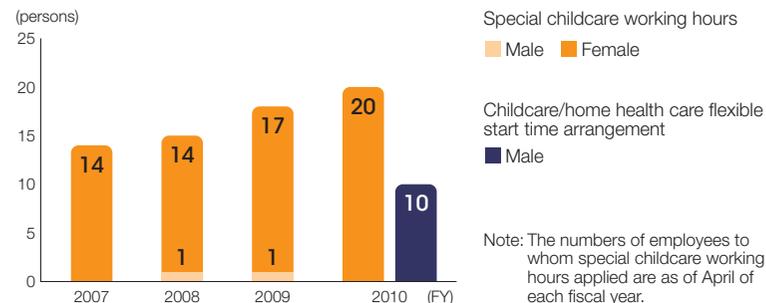


(3) No. of male and female employees (See p.18)

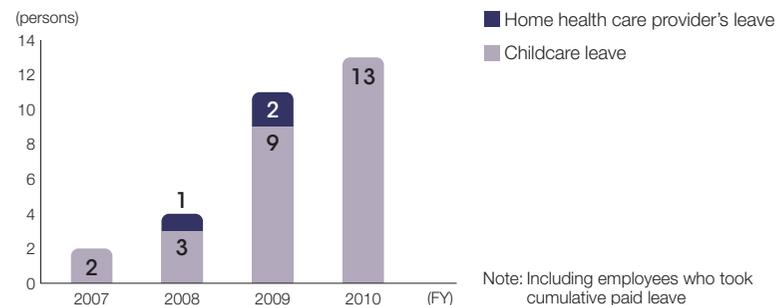


Note: The data on this page indicate:
 (1) Advantest Corporation and its affiliates in Japan
 (2)–(6) Advantest Corporation

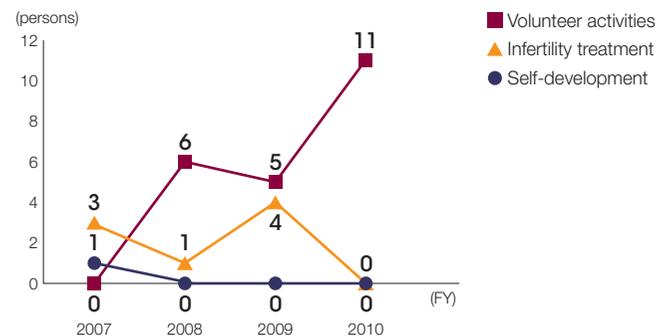
(4) No. of employees to whom special childcare working hours or childcare/home health care flexible start time arrangements applied (See p.18)



(5) No. of employees who took leave to care for sick/injured children or family members (See p.18)



(6) No. of employees who took cumulative paid leaves (See p.18)



Capitalizing on Our Expertise to Contribute to Society (Work Opportunities for People with Disabilities)

Basic policy

Advantest Green Corporation (AGC) was established in September 2004 as a *tokurei kogaisha* (special "barrier-free" subsidiary) of Advantest for the purpose of promoting the employment of people with disabilities. Since then, AGC has been striving to offer job opportunities for and continuous employment of people with disabilities under the slogan, "Support employee independence and achieve corporate growth in partnership with the local community." Advantest also actively takes part in various activities in partnership with local communities and relevant organizations to create workplaces where all employees, regardless of their disability status, can work comfortably.

Challenge for 2010

Our major challenges in fiscal 2010 were as follows:

- (1) Ensure that our ratio of employees with disabilities exceeds 1.8%, the mandatory employment quota in Japan.
- (2) Develop a workplace environment where employees with disabilities can work comfortably.
- (3) Collaborate with the local community and contribute to society.

Plan

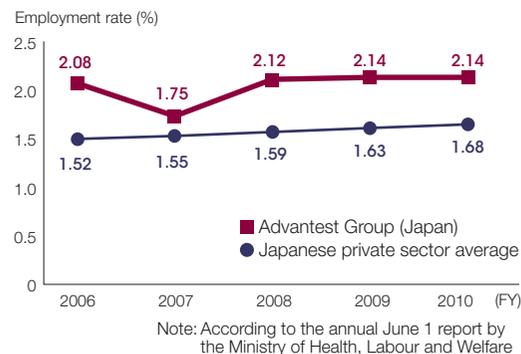
We focused on the following activities to meet the above challenges:

- (1) Maintain the employment rate of people with disabilities at the Advantest Group (Japan) at 2.0% or more.
- (2) Develop a workplace environment where every employee can take on new challenges with energy, enthusiasm, and confidence.
- (3) Encourage employees—as independent members of society as well as employees of the Advantest Group—to actively take part in their local community.

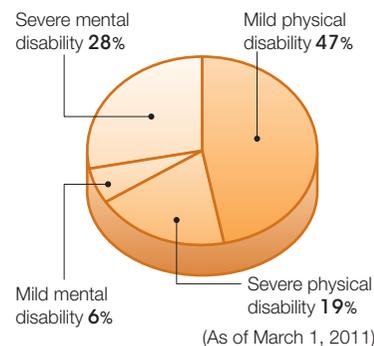
Do

- (1) The rate of employment of people with disabilities at the Advantest Group (Japan) was 2.14% as of June 2010, well above the mandatory quota of 1.80%. About 70% of these employees are physically disabled, while 30% are mentally disabled. Approximately 50% are considered to be severely disabled. We continue to promote the employment of people with mental disabilities or developmental disorders, especially those with severe mental disabilities.
- (2) We are taking steps to develop workplaces where every employee can approach their tasks with enthusiasm and are promoting the growth of both individuals and the company by encouraging each employee to improve their skills in areas where they can work to their strengths.

Employment rate of people with disabilities



Type of disability



Specific measures

- In accordance with their individual capabilities, set a goal for each employee as their action guideline.
- Introduce a training system for each type of job that enables employees to improve their skills in three steps.
- Introduce a unique operational manual approval system.
- Implement follow-up training on workplace etiquette and appropriate conduct.



Follow-up training including a short skit about appropriate conduct at work



An article in the *Saitama Shimbun* newspaper reporting on the follow-up training

- (3) While working to promote the employment of people with disabilities, we became aware of the many opportunities available to us to cooperate with various local communities. We also discovered that our role in the local community can be not only very significant but also extremely rewarding.

Activities for the local community

- Presentations were given upon requests from outside organizations, attracting 1,100 attendees in total.
- Training was conducted for 20 trainees in total from local special needs schools.
- Ten company tours were organized for outside organizations.
- Cleanup activities were conducted around our business sites on seven occasions.
- We took part in an event organized by a local special needs school.



We took part in a summer festival at a local special needs school.



We also arranged for one of our disabled employees to deliver a presentation.

Check and Action

Both the actual number and the percentage of employees with disabilities at the Advantest Group (Japan) are increasing steadily. We will continue to encourage every employee, regardless of their disability status, to actively contribute to their local community through activities related to our business.

Capitalizing on Our Expertise to Contribute to Society (Perpetuating an interest in science and technology)

Basic policy

Advantest participates in IKKAN, a corporate-supported human resource development program run by the Kyushu Semiconductor Industries & Technology Innovation Association (SIIQ) in cooperation with other companies with facilities in Kyushu, to develop workers who can make a major contribution to enhancing the competitiveness of Kyushu's semiconductor industry.

Challenge for 2010

The labor shortage in the semiconductor industry resulting from the declining birthrate and shrinking number of engineering graduates, combined with the restrictions flowing from the recent global financial crisis and subsequent recession, have created extreme difficulties for Kyushu's semiconductor industry. To overcome this situation, there is a need to develop competent workers with strong technical skills who can create highly marketable products.

Plan

To encourage future graduates to apply for jobs at semiconductor companies in Kyushu, we need to provide students with work experience opportunities that give them an understanding of how technologies are utilized in business so they may get an idea of working conditions in the semiconductor industry. Toward this end, we decided to continue the following activities:

- (1) Plan and implement work experience programs under IKKAN for engineering students in cooperation with local semiconductor-related companies. Hold a meeting to report the results of the programs.
- (2) Organize a job fair jointly with other semiconductor-related companies in Kyushu to link the IKKAN work experience program with employment.

Do

- (1) Seven local semiconductor-related companies offered one-day programs to students to give them hands-on experience of the entire process of semiconductor fabrication. Advantest Kyushu Systems Co., Ltd. (AQS) hosted 19 students from Kyushu University, Kyushu Institute of Technology, Waseda University, and Kitakyushu College of Technology at a program in August 2010. On November 1, the students reported on the program and their achievements to the Kyushu Bureau of Economy, Trade and Industry.
- (2) In February 2011, we organized a job fair in cooperation with 22 semiconductor-related companies in Kyushu, including IKKAN member companies. The job fair, which specifically focused on the semiconductor industry, attracted IKKAN program participants and other students demonstrating a strong interest in the industry.

Check and Action

In fiscal 2010, one IKKAN program participant was employed by the Advantest Group. The program received favorable comments from other participants, including one who reported, "Unlike other programs, I was able to see how lots of companies operated and learned about the management policies and corporate culture of each company." Another said that the program "opened my eyes to the depth and complexity of the semiconductor industry." While we still need to improve the content in consideration of the short length of the program, we will continue to take part in the program as a company that aspires to grow together with the local community.

Basic policy

Although Japan is said to be a technology-oriented nation, the declining interest in science among children is becoming a serious problem. As a manufacturer, Advantest makes an effort to introduce the fun of science to children in our local communities in hopes of generating interest and encouraging future scientists and engineers who will drive Japan's future.

Challenge for 2010

One of the reasons that children are losing interest in science is because there are few opportunities for children to enjoy science and the creative possibilities it entails. This situation has come about due to a lack of appropriate educational opportunities. Ensuring school facilities keep up with the rapidly evolving world of science and technology, however, is too big a task for local governments to tackle on their own.

Plan

Advantest's current and retired engineers planned two variations of a Science Craft Day to help children learn different scientific principles and develop their creativity.

- (1) One Science Craft Day organized solely by Advantest
- (2) Three Science Craft Days organized in collaboration with the local government

Do

- (1) Science Craft Day organized solely by Advantest
In July 2010, children made PET-bottle rockets in a meeting room at Advantest and later launched them on the company grounds. Seventy-four local families participated in the event.
- (2) Science Craft Days organized in collaboration with the local government
 - Summer Science School at Kazo Municipal Kitakawabe-Higashi Elementary School in Saitama Prefecture
Third-grade children learned the power of air and pressure, and the principles of action and reaction through constructing and launching PET-bottle rockets.
 - Science Craft Days at Meiwa Township Meiwa Higashi and Nishi Elementary Schools in Gunma Prefecture
Fifth-grade children learned how electrical currents work, Fleming's left/right hand rule, and the reversibility of electricity and magnetism by making speakers.

Check and Action

Advantest's Science Craft Days, held since 2005, have become a regular event in their local communities and one that local children look forward to with great anticipation. Having recognized that children are more likely to discover the joys of science if the adults around them are themselves enthusiastic about its possibilities, we will work on activities aimed at encouraging local teachers to develop a greater interest in science and technology in fiscal 2011.

In Harmony—Global Environmental Conservation and Economic Growth

Basic policy

Based on our goal of “Caring for Our Planet,” the Advantest Group promotes environmental management by considering the environment in the course of its daily business activities, striving to reduce its environmental impact and offering environmentally friendly products. Through these efforts and as a corporate citizen we aim to create benefits for the Advantest Group, society, and the global environment.

Challenge for 2010

Our challenges in fiscal 2010 were to ensure that appropriate environmental activities were conducted at sites that had not been ISO 14001 certified, review and continuously improve environmental management system operations to make them more efficient and effective, and revise chemical substance management standards.

Plan

- Expand the scope of ISO 14001 certification to non-production sites in Japan and manage environmental risks and chemical substances in accordance with the Fifth Advantest Group Environmental Action Plan.
- Take steps to streamline environmental management system operations as an activity theme of the corporate initiative “1000 Days,” including through periodical deliberations among personnel of the Environmental Secretariat at each business location in Japan.
- Revise the operations and standards for managing risks and chemical substances in cooperation with the Safety and Health Committee, tightening controls governing risks and chemical substances.

Do

In December 2010 Advantest’s Western Japan Office received ISO 14001 certification, bringing the total number of business locations in Japan with integrated certification to eight, including two offices. This enables us to promote effective and efficient environmental management under an integrated environmental management system. With regard to related operations, we got rid of elements not required under the rules, simplified reports, and reviewed routine work to streamline operations. As a result of these efforts, it is expected that the annual man-hours required for these efforts will decrease by 20%. As regards chemical substances, we introduced a new management system based on different control levels and reviewed the management standards. We also strengthened, in cooperation with the Safety and Health Committee, workplace monitoring carried out by an occupational physician and a health supervisor, and ensured that appropriate training will be provided to users of hazardous and harmful substances.

Check and Action

In fiscal 2011, we will ensure that the new ISO 14001 operations will be conducted throughout the company and improved continuously to enhance their efficiency. As for chemical substances, we will provide safety management training at each business location in Japan on management and handling of chemical substances, further reinforcing the chemical substance management system in Japan.

● Policy: <http://www.advantest.co.jp/environment/vision/plan/en-index.shtml>

Details of activities

Revision of Advantest Group Environmental Policy

The Advantest Group recognizes that the development of our business activities owes much to biodiversity, and that conservation of biodiversity is an important corporate responsibility. In March 2011, we clarified this stance by adding “Conservation of Biodiversity” to the Advantest Group Environmental Policy.

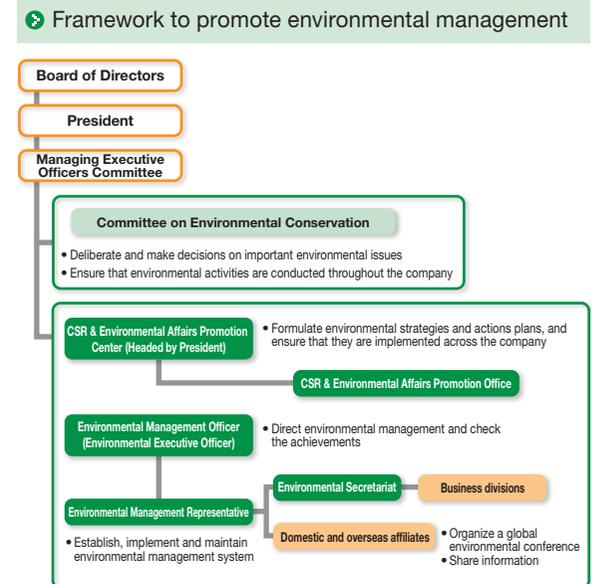
Advantest Group Environmental Policy (extract)

The Advantest Group is committed to contribute to the progress of a sustainable society through the development, design, and manufacturing of semiconductor test systems and mechatronics, and customer service-related activities. In addition, based on our fundamental position of “Caring for Our Planet” and as a company trusted by our society, all Advantest employees actively participate in the following environmental conservation efforts:

- 1) Promoting Environmental Management
- 2) Environmentally Friendly Products
- 3) Environmental Burden
- 4) Better Workplace Procedures
- 5) Conservation of Biodiversity (new policy)
We will be alert to the impact of our business activities on biodiversity and will strive for the conservation of biodiversity and the sustainable use of biological resources.
- 6) Complying with environmental laws and regulations and preventing pollution
- 7) Disclosing the information related to environment

Framework to promote environmental management

The Advantest Group has set up the CSR & Environmental Affairs Promotion Center and the Committee on Environmental Conservation, under the direct control of the Managing Executive Officers Committee, who are responsible for formulating and determining environmental management strategies and implementing them across the company. Furthermore, we actively share information with the CSR/environmental divisions of our overseas business locations to promote environmental activities on a global scale.



● Framework to Promote Environmental Management:

<http://www.advantest.co.jp/environment/vision/organization/en-index.shtml>

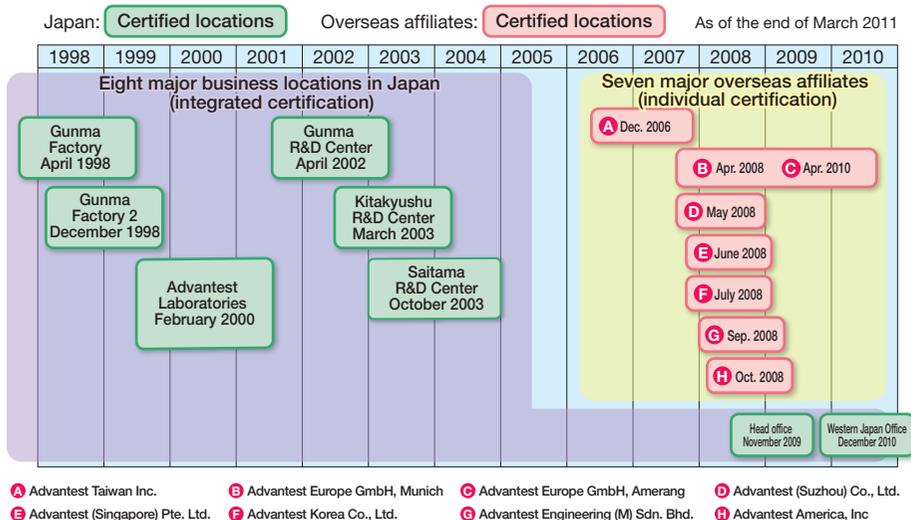
In Harmony—Global Environmental Conservation and Economic Growth

Details of activities

Acquisition of ISO 14001 certification by Western Japan Office

The Advantest Group has been conducting a wide range of environmental activities, including those developed to combat global warming and reduce waste generation as well as development and sale of “green products,” at its production and R&D locations in Japan and seven major overseas affiliates. In order to enhance environmental commitments in offices, in fiscal 2010, we established the environmental management system at the Western Japan Office, and acquired ISO 14001 certification in December 2010. This completes the certification of ISO 14001 in two office locations, including the head office, and enables us to perform even more effective environmental activities consistently across all the major office, production, and R&D sites.

Acquisition of ISO 14001 certification



Improvement in operational efficiency—environmental management system

As part of continuous improvements of the environmental management system, we took steps to streamline the operations of the Environmental Secretariat, an organization responsible for operating the system at each business location, by registering the task as an activity theme of the corporate initiative “1000 Days.” After analyzing the details of operations and required man-hours of the Environmental Secretariat at all the applicable business locations, we reviewed all the operation rules specified in the Environmental Management Manual to boost efficiency. As a result of these efforts, we were able to reduce man-hours at the Environmental Secretariat by about 20%, allowing the office personnel to devote more time to effective environmental activities, including new environmental initiatives.

ISO 14001: <http://www.advantest.co.jp/environment/consideration/office/iso14001/en-index.shtml>

Internal environmental audit

Advantest conducts an internal environmental audit every year to voluntarily check its environmental performance and the suitability and effectiveness of the environmental management system to ensure that the ISO 14001 standards are being strictly observed. In September 2010, 96 qualified internal auditors conducted a periodical audit at all ISO-14001-certified factories and offices, after receiving regular training provided by Advantest’s internal audit unit. Although there were 50 minor improvement points the report to the Environmental Management Officer revealed no accidents, complaints, or legal violations concerning the environment and confirmed environmental management was in general being properly maintained. We will ensure the findings are reflected in our environmental management system.

Environmental education

Advantest provides various training programs on an on-going basis—which include programs focusing on a particular career level, guidance on the handling of chemical substances, and sharing information necessary for the development of green products—to upskill employees and enhance the effectiveness of our environmental activities. In fiscal 2010, we asked employees to write their messages on the environment as part of an event held during Environment Month in June for the purpose of increasing their environmental consciousness. A total of 400 employees participated. In December, we organized an environment lecture on best practices which attracted 300 employees.

Environmental Education: <http://www.advantest.co.jp/environment/consideration/office/iso14001/en-index.shtml>

Environmental education in fiscal 2010

Month	Program	Results
April	Training for new employees	18 participants
June	Solicitation of messages on the environment	400 participants
	Solicitation of environmental value engineering proposals	57 proposals
	Environmental internal auditor training seminar	41 participants
November	Training on the safety of chemical substances	86 participants
December	Environment lecture	300 participants
Throughout the year	Publication of “Eco Bulletin”	Published monthly
	ECOCH energy conservation program	251 participants
	Online sharing of environment-related information	22 articles



Messages on the environment written by employees



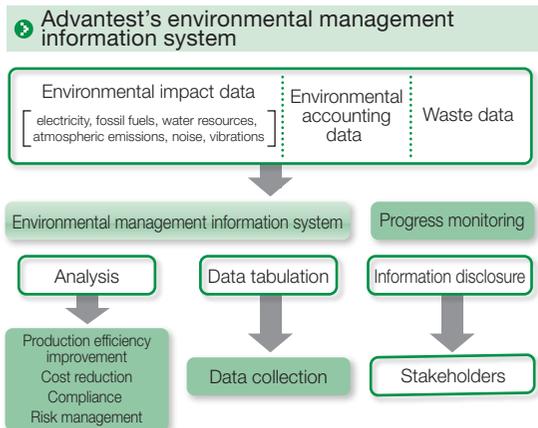
Environment lecture

In Harmony—Global Environmental Conservation and Economic Growth

Details of activities

Introduction of environmental management information system

The Advantest Group has introduced an environmental management information system for more efficient tabulation, analysis, and visualization of data. Under this system, quantitative data on the environmental activities performed by each division is obtained in a timely manner, and, along with environmental accounting data, is fully utilized as important information for the continuous improvement of our environmental management system and to further reduce our environmental impact and costs.



Strengthened chemical substance management

Advantest introduced a new chemical substance management system based on hazard levels in fiscal 2010 to tighten and enhance the efficiency of controls for chemical substance safety. Chemical substances are classified into four categories depending on the degree of hazard they pose, and managed according to the new standards revised for each level (locked storage, input/output control, periodical inventory control, etc.). We also unified labeling of stored chemical substances so that they can be identified clearly at a glance. In addition, the Safety and Health Committee led a number of initiatives to strengthen safety controls. Specifically, operations chiefs and other qualified personnel have been deployed at each department using chemical substances, and the safety training system has also been upgraded. Under the strengthened safety controls, staff at departments in which highly hazardous chemical substances are handled are required to receive special training. Furthermore, workplace monitoring by an occupational physician and a health supervisor has been reinforced. We will continue to enhance safety control by conducting audits and providing guidance regularly through the corporate chemical management division to ensure the safety of stored chemical substances.

Control levels of chemical substances

Level	Description	Locked storage	Input/output control	Inventory control
4	Substances that need to be registered with the government when handled due to their extremely high toxicity and impact on society Examples: narcotics, stimulants	○	○	As per laws and regulations
3	Substances that need to be reported when lost due to their high toxicity Examples: poisonous and deleterious substances	○	○	Monthly
2	Combustible, corrosive, or chronically toxic substances Examples: organic solvents, acids, alkaline substances	○	○	Semiannually
1	Substances with no hazards specified above Examples: solder, fluorinert, adhesives available on the market, lubricants	—	○	—

Reduced risk through a new disposal method of chemical substances at factories

At R&D Centers and other locations where the volume of chemical substances used is not so large, waste chemical substances are stored at each department, and handed over to specialized firms semiannually for disposal. With regard to the large volume of waste chemical substances generated at factories, we previously used to store the waste in special storage facilities and hand it over to disposal firms every two to three months. However, from the viewpoint of reducing risk at the waste disposal facilities, it has been decided that only chemical substances that are determined as low risk will be stored under the strict control of the chemical substance manager and waste manager of each factory.

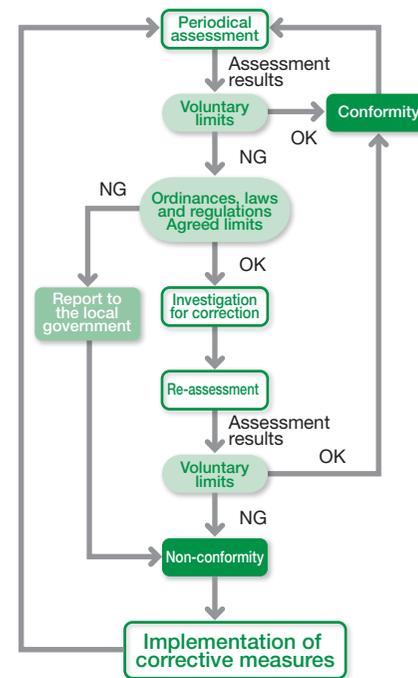


Waste chemical substances are separated according to type when stored.

Environmental risk management

In order to prevent environmental pollution or other environmental dangers, we operate, monitor, and assess the environmental impact of equipment that may affect the environment based on our own voluntary limits, which are tougher than the legal requirements. We are also currently developing rules and a management system instrumental in reducing environmental risk. These include operation manuals for equipment and chemical substance emergency procedures. For employees engaged in particularly high risk operations, we regularly provide special training and emergency drills so that they can act quickly in emergency situations. In fiscal 2010, we had no environmental accidents or complaints.

Environmental assessment flow



Contamination Risk Prevention:

<http://www.advantest.co.jp/environment/consideration/office/risk/en-index.shtml>

Conservation of Biodiversity

Basic policy

To show our gratitude for the gift of nature that is endowed by biodiversity, and to recognize the significance of biodiversity to underpin the prosperity and the wellness of our society, the Advantest Group will take its initiatives in conserving biodiversity and in contributing to the sustainable use of biological resources.

Challenge for 2010

We have worked on various activities for the conservation of biodiversity, such as forest conservation activities. However, we had not clarified our policy on and the overall direction of activities related to biodiversity for employees and other stakeholders.

Plan

To give clear direction to our biodiversity conservation activities and ensure that the activities will be more fruitful, we identified the need to define our policy toward this issue. We therefore focused on creating guidelines for biodiversity conservation activities, as well as on providing education on biodiversity and expanding the forest conservation program to enhance the senior managers' and employees' awareness of the importance of biodiversity and call on them to pay attention to biodiversity in their business and daily lives.

Do

A biodiversity education program was conducted for the members of the Committee on Environmental Conservation, which directly reports to the Managing Executive Officers Committee, to ensure that all the members are well aware of the importance of biodiversity. In March 2011, we also added "Conservation of Biodiversity" to the Advantest Group Environmental Policy, and established the Guidelines of Action for Biodiversity to outline the specific activities to be undertaken by Advantest. These guidelines focus on the following four issues: (1) Understanding the Environmental Impact, (2) Understanding Biodiversity, (3) Reduction of the Environmental Impact, (4) Cooperation with Stakeholders. Furthermore, we expanded the forest conservation program, participating in the activity at Mt. Kabasawa in Aoba-ku in the city of Sendai in February 2011, in addition to the activity at the Yasuragi-no-Mori forest in Gunma Prefecture to which Advantest contributes volunteers once a year. Fifty three employees took part in these activities as volunteers. We also continued research on the plants grown in the biotope located on the premises of the Gunma R&D Center, and discovered three threatened and near threatened species.

Check and Action

We will continue to work to enhance employees' awareness of biodiversity by providing education and encouraging them to take part in forest conservation activities. We will also ensure that our suppliers are familiar with our Guidelines of Action in our quest to preserve biodiversity.

● Guidelines of Action for Biodiversity : <http://www.advantest.co.jp/environment/vision/biodiversity/en-index.shtml>

● Social Contributions: <http://www.advantest.co.jp/environment/Philanthropy/en-index.shtml>

Details of activities

Forest conservation activity at Mt. Kabasawa

On February 20, 2011, 25 employees of the Advantest Group participated in the forest conservation activity at Mt. Kabasawa in Aoba-ku in the city of Sendai. Mt. Kabasawa is a precious *satoyama*—an undeveloped woodland near the populated area—and various conservation activities have been conducted there since 2005 under the collaboration between the Forestry Agency and volunteer organization, Satoyama Net Akasaka. This time around, our employees participated in the "Hands-on Workshop on Pruning in Winter." Thinning cypress trees on steep slopes in the forest proved a challenging task. However, participants saw the benefits of the activity and vowed they would be back next year. The Yasuragi-no-Mori forest conservation activity, in which Advantest participates every year, was conducted on October 1 and 2, 2010, and 28 employees took part in the activity.



Forest conservation activity at Mt. Kabasawa



Yasuragi-no-Mori forest conservation activity

Biodiversity conservation in the biotope

At the biotope created on the premises of the Gunma R&D Center, we have planted aquatic plants and trees that blend with the surrounding natural environment in and around ponds, wetlands, and streams. The biotope forms a network with the natural environment around the R&D Center, and is home to a wide variety of species. Advantest conducts research on plants grown in the biotope every year in collaboration with Gunma University, tracking how the biotope is changing and utilizing the findings for future management and development of the biotope. In fiscal 2010, we also worked on the recovery of precious threatened species by, for example, gathering seeds of Fujibakama (*Eupatorium japonicum*) grown in the biotope, cultivating them at Gunma University, and replanting them in the biotope.

● Biotope: <http://www.advantest.co.jp/environment/protection/biotope/en-index.shtml>

Threatened or near-threatened species living in the biotope

Classification	Name	Taxon	Ministry of the Environment Red List	Gunma Prefecture Red List	
Plants	Fujibakama (<i>Eupatorium japonicum</i>)	Composite	Near-threatened	Threatened Class I	
	Mikoshigaya (<i>Carex neurocarpa Maxim</i>)	Cyperaceae	—	Threatened Class II	
	Mizokoku (<i>Salvia plebeian</i>)	Lamiaceae	Near-threatened	Other	
Animals	Birds	Chusagi (<i>Ardea intermedia</i> , intermediate egret)	Ardeidae	Near-threatened	Near-threatened
	Amphibians	Tokyo-daruma-gaeru (<i>Rana [Pelophylax] porosa porosa</i> , Daruma bullfrog)	Ranidae	Near-threatened	Threatened Class I
		Usuiro-sasakiri (<i>Conocephalus chinensis</i>)	Tettigoniidae	—	Near-threatened
	Insects	Maikoakane (<i>Sympetrum kunkellii</i>)	Libellulidae	—	Threatened Class II
		GINICHIMONJI-SESERI (<i>Leptalina unicolor</i>)	Hesperiidae	Near-threatened	Near-threatened
Murasaki-shijimi (<i>Narathura japonica</i> , indigenous lycaenid butterfly)		Lycaenidae	—	Near-threatened	

Promoting Environmental Management

The results of the Fifth Advantest Group Environmental Action Plan

For the Fifth Advantest Group Environmental Action Plan (FY2010–2012), issued in April 2010, we have expanded the scope of the plan to cover the entire Advantest Group. In fiscal 2010, we fulfilled 17 out of 19 targets (progress ratio 100%). This is attributable to the fact that we promoted each activity under the ISO 14001 program, and that the progress of each activity was checked at all times by the Committee on Environmental Conservation to eliminate any obstructions at an early stage. As regards the remaining two targets, we made more than 70% progress for one target, and decided to defer activities designed to achieve the other target due to the reorganization of affiliates.

● Action Plan: <http://www.advantest.co.jp/environment/vision/environmental-framework/en-index.shtml>

➤ The Fifth Advantest Group Environmental Action Plan

Results of in-house evaluation in fiscal 2010 ○= Progress ratio 100% △= Progress ratio 70% or more ×= Progress ratio less than 70%/postponed

Category	Theme	FY2010 in-house evaluation	FY2010 results	Reference page
Environmental management—Target: Improve profitability and give back to society by supporting carbon emissions reduction technology.				
Environmental management	Expand environmental management system to all facilities worldwide. (Expand ISO 14001 certification to non-production facilities in Japan and internationally, and ensure that all major locations will be ISO 14001-certified.)	○	Japan: Received ISO 14001 certification for Western Japan Office (non-production site). Overseas: Completed the certification process for Advantest Europe GmbH, Amerang.	P24
Environmental contributions	Continue to implement environmental contribution programs on a global scale with the objectives of environmental contribution and ecosystem preservation.	○	Japan: - Established the Advantest Group Guidelines of Action for Biodiversity. - Conducted three forest conservation activities (56 employees participated). Kusatsu Yasuragi-no-Mori (October), Mt. Kabasawa <i>satoyama</i> (February), source area of Onga River (March) - Organized the 12th Science Craft Day workshop for schoolchildren, attracting 178 local elementary school children and their families. - Organized a nature-watching event at the biotope, attracting 138 local elementary school children. Overseas: Donated secondhand clothes and books to those in need (China and Taiwan).	P22, P26, P35
Environmental training	Plan and continuously offer in-depth environmental training programs (e.g. seminars, lectures) that enhance employees' environmental awareness.	○	Japan: - Organized a lecture on the environment (300 employees participated). - Organized the second environmental painting and drawing contest (86 children of employees in Japan and abroad participated). - Conducted clean-up activities in areas around the sites (115 employees participated). Overseas: Conducted clean-up activities in local communities (21 employees in China and 56 employees in Singapore participated).	P24, 35
Disclosure	Proactively disclose CSR-related information and seek in-depth communication with stakeholders.	○	- Shared information (22 articles) on the website. - Published Corporate Report 2010 (printed brochure and with web extras). - Received "Awards Committee Special Prize at the 9th Japan Sustainable Management Awards."	P35
Environmentally friendly products—Target: Help customers to reduce their environmental footprint by expanding Advantest's lineup of products that conform to stringent environmental standards.				
Green product specifications	Energy reduction			
	Reduce power consumption of target products by 20% or more per function compared with comparable products.	○	- Reduced power consumption of T5386 Memory Test System and T2000 ISS Image Sensor Test Solution by 20% or more per unit compared with comparable products. - Certified nine products related to semiconductor test equipment and two other products as "green products."	P28, 29
	Using fewer resources & fewer parts			
	Reduce number of parts used in target products by 20% or more in comparison with previous models. Build target products 50% or more smaller than comparable models.	○ ○	Developed design and parts application standards for next-generation handlers. Completed design specifications for next-generation electronic measurement systems to downsize them by 50%.	P28 P28
Green product sales	Eliminate hazardous substances			
	Purchase only parts free from 15 targeted hazardous substances.	○	Green procurement rate: 97%	P30
Product recycling	Market green products intensively to help customers reduce their environmental footprint. Promote product recycling by expanding the Advantest Recycling System.	○ ○	Percentage of green products among semiconductor parts test systems sold: 97% Recycled 21 units of our products, far exceeding the fiscal 2010 goal of 10 units.	P30 P30
Business activities—Target: Improve efficiency for a smaller environmental footprint.				
Global warming prevention	Reduce product CO ₂ emissions per unit of manufacturing volume* ¹ by 35% compared to fiscal 1990. (*1: Calculated by comparing product performance)	○	- Reduce product CO ₂ emissions per unit of manufacturing volume by 64% compared to fiscal 1990. - Launched the ECOCH energy conservation program (251 employees and their families participated).	P31, 32
Manufacturing	Improve manufacturing efficiency for a smaller environmental footprint. (Improve board production efficiency, boost yield and reduce lead times for tester production processes, etc.)	○	Improved energy efficiency by 10% compared to fiscal 2008 by reducing production lead times.	P32
	Support suppliers' CSR activities to reduce the environmental footprint of Advantest's entire supply chain.	○	Conducted a survey regarding Advantest Procurement Policy to investigate suppliers' environmental efforts and business continuity plans (BCPs).	P15
	Promote reuse of packaging materials to reduce annual packaging waste by at least 1000 kg by 2012.	×	Postponed addressing this theme due to business revisions.	-
Resource recycling	Promote the "Three Rs" (reduce, reuse, recycle) to reduce waste by at least 15 tons annually.	○	Reduced waste by 393 tons compared to fiscal 2009.	P33, 34
Environmental risk management	Reinforce monitoring to ensure strict observation of environmental and safety laws and regulations and prevent accidents.	○	- Reinforced workplace monitoring by an industrial physician and a health supervisor. - Zero accidents, zero complaints.	P25
Chemical substance management	Improve penetration and efficiency of chemical substance management. Construct a global management system.	○	Introduced a chemical substance management system based on hazard levels of substances to strengthen the safety control system, and promote more efficient operation of it.	P25
Overseas subsidiaries (global warming prevention)	Enact measures to reduce energy consumption at Advantest's overseas subsidiaries and lower electricity usage.	○	Reduced energy consumption by 4% compared to fiscal 2009.	P36
Overseas subsidiaries (resource recycling)	Enact measures to reduce consumption of resources at Advantest's overseas subsidiaries and minimize waste volumes.	△	- The volume of waste generated increased by 3% compared to fiscal 2009. - The waste recycling rate improved from 72.7% in fiscal 2009 to 74.7%.	P34, P36

Protecting the Environment through Leading-edge Technology

Basic policy

Advantest's green products feature not only high precision and high quality but also environmental friendliness, which satisfy the three key aspects of energy efficiency, recyclability, and elimination of hazardous substances based on our Green Design Standards. Through these green products, we support our customers in their efforts to reduce their environmental impact and cut costs.

Challenge for 2010

The challenges in fiscal 2010 were to introduce green products to all the product groups, and promote resource recycling by increasing customers' awareness of the importance of the Advantest Recycling System.

Plan

The Committee on Environmental Conservation decided to work on the expansion of green products under the Fifth Advantest Group Environmental Action Plan through such efforts as introducing green products to all the product groups and setting goals of environmental performance such as energy saving and resource conservation. It was also decided that the sales and marketing division and service division would set a theme for each product, and promote sales of green products and product recycling to balance environmental and business interests.

Do

The members of the Committee on Environmental Conservation, including managers of each R&D division and senior management, identified problems and obstructions, and worked to eliminate them. As a result, nine products related to semiconductor testers and two other products—11 models in total—were recognized as satisfying the goals of energy saving, resource conservation, and elimination of hazardous substances, and certified as green products. The green product standards were established for 3D imaging analysis systems and critical dimension scanning electron microscopes (CDSEM), and TAS7000 and E3630, within the two categories respectively, were approved as green products. The sales and marketing division promoted sales of green products, raising the percentage of green products among all semiconductor parts test systems sold by Advantest to 97%. Pamphlets introducing the Advantest Recycling System were also created to propose and spread the use of the system among customers.

Check and Action

We continue to feed back data obtained from life cycle assessments (LCA) and product environmental assessments, including amounts of CO₂ emissions and waste generation, to the R&D division to promote design and manufacturing of products with minimum environmental impact. We will also maintain a system that enables us to quickly adapt product design to established/revised environmental legislation, such as the revised Restriction of Hazardous Substances (RoHS) Directive.

● Green Products: <http://www.advantest.co.jp/environment/consideration/product/product/en-index.shtml>

Details of activities

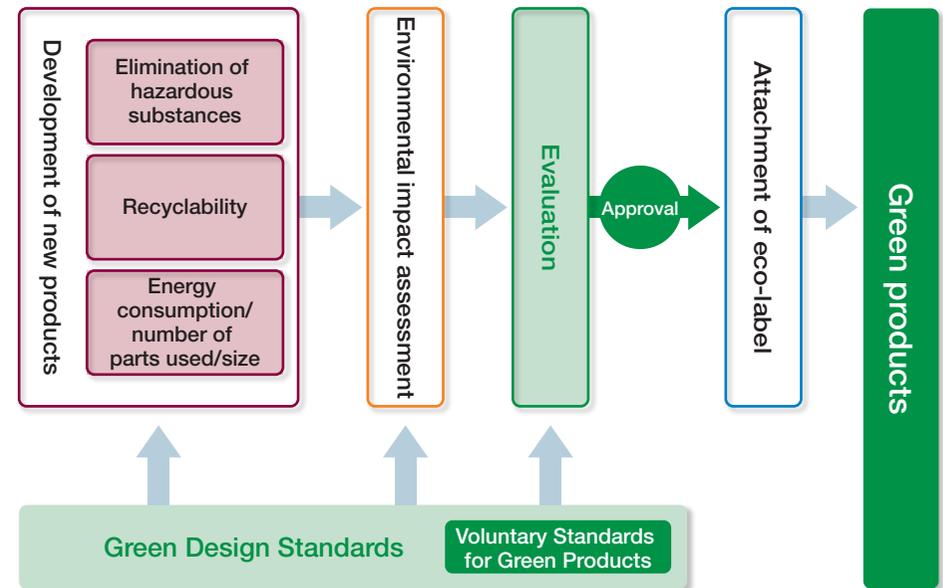
Compliance with product environmental legislation

Advantest makes sure that its products comply with product environmental legislation in each country it operates in. As regards the revised RoHS Directive, we have requested our parts suppliers to report how they are responding to the changed exceptions for applications, and have also implemented related measures. As for the revised "China REACH" and newly established "Taiwan REACH," we have confirmed that our products and parts comply with the chemical regulations.

Development flow of green products

All Advantest's new products undergo an environmental assessment based on the Green Design Standards. During the environmental assessment, products are assessed from various aspects, including elimination of hazardous substances, recyclability, energy consumption, number of parts used, and size. Only products that earn a score of at least 90 in the assessment, and meet the Voluntary Standards for Green Products are certified as green products, and awarded with an Eco Label (type II). In fiscal 2010, nine products related to semiconductor testers and two other products were approved as green products and offered to customers.

Development flow of green products



Protecting the Environment through Leading-edge Technology

Fiscal 2010 Green Product: T2000 ISS (CMOS Image Sensor Test Solution)

Background to development

CMOS image sensors are a type of solid state image sensor that use complementary metal oxide semiconductor (CMOS) technology. Because CMOS image sensors are superior to traditional charged coupled device (CCD) image sensors in terms of power consumption and speed, they are now mounted in a wide variety of electronic devices, such as mobile phones, digital still cameras, video cameras, on-board cameras, and surveillance cameras. As the use of electronic devices is burgeoning in emerging countries including the BRICs (Brazil, Russia, India, China) and VISTA (Vietnam, Indonesia, South Africa, Turkey, Argentina) nations, demand for CMOS image sensors is soaring. The low power consumption and high-speed features of CMOS image sensors are driving their expansion into such applications as video, information, and communication. This expansion is creating a growing demand for higher resolution, higher speed, and multi-functions, leading to increasing downward pressure on production costs.

Green procurement, a key to realizing green products

Our intention is to reduce environmental impact at all stages of production activities, including that caused by component suppliers and assembly and processing companies, so as to create eco-friendly products. We engage in communication with our business partners, and have established the Advantest Green Procurement Guidelines. We operate according to guidelines in order to give consideration to the environmental aspects in addition to quality, cost and delivery throughout the whole process of production, including the purchasing of components and materials. We have created a database from the environmental information we received from our suppliers, and are utilizing it to promote "Eco-friendly Product Manufacturing," along with the implementation of product environmental assessments.

● Products & Support:

<http://www.advantest.co.jp/products/en-index.shtml>

Features of the product

Our new product, T2000 Image Sensor Test Solution enables testing of CMOS image sensors on the environmentally friendly T2000 test system.

Low cost of test realized by 64-DUT parallel test capability

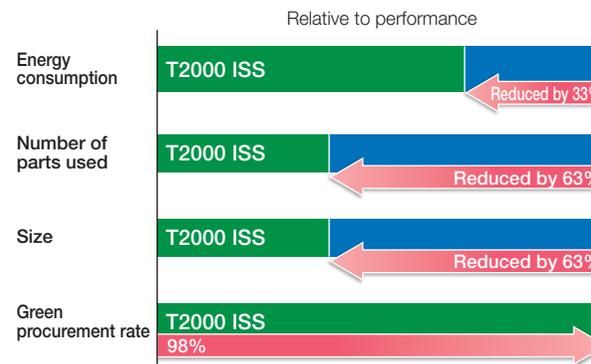
The system offers a large user area on a probe card, allowing for uniform illumination of a large area by the optimized light source. This enables a maximum 64-DUT parallel test capability, thereby significantly enhancing productivity and lowering the test cost of image sensor devices.

Flexible support for multifunction image sensors

CMOS image sensors are becoming increasingly complex by incorporating AD/DA, logic circuits, and various other functions. With the T2000, test requirements for CMOS image sensors can be met with minimum module configurations. Modules also can be configured freely according to the customer's test environment.



Comparison with existing products



VOICE

Developing environmentally friendly products

Motohisa Shiroishi

6th R&D Department
ATE System Development Group
Advantest Corporation



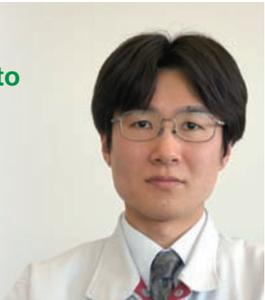
Our objective was to develop a test solution with superior performance that meets the test requirements for CMOS image sensors incorporating a high-speed interface, which minimizes cost. To achieve this objective, we have developed an image data capture module that supports both serial and parallel image processing and meets the Mobile Industry Processor Interface (MIPI) high-speed serial interface standard with 1.2 Gbps data capture. In terms of test cost reduction, the solution offers a 64-DUT parallel test capability—eight times higher than the previous product. This is realized with the customizable layout of the CMOS image sensor measurement area through an effective combination of the new image capture module and the existing T2000 high-density packaging module as well as with the new test head equipped with a large optical source. We will continue to strive for R&D that will enhance customer satisfaction and contribute to fulfilling our CSR.

VOICE

Software is another key to the conservation of the environment

Atsushi Ogawa

4th SoC Software Department
Software Development Group
Advantest Corporation



We have recently received many inquiries regarding image tests for CMOS image sensors; customers want a "shorter image processing time and reduced test costs" as well as "support for additional image processing for higher quality image." To respond to these requests, the software R&D staff have developed an image processing library optimized for a multi-core CPU, the most widely used type of CPU. We also have developed a function that enables multiple programs to run concurrently on a single IP engine (PC for image processing). Thanks to this high image processing performance and parallel execution capability, we have succeeded in reducing the test time and making it possible to create environmentally friendly device programs. We will continue to work on R&D of software that is considerate to the environment.

Protecting the Environment through Leading-edge Technology

Details of activities

Green procurement

Advantest promotes green procurement throughout the supply chain to prevent the containment, use and generation of hazardous materials. As regards newly adopted components, we ensure that only parts free of hazardous materials are chosen, even at the design stage. As for existing components, we are currently reducing the variety of components used through standardization and switching to alternative components that are free of hazardous substances. We are also working to ensure that our environmental investigations meet the Joint Industry Guide (JIG), a guideline for the disclosure of chemical information in compliance with the revised RoHS Directive and Japanese and overseas legislation, as part of our efforts to eliminate hazardous substances.

● Green Procurement:

http://www.advantest.co.jp/environment/consideration/product/green_procurement/en-index.shtml

Support for suppliers

In order to help our suppliers submit accurate and quick responses to our hazardous substance questionnaire, we have held two meetings to explain the details of the questionnaire, attracting 50 suppliers in total. Thanks to these efforts, as well as to suppliers' cooperation, we were able to reduce the time taken to complete a parts environmental assessment by more than 20%. In addition to favorable feedback from suppliers we also received some suggestions for improvement regarding the submission method. Based on this feedback, we will continue to reinforce our support for suppliers in environmental surveys.

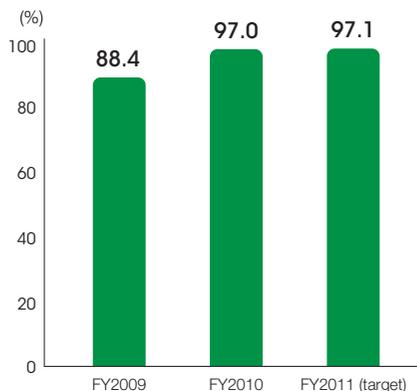


Briefing customers on green procurement

Expanding sales of green products

Advantest strives to offer products that are superior not only in terms of price and performance but also in environmental terms. Of products developed based on the Green Design Standards and Green Procurement Guidelines, those that earn a score of at least 90 in a product environmental assessment, and meet the Voluntary Standards for Green Products are certified as green products, and awarded an Eco Label. Eco labeling is a voluntary system used by Advantest, and is explained in product catalogs and on the company's website to promote customers' understanding. As a result of these efforts, in fiscal 2010, the percentage of green products among semiconductor parts test systems sold by Advantest rose to 97%.

➤ Share of green products among semiconductor parts test systems sold



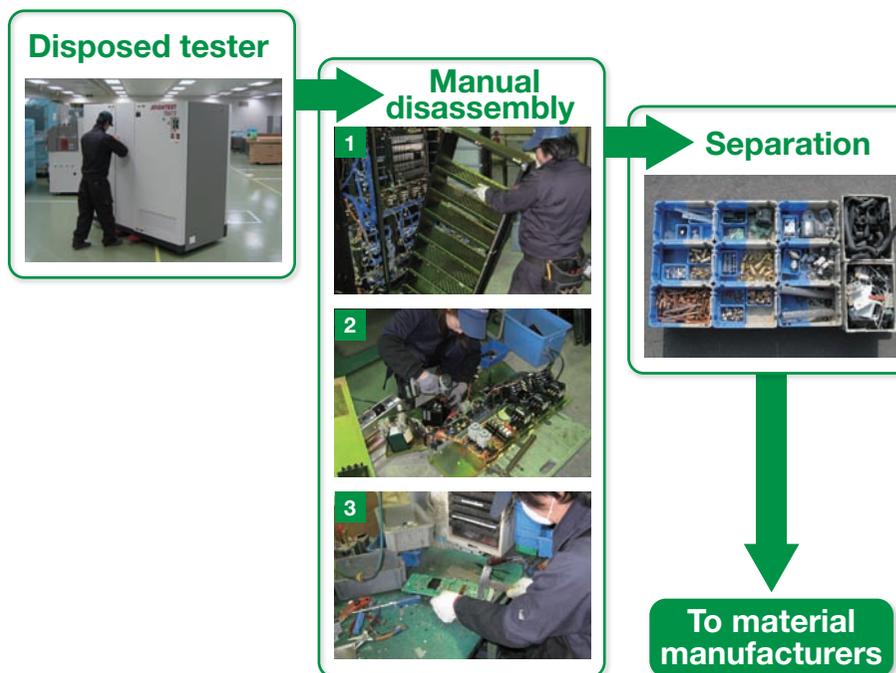
Recycling of Advantest products

To promote the conservation of the global environment, we ask customers to bear costs associated with the recycling of semiconductor testers sold by Advantest when they are disposed of, and collect products from customers as valuable materials, disassemble them manually into separate parts, and commission reliable material manufacturers to recycle them. While promoting recycling often equates to a greater workload, considering disassembly and separation, and increased costs, we work to reduce the costs in cooperation with waste dealers and recycling contractors throughout Japan. We will continue to offer a low-cost, reliable recycling system to ensure effective utilization of resources.

Recycling policy

- (1) Realize 100% collection of recyclables through manual disassembly.
- (2) Make clear to whom recycling is to be commissioned, and secure traceability.
- (3) Promote the conservation of the global environment in collaboration with customers.

➤ Product recycling flow



Combating Global Warming

Basic policy

Advantest regards the halt of global warming as an important corporate mission, and works vigorously to reduce greenhouse effect gas emissions through delivery of green products and introduction of innovative business processes.

Challenge for 2010

Our challenges in fiscal 2010 were to promote medium- to long-term energy conservation measures in alignment with the government's medium-term goal of reducing greenhouse effect gas emissions by 25% from the 1990 level by 2020; and, as a more urgent issue, to develop a system that meets the revised Act on the Rational Use of Energy and ordinances and implement energy conservation measures.

Plan

- Implement various activities mainly under the initiative of the Global Warming Prevention Committee to achieve the goal of reducing CO₂ emissions per unit of production from business locations in Japan by 35% compared to fiscal 1990.
- Enhance efficiency of production, and realize both energy conservation and cost reduction by erasing waste.
- Promote proper operational control of air conditioners and renewal of outdated facilities to more energy-efficient models.

Do

In fiscal 2010, we succeeded in reducing lead times by half through small, steady improvements made in the production of new products. We also reduced power consumption of air conditioners at two business locations by about 170 MW annually through proper operational control. Thanks to these activities, the total CO₂ emissions at Advantest in fiscal 2010 decreased from 21,551 tons in fiscal 2009 to 20,444 tons. In terms of per unit production, an index we adopted in place of per unit sales for more accurate monitoring, our CO₂ emissions were 11.08 tons per unit, a reduction of 64% compared to fiscal 1990. In July 2010, we also launched ECOCH, an energy conservation program which employees and their families can easily take part in. A wide variety of activities performed under this program, such as car pooling to and from work, led to a reduction of about 1.5 tons of CO₂ emissions.

Check and Action

We will continue to realize both energy conservation and cost reduction through eliminating waste, and working on the reduction of CO₂ emissions. We will also promote ECOCH, a program for reducing CO₂ emissions, to increase the energy conservation awareness of employees and their families. Additionally, we will revise the conversion factor used for the calculation of emissions per unit production due to the change in the mix of products produced.

● Global Warming Prevention: <http://www.advantest.co.jp/environment/consideration/office/warming/en-index.shtml>

Details of activities

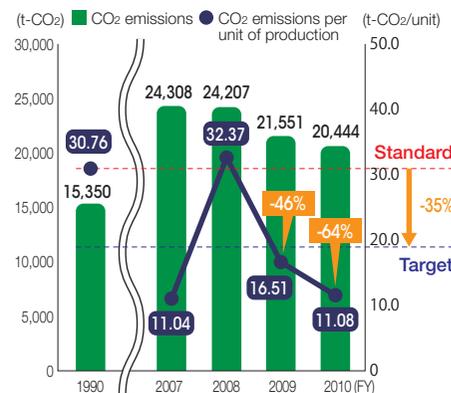
Installing inverters to outdoor air conditioning systems and exhaust fans

Since the air volume of outdoor air conditioning systems for kitchens previously could not be controlled, often resulting in excessively strong air flow, we had to narrow the air outlets manually to adjust air volume. We therefore installed inverters to the outdoor air conditioning systems and exhaust fans to realize automatic control of air volume. We decided to install inverters to exhaust fans as well in order to secure a certain degree of ventilation. The frequency of the inverters was also changed from 50 Hz to 30 Hz. Through these efforts, annual power consumption was reduced by 48,000 kWh.

Alternating the use of air conditioners

In fiscal 2010, we alternated the use of air conditioners on the laboratory floors of the Gunma R&D Center. The ceiling-suspended type installed in four laboratories on the third and fourth floors of Building I and six laboratories on the second and third floors of Building II were specifically targeted. Because the air conditioners could be controlled separately, we stopped their operation one after the other for one hour each. Although we were concerned that this arrangement may cause a change in the room temperature and affect products, the temperature in fact remained stable, and the measure did not pose any problems at all. This alternating use of air conditioners led to a 31,000 kWh reduction in annual power consumption without significant capital investment.

CO₂ emissions and emissions per unit of production



FY2010 energy conservation activities

Activity	Reduction of annual power consumption
Installation of inverters to secondary water pumps	110,000 kWh
Installation of inverters to outdoor air conditioning systems and exhaust fans	48,000 kWh
Alternating use of air conditioners	31,000 kWh
Proper operation of substation facilities	10,249 kWh
Replacement of downlights in passages with LED lights	6,750 kWh
Upgrading of lights	6,000 kWh

Combating Global Warming

Details of activities

Reducing production lead time

It is essential to reduce production lead times to deliver necessary products when needed by customers. Reduced lead times also leads to reduced power consumption, and thereby contributes to global warming prevention. The production division reviewed all the processes closely, and sorted them into those that are necessary, unnecessary, or overlapped to eliminate any unnecessary steps. For the module mounting process, we streamlined the way we set up parts, optimized the mounting line, standardized the quantity of parts brought to the line, and identified—and studied measures to eliminate—any risks of causing a bottleneck between processes which may be generated by these improvements. For the integrated test process, we reviewed the way we divide tests, changed programs, and improved shipping efficiency. Through these efforts, we reduced the time required for module mounting by 60% in a quarter of the board module mounting processes implemented at Advantest, as well as the time required for integrated tests by 40% for half of all products produced, resulting in a 10% reduction of energy consumption compared to fiscal 2008.

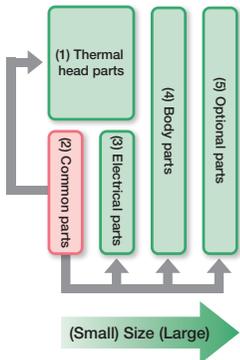
Reducing man-hours for parts supply work

To reduce lead times and man-hours in the production of handlers, which are made up of a large number of diverse parts, it is important to simplify the way parts are supplied to the line, and enhance efficiency of assembly work. We therefore took steps to improve the parts storage method by, for example, changing the position of shelves in such a way to improve picking efficiency and separating parts into a more detailed structure that matches the structure of actual work involved. We also optimized the distance between warehouses and worksites, and changed the stock layout in warehouses to create a better work environment. Through these and other efforts, such as improving packing materials for easy unpacking, enhancing the skills of workers and automating order printing, we increased work efficiency and reduced man-hours for parts supply work by 50%.

Optimized parts warehouse layout

- Placed in the order of the process
- Common parts stored in one place
- Arranged in the order of the parts list
- Different address for each part

Parts for a particular section are placed around common parts to minimize the distance of movement.

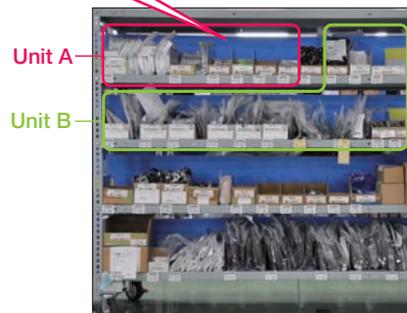


Each part is given a particular shelf number for easy identification and quick picking.

Improved storage method



- The adoption of open packages has led to a 20% reduction of the storage area.
- The time spent for picking has been reduced by 20 seconds per order.



ECOCH—employees' CO₂ reduction activities

ECOCH is a program aimed at encouraging employees across the Advantest Group to take the "Eco Challenge," and actively seek what they can do in their daily lives to support environmental conservation. In addition to contributing to environmental conservation, Advantest also hopes that this program will help cultivate a corporate culture with a high level of environmental awareness and promote the minimization of customers' environmental footprint as well as vitalize our business activities. To encourage employees to participate in eco-friendly activities on an on-going basis, we have introduced a variety of incentives, such as converting CO₂ reduction and other achievements made by each employee into points, and reward those who have earned high points or who have made great contributions. The employees' activities range widely. Some employees have changed the way they commute to work—for example, using a bicycle or leaving home for work earlier to help alleviate traffic congestion, and others have begun to practice eco-driving. Some employees have started working harder in their home gardens, while others have altered their lifestyle, deciding not to use elevators, air conditioners, or clothes driers. We will continue to promote this program to become a company where every single employee is a proactive leading player in environmental conservation.



The site promoting ECOCH to employees

Examples of ECOCH activities performed

Activity	Annual CO ₂ reduction
Commuting to and from work by bicycle	5,200 kg-CO ₂
Kitchen garden/gardening	260 kg-CO ₂
"Green curtain" of vegetation	20 kg-CO ₂

Feedback

I commute to and from work by bike with six of my colleagues. We weren't really doing it to help the environment at the beginning. Now, riding my bike is an integral part of my life. I ride a total of 50 kilometers to and from work every day, and for this reason I have become healthier. I also have begun to participate in road races. I want to stick with this activity, and build a wider network with my colleagues. This is a good feeling and I know I am contributing to environmental conservation as well.
(Takuro Ashizawa, FA Product Development Department, FA Division, Advantest Corporation)



The writer with his bike, third from right

Fully Utilizing Limited Resources

Basic policy

Advantest promotes the "Three Rs" (reduce, reuse, recycle) with the aim of realizing a recycling-based society. Our priority in fiscal 2010 was, as in the previous fiscal year, to promote the recovery of valuable materials from waste, while ensuring full compliance with all relevant laws and regulations.

Challenge for 2010

We have been working on separating components containing metals and/or precious metals for recycling as metal resources. However, because some used paper including cardboard was still handed over to waste disposal contractors as non-industrial waste, there was, therefore, a need to promote their separation and recycling.

Plan

- Adopt a new method of collecting used paper, namely, physically visiting our major business sites and picking it up.
- Introduce a safer method for the disposal of confidential documents.

Do

In fiscal 2010, we established a regular route that covers major business locations in each area to collect used paper (excluding confidential documents) to ensure that all used paper is recycled. With regard to the disposal of confidential documents, we adopted an "all-closed" method to take documents directly to paper factories for greater security. In addition, to fulfill the greater responsibility imposed on waste dischargers by the amended Waste Management and Public Cleansing Act to inspect waste disposal contractors, Advantest prepared its own inspection check sheet, which we now use to conduct inspections at the sites of contractors.

Check and Action

We will introduce a new hard disk drives (HDDs) disposal method that will enable us to destroy HDDs in such a way to improve their recyclability safely without sacrificing the security level.

- Waste Reduction: <http://www.advantest.co.jp/environment/consideration/office/waste/en-index.shtml>

Details of activities

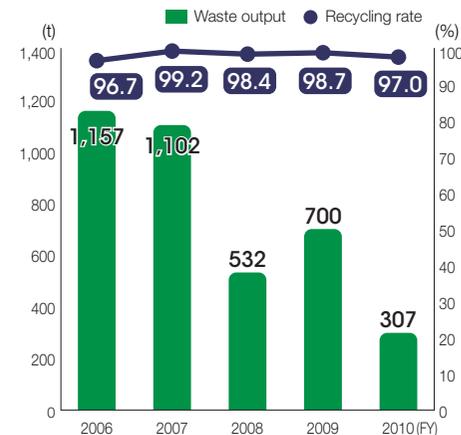
Recycling of prototypes and components

For prototypes and components, we separate out substrates, ICs, cables, and metal resources, and ensure that they are clearly separated and easy to recycle before being handed over to waste disposal contractors. We also make sure that these separation operations are conducted manually to identify and set aside any parts containing hazardous substances, so that we can be sure that these parts are also entrusted to contractors for recycling or proper disposal.

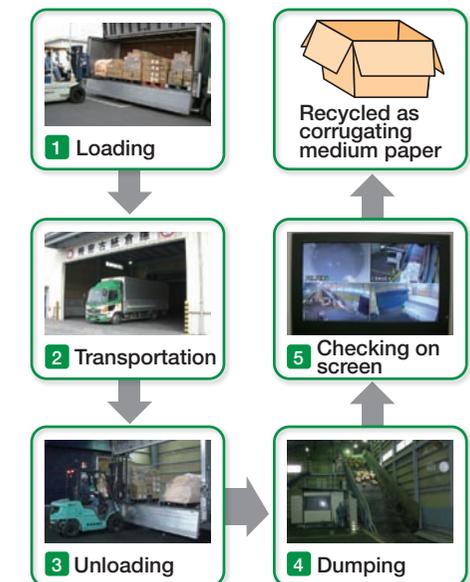
Improvement of the disposal process for confidential information

In the previous process, we used to hire paper recycling contractors for the disposal of confidential documents, and, after making sure that contractors destroyed the documents into 3 cm×3 cm pieces in the presence of Advantest's employees, permitted them to carry the materials to paper factories for recycling. However, in fiscal 2010, we adopted an "all-closed" process in which we transport documents directly to paper factories for destruction. This new process has brought about an improved security level and reduced costs, allowing us to enhance both safety and efficiency.

Waste output and recycling rate



Confidential document recycling process



Fully Utilizing Limited Resources

Details of activities

Improvement of packages transported overseas

More than 70% of Advantest's products are used in markets outside Japan. Optimizing product packages shipped overseas therefore leads not only to the reduction of packaging materials used but also to the enhancement of load efficiency, which in turn helps decrease CO₂ emissions and transportation costs. We were previously using 120 cm×200 cm packages with a large capacity when more than one electronic circuit board was shipped overseas together, but these packages were causing wastefulness because they were sometimes only half full. We therefore have decided to use two 85 cm×105 cm packages, rather than one 120 cm×200 cm package, considering volume weight, and this has resulted in minimizing wasted space, increased stability, and reduced packaging costs (-45%) and transportation costs (-40%).



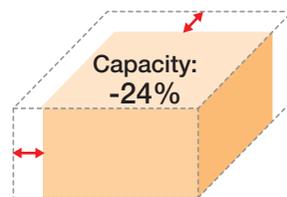
When eight boards are shipped using a SL42



When eight boards are shipped using a PD900

Improvement of packaging materials—Advantest Taiwan Inc. (ATI)

Advantest Taiwan Inc. (ATI) has launched the "5 cm Makes a Difference" project to reduce the size and costs of packaging materials used for transportation. ATI previously reused carton boxes when sending electronic circuit boards to Japan for repair, but there was an incident in which a board was damaged during transportation. So ATI investigated the cause of the damage, and discovered that reducing the dimensions of the carton box by 5 cm would lead to enhancing stability and safety of the product while realizing a more than 10% reduction of costs. In addition to its benefits in terms of quality and costs, this new carton box is also expected to contribute greatly to environmental conservation because of its recyclability.



Improvement of packaging materials

Planting pruned branches as cuttings to produce seedlings

Advantest Green Corporation (AGC) promotes tree transplantation by utilizing tree branches pruned on its premises—which were previously discarded—as cuttings to produce seedlings. Branches pruned from hydrangeas, Japanese photinia, azaleas, and other trees are planted, and seedlings produced from these cuttings are grown for four to five years before being transplanted elsewhere on the premises. Growing seedlings involves watering and weeding in summer and other hard work, but this activity leads not only to a reduction of waste but also to greater absorption of CO₂, alleviation of the heat island effect, and other factors contributing to environmental protection. We began to plant cuttings in 2004, and started transplantation as part of our corporate initiative "1000 Days" in 2009, with the total number of trees planted up to fiscal 2010 reaching 716. Our goal is to transplant 1,000 trees.



Pruned branches



Planting pruned branches

Effective utilization of waste within the company

Advantest effectively utilizes waste generated from the company. Food residues generated from the employees' dining hall of the Gunma R&D Center are processed by the garbage disposal system and recycled as compost. Compost is offered to employees and contract farms for free. In fiscal 2010, we produced and offered five tons of compost. Furthermore, branches pruned from trees on the center's premises are cut into chips and used to cover paths. The woodchips are soft, and provide an easy way to cover muddy areas.

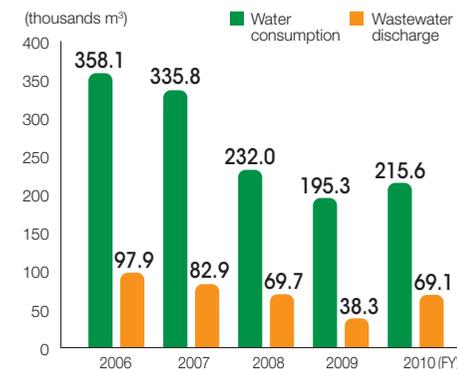


Compost

Effective utilization of water resources

Advantest's production process consists mainly of assembly, adjustment, and inspection, and does not require as much water as typical manufacturing processes. The majority of water used at the company is for air conditioners, kitchens, toilets, and consumption. We therefore ensure that air conditioners are operated properly to eliminate any wasteful use of water, and reduce the use of water for—or use rainwater for—flushing toilets, and call for employees to save water in order to promote effective utilization of water. We also check and promote the reduction of water consumption at overseas sites.

Water consumption and discharge



Communicating the Importance of Environmental Conservation

Basic policy

We continuously improve the way we communicate information on our environmental activities via our Corporate Reports, website, and other communication tools, which are instrumental in our environmental management. We fulfill our CSR by participating in nature preservation and community activities, and promoting environmental contribution activities in which employees and their families can participate.

Challenge for 2010

Our environmental conservation activities have been conducted along national lines and there have been no opportunities for members of the Advantest Group around the world to unite to undertake shared projects. Communication of information to stakeholders has also tended to be one-sided.

Plan

We included "Environmental Contributions" and "Disclosure" as themes of the Fifth Advantest Group Environmental Action Plan. The fifth action plan applies to all Advantest Group companies, including Japanese and overseas affiliates. We therefore seek projects that will invite the involvement of all employees, both in Japan and overseas. In fiscal 2010, we held discussions with environmental and CSR staff at overseas locations to organize environmental projects aimed at employees in Japan and overseas and to develop ways of sharing our activities with outside stakeholders more effectively.

Do

As a result of discussions with overseas CSR staff to come up with fun and effective environmental projects, we decided to organize an environmental painting and drawing contest based on the idea that art transcends language barriers. Although we have held this type of contest before, this would be the first time entries were invited from both Japan and overseas. The contest attracted 86 entries. To share our CSR and environmental information in depth with stakeholders, we published the Corporate Report 2010 in two forms: a condensed printed version and a fuller PDF version. In addition, we actively promoted communication with stakeholders through such means as organizing biotope and factory tours, interacting with other corporations and local governments, and conducting biotope research in collaboration with Gunma University.

Check and Action

We will invite environmental and CSR staff from each country to a global environmental meeting for further opinion exchange. We will also promote environmental contribution activities in which many people can cooperate. Furthermore, we will continue to upgrade our website and Corporate Report, and examine the possibility of developing a system for exchanging opinions with stakeholders.

● **Communication:** <http://www.advantest.co.jp/environment/communication/en-index.shtml>

● **Social Contributions:** <http://www.advantest.co.jp/environment/Philanthropy/en-index.shtml>

Details of activities

Environmental painting and drawing contest

To provide employees and their families with a fun and unique opportunity to think about the environment, Advantest has organized an environmental painting and drawing contest for children of employees (junior high school students or younger) since fiscal 2009. In fiscal 2010, we invited the children of our overseas employees to enter the contest for the first time and received 86 entries in total, including 19 entries from Europe and Asia. This contest marked our first international environmental-related project. The artistically executed posters depicting warnings against the destruction of nature and the environment and other subjects were exhibited at each business site and on the intranet and company website. A certificate of commendation and prize were awarded to outstanding works selected by the President.



Environmental painting and drawing contest

Collaboration with Gunma University

Advantest offers environmental sciences researchers at the Faculty of Social and Information Studies at Gunma University access to its biotope and utilizes their findings reported at regular research meetings for the management and operation of the biotope. In fiscal 2009, at Advantest's request the researchers studied the amount of carbon stock and the CO₂ balance of the woods inside the biotope. In fiscal 2010, we were advised on how to manage, grow, and increase the number of Fujibakama (*Eupatorium japonicum*) and Mizokoku (*Salvia plebeian*), which are designated as near-threatened species. Valuing the expert input we receive with regard to our biodiversity conservation efforts, we will maintain this collaboration with Gunma University and take steps to ensure that it continues to be mutually beneficial.



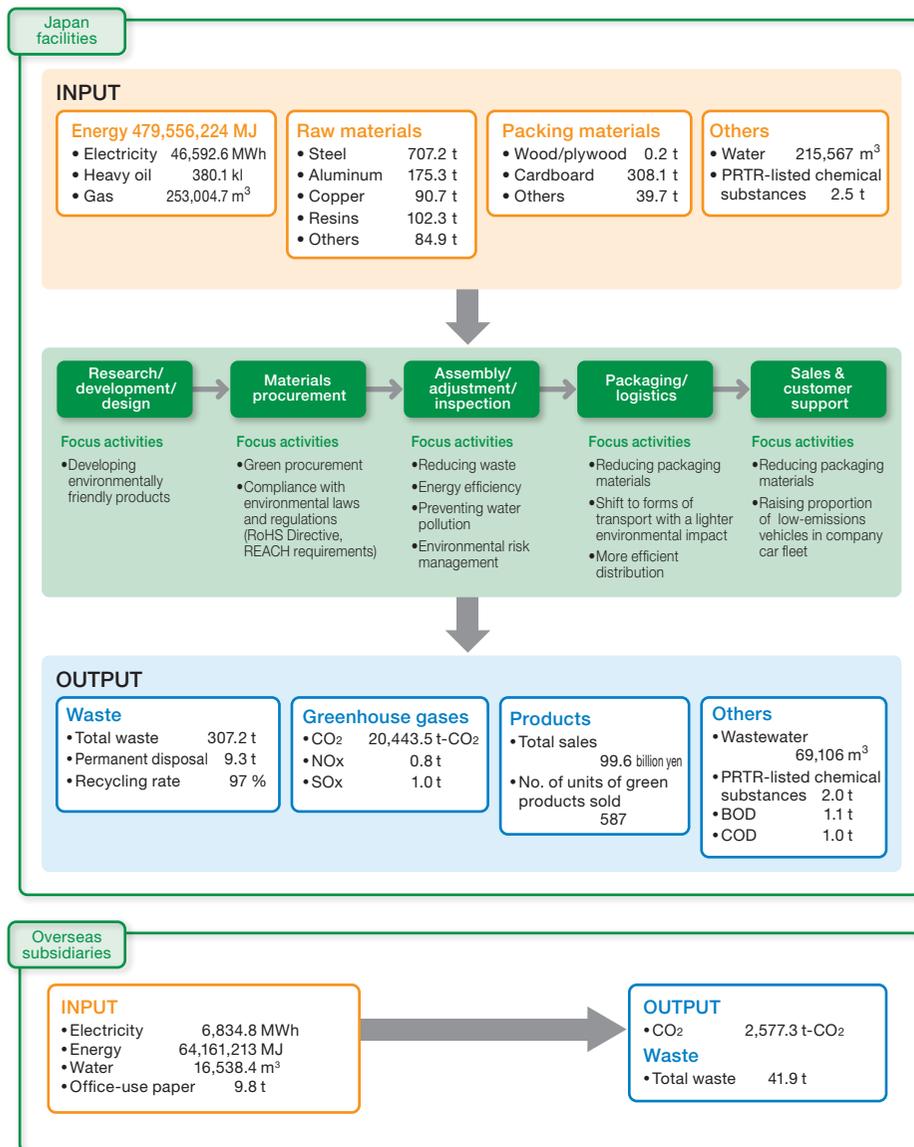
Research meeting

Fiscal 2010 environmental communication activities

Program	Achievements
Clean-up activities in areas around sites and in local communities	Japan: 115 participants Overseas: 21 participants (China), 56 participants (Singapore)
Environmental painting and drawing contest	Japan: 67 participants Overseas: 19 participants
Kusatsu Yasuragi-no-Mori forest conservation	28 participants
Mt. Kabasawa (Sendai City) forest conservation	25 participants
Biotope nature-watching event	Organized twice (138 local elementary school children participated.)
Donation of secondhand clothes and books	Conducted in China and Taiwan.

Environment-Related Data

Materials and waste (fiscal 2010)



Environmental accounting results (Japan)

Scope: All establishments, including affiliates, in Japan Period: April 2010 to March 2011 Unit: ¥1,000

	Category	Major activities	Capital investment		Costs		
			FY2009	FY2010	FY2009	FY2010	
Environmental conservation costs	1) Business area costs						
	(1) Pollution prevention costs	Installation, repair, environmental assessment, and maintenance of pollution prevention facilities	1,750	0	122,632	123,534	
	(2) Global environmental conservation costs	Installation of energy-efficient equipment and facilities	1,040	10,000	151,529	144,638	
	(3) Resource circulation costs	Disposal and recycling of waste; construction of water supply facilities	0	0	80,962	64,131	
	2) Upstream/downstream costs	Green procurement and purchasing; introduction and development of recycled packaging materials	0	0	1,270	0	
	3) Administrative costs	Operation of Environmental Management System; management of the biotope; disclosure of environmental information	0	1,169	273,017	225,171	
	4) R&D costs	R&D of environmentally friendly products and production technologies	0	0	48,388	9,641	
5) Social activity costs	Tree-planting in the surrounding areas	0	0	4,377	4,050		
6) Environmental remediation costs	Environmental remediation; penalties or litigations concerning environmental conservation		0	0	0		
	Total		2,790	11,169	682,175	571,165	
Environmental conservation benefits	1) Economic benefits				Benefit amount		
	(1) Energy cost savings	Installation of energy-efficient equipment and facilities; implementation of energy-saving measures		67,530		69,782	
	(2) Revenue from sale of recycled materials	Sale of recovered metals, etc.		36,999		33,601	
	(3) Packaging material cost savings	Introduction of reusable packaging materials and returnable containers		8,147		-	
	(4) Waste disposal cost savings due to reduced waste volumes	Reduction of wastewater disposal costs through the use of wastewater treatment facilities		90,478		46,350	
	(5) Publicity benefits from media coverage	Coverage by newspapers		24,750		15,375	
		Total		227,904		165,108	
	2) Physical benefits					Volume reduced/effectively used	
	(1) Power consumption reduction	Installation of energy-efficient equipment and facilities		2,005 (MWh)		1,829 (MWh)	
	(2) Heavy oil consumption reduction	Installation of energy-efficient equipment and facilities		362 (kl)		354 (kl)	
(3) City gas consumption reduction	Installation of energy-efficient equipment and facilities		307,000 (m ³)		307,000 (m ³)		
(4) Energy consumption reduction	Installation of energy-efficient equipment and facilities		47,947,320 (MJ)		45,829,674 (MJ)		
(5) CO ₂ emission reduction	Installation of energy-efficient equipment and facilities		2,512 (t-CO ₂)		2,346 (t-CO ₂)		
(6) Effective utilization of resources	The total quantity of metals, office-use paper, waste plastics, and other resources recycled		691 (t)		539 (t)		
(7) Effective utilization of waste	The percentage of waste recycled to the total volume of waste generated at sites		99 (%)		97 (%)		
(8) Reduction of the quantity of purchased packaging materials	Introduction of reusable packaging materials and returnable containers		2 (t)		-		
Customer benefits	No. of units of green products sold				FY2010 No. of units sold	587	

Environmental accounting results (overseas)

Scope: 10 overseas affiliates Period: April 2010 to March 2011 Unit: ¥1,000

	Category	Major activities	Costs			
			FY2009	FY2010		
Environmental conservation costs	Global environment conservation costs	Installation of energy-efficient equipment and facilities; improvement of facilities		28,510		
	Resource recycling costs	Disposal of waste		568		
	Administrative costs	Operation of environmental management system; environmental seminars		2,268		
	Social activity costs	Clean-up activities in the surrounding areas; donations to civil society organizations		2,457		
	Total			33,803		
Environmental conservation benefits	1) Economic benefits			Benefit amount		
	(1) Power cost reduction	Installation of energy-efficient equipment and facilities		5,893		
	(2) Revenue from sale of recycled materials	Sale of recovered metals, etc.		5		
		Total			5,898	
	2) Physical benefits				Volume reduced	
	(1) Power consumption reduction	Installation of energy-efficient equipment and facilities			372,500 (kWh)	
	(2) Heavy oil consumption reduction	Installation of energy-efficient equipment and facilities			5 (kl)	
(3) CO ₂ emission reduction	Installation of energy-efficient equipment and facilities			156.6 (t-CO ₂)		

Reaction to Independent Review of CSR Report 2010

Areas where further effort is needed

IHOE commented: "There has been no progress in establishing a structure to promote CSR throughout the Advantest Group. To go beyond just meeting existing requirements to promising efforts that will lead to creating new value, it is essential that the company creates a system that will encourage each division to set their own mid-term CSR targets that match their respective situation, and share and cooperate with one another within the Group."

"Since the development of business continuity plans (BCPs) is well under way for major divisions, the company now needs to accelerate the creation of a company-wide environment and system that will ensure business continuity, such as by conducting joint training."

Advantest's fiscal 2010 initiatives and future directions

To meet the requirements of the ISO 26000 standards issued in November 2010, we reorganized the cross-divisional CSR Working Group to promote information sharing and coordinated activities so as to further strengthen our company-wide CSR efforts. For our future CSR activities, we aim to take a more effective problem-solving-oriented approach by prioritizing issues for each of the seven core topics defined by ISO 26000 and focusing on issues identified as having greater material impact.

Along with the reorganization of the Group implemented in fiscal 2009 and 2010, we also reviewed our Business Continuity Plan (BCP). When the Great East Japan Earthquake occurred on March 11, the factories and offices in the Gunma region recommenced operations on March 15, and those in the Sendai region recommenced office work on March 22.

We will learn from the earthquake and will continue to improve the safety of offices and factories, reinforce the business continuity system, and work on the training of employees to ensure that the BCP will be implemented effectively.

Note on the Corporate Report 2011

As with last year's report, this year's Corporate Report focuses on being accessible to a wide range of readers, as well as on communicating vital information regarding Advantest and its CSR and environmental activities. In addition, the Corporate Report with Web Extras was edited in the PDCA cycle format to visualize the progress of our CSR activities more clearly. The Great East Japan Earthquake, a natural disaster of historic scale, has posed a test to the CSR activities of each company. All Advantest personnel must promote CSR activities by reminding themselves, once again, of the significance of these activities. In this regard, we would appreciate your comments, guidance, and feedback.

Independent Review of CSR Report 2011

This opinion is based on the content of this report and information exchanged with the CSR staff of Advantest.

Advantest has resolutely continued activities toward reducing its environmental impact under the PDCA management cycle. Quantitative targets and results of CSR activities performed as part of the daily operations of each division are also beginning to be published.

I hope Advantest will be reminded that, as the company overcomes the current challenging economic climate, it is time to further accelerate the company's drive for CSR by promoting well-defined top-down policies and a proactive stance by employees.

Areas rated very highly

- With regard to the reduction of its environmental footprint, Advantest has streamlined production processes and decreased man-hours for parts supply (p.32), as well as reduced CO₂ emissions from its operations by 64% per production unit (p.31). I would also like to offer praise for the 251 employees and their families who took part in the ECOCH program (p.32) designed to incentivize employees and their families to voluntarily engage in some kind of environmental activities in their daily lives. I hope more employees and their families will participate in the program.
- The company has started "loading linked lease" (p.12). With this new business model, the company can not just sell products but also manage availability of its products installed at customers' sites. I hope this business model will lead the company to accumulate more know-how regarding the management of environmental impact, such as power consumption, so that the company can utilize the know-how for the development of performance and functionality of future products.
- The company has added "Conservation of Biodiversity" to its Environmental Policy (p.23), and expanded its forest conservation activities from Kusatsu to include Sendai (p.26).
- The company actively provides opportunities for the employment of persons with disabilities, such as accepting trainees and organizing company tours (p.21). I hope the company will continue expanding and improving opportunities to share its know-how in this area with other companies by giving presentations and supporting outside organizations.

Areas where there has been progress but further efforts are required

- Although I give Advantest high marks for organizing training on ISO 26000 to promote CSR, I hope that—in order to enhance its group-wide, medium-term commitment—the company will create a system that encourages each division to set their own medium-term CSR targets and share and cooperate with one another (p.6). I also hope the senior management will clearly indicate the significance of CSR efforts of each

employee and strategy for the way CSR activities should be implemented at each division to develop sustainability of the company and its business.

- I commend the fact a survey was conducted regarding how suppliers are promoting CSR activities such as environmental initiatives, and that 34 suppliers, accounting for 85% of all suppliers on a purchase value basis, participated in the survey. I hope the company will make a further step forward to understand more specifics of suppliers' activities and challenges, and increase opportunities for suppliers to work together for improvement of their activities (p.15).
- I hope the company will make the most of the lessons learnt through the response to and recovery from the Great East Japan Earthquake, which occurred while the company was reorganizing the Group, to further upgrade its Business Continuity Plan (BCP) (p.10). I also hope that the company will further reinforce its system to cope with the expected shortages of electric power in Japan this summer, virulent flu epidemics, and other crises.
- Regarding the promotion and utilization of employee diversity, I am glad to see that Advantest has appointed three non-Japanese executive officers. I am confident that moving forward, it will increase the number of females and non-Japanese at other levels of management as well based on a personnel portfolio plan looking into the expected situation of the market and the ideal state of the company in 10 years' time.
- With regard to the development of a positive work environment, I am glad that the percentage of employees who took advantage of paid leave and shortened working hours for childcare and home care of the sick increased to 2.16%. I hope the company will continue its efforts to develop a work structure and organization that meet the needs of employees caring at home for the sick and elderly, which are expected to increase rapidly in the future (p.18, 20, 21).
- While the way the subsections of this report are structured (Basic policy→Challenge→Plan→Do→Check and Action) is commendable, I hope that more quantitative targets and results will be indicated for "Plan" and "Do."

Areas where further effort is needed

- As the CEO himself states in his message, "we will work closely with nonprofit and nongovernment organizations and communities, while listening even more carefully to the voices of people in need, to further promote CSR activities," I hope the company will actively seek opportunities for dialog with not only stakeholders directly concerned with its business, but also NPOs, NGOs, and others to discover issues that society and the company need to address. I also hope the acquisition of Verigy Ltd., which was announced in March 2011, will bring about a synergy of activities for effective CSR.



Hideto Kawakita

CEO,
International Institute
for Human Organization
and the Earth (IHOE)

The IHOE is an NPO established in 1994 with the purpose of achieving "the Democratic and Balanced Development for All Lives on the Earth." Although its main activity is supporting the management of civic groups and social welfare workers, it also supports the CSR of many major firms.

<http://blog.canpan.info/ihoeh/> (Japanese only)



An activity report meeting was held with Mr. Kawakita and CSR Working Group members present.