

July 24, 2019

ADVANTEST CORPORATION

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Notice Concerning the Continuation of Performance-based Stock Remuneration Plan

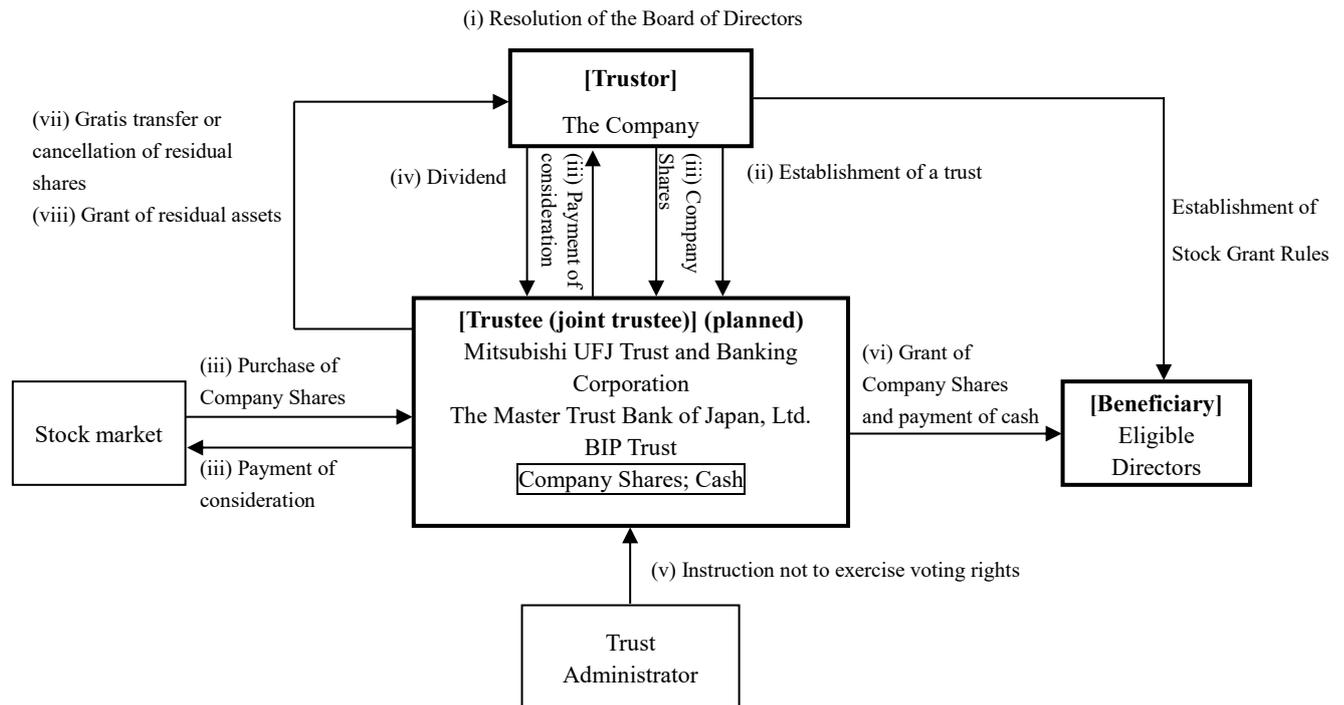
Tokyo – July 24, 2019 – Advantest Corporation (the “Company”) resolved at a meeting of the Board of Directors held today to continue a performance-based stock remuneration plan (the “Plan”) introduced in fiscal year 2018 for directors (excluding outside directors and directors who are audit and supervisory committee members; hereinafter referred to as “Eligible Directors”) of the Company and its major group subsidiaries (hereinafter referred to as “Eligible Subsidiaries”; the Company and the Eligible Subsidiaries collectively referred to as “Eligible Companies”).

1. Purpose of the Plan

- (1) The Eligible Companies has introduced the Plan in fiscal year 2018 as a highly transparent and objective board incentive plan closely linked to our group performance and shareholder value for the Eligible Directors to be more focused on enhancing the medium-to-long-term group performance as well as to be further incentivized to achieve the medium-to-long-term performance target and be more conscious of contributing to the corporate management aiming at enhanced shareholder value.
- (2) The Plan adopts a scheme called a Board Incentive Plan (BIP) Trust (the “BIP Trust”). The BIP Trust, similarly to the Performance Share Plan or the Restricted Stock Plan prevalent in the U.S. and Europe, grants or pays the common shares of the Company (the “Company Shares”) or the amount of cash equivalent to the Company Shares converted into cash (hereinafter those Company Shares and cash collectively referred to as “the Company Shares, etc.”) to the Eligible Directors depending on their executive rank or achievement level of performance target, among others.*
- (4) The Company, upon the expiry of the trust period of the BIP Trust established to implement the Plan, plans to continuously implement the Plan by establishing a new BIP trust or by changing the existing BIP Trust of which the trust period is expired and entrusting additional cash thereto.

* The remuneration for the directors of the Company, after the introduction of the Plan, is supposed to consist of “fixed remuneration,” “performance-based bonus,” “stock option” as “stock-based remuneration,” and “performance-based stock remuneration.”
The remuneration for outside directors and directors who are audit and supervisory committee members consists of “fixed remuneration” only with their role and independence taken into account.

2. Structure of BIP Trust



- (i) The Eligible Companies shall decide to continue the Plan at the Board of Directors Meeting for FY2019.
- (ii) The Company shall, to the extent of the amount approved at the general meetings of shareholder (GMS) of the Company, entrust cash as the fund for remuneration for directors of the Company collectively with the cash as the fund for remuneration for directors of the Eligible Subsidiaries to the BIP Trust for Eligible Directors as beneficiaries who meet the prescribed beneficiary requirements.
- (iii) The BIP Trust shall, pursuant to the instructions of the Trust Administrator, acquire the Company Shares from the Company (disposal of treasury shares) or the stock market using the cash entrusted in (ii) above as the fund for purchase; provided, however, that the trust to be established in 2019 shall acquire the Company Shares from the stock market. The Company Shares held within the BIP Trust shall be administered per account separately established for respective Eligible Companies in accordance with the cash contributed thereby.
- (iv) Dividends for the Company Shares held within the BIP Trust shall be paid in the same manner as for other Company Shares.
- (v) Voting rights of the Company Shares held within the Trust shall not be exercised throughout the trust period.
- (vi) During the trust period, the Eligible Directors shall, after receiving certain points in accordance with the Share Grant Rules, receive the Company Shares corresponding to a certain proportion of such points and the amount of cash equivalent to the selling price of the Company Shares corresponding to the remaining points, which the BIP Trust shall sell in the market etc., and converted into cash in accordance with the provisions of the trust agreement.
- (vii) In the event the Company Shares remain upon the expiry of the trust period due to such reasons as failure to achieve the performance target during the trust period, the Company will continuously use the BIP Trust by revising the trust agreement and entrusting additional cash, or cancel such shares based on the resolution by the Board of Directors after receiving such remaining shares gratis from the BIP Trust.
- (viii) The trust asset remaining after the distribution to the Eligible Directors upon the expiry of the BIP Trust will belong to the Company to the extent of the allowances for trust expenses which remain after the fund for stock purchase is deducted from the cash in trust. Furthermore, the amount exceeding the allowances for trust expenses will be donated to an organization with which the Eligible Companies and the Eligible Directors have no conflict of interest.

(Note) In the event no Company Share remains within the BIP Trust after the grant or payment of the Company Shares, etc., to the Eligible Directors who meet the beneficiary requirements, the BIP Trust shall expire before the expiry of the trust period. Respective Eligible Companies may entrust additional cash to the BIP Trust

(through the Company in the case of the Eligible Subsidiaries) to the extent of the amount approved at the GMS as the fund to purchase the Company Shares for the grant or payment to the Eligible Directors of those Eligible Companies.

3. Details of the Plan

(1) Outline of the Plan

The Plan represents the stock-based remuneration plan covering three (3) fiscal years from the fiscal year ending at March 31, 2020 to the fiscal year ending at March 31, 2022 (the “Covered Period”)* under which the Company Shares, etc., are granted or paid depending on the executive rank at the establishment of the BIP Trust and the achievement level of performance target, among others.

*If the trust period is extended upon the expiry of the trust period by way of the revision of the trust agreement and the additional entrustment of cash (as prescribed in (3) below), each of the subsequent three (3) fiscal years shall be regarded as the Covered Period, respectively.

The Company plans to continuously implement the same kind of incentive plan as the Plan in the next fiscal year and onward by establishing a new BIP trust or by changing the existing BIP Trust of which the trust period is expired and entrusting additional cash thereto. Details of incentive plans to be implemented in the next fiscal year and onward shall be determined based on the resolution by the Board of Directors, respectively. The amount of cash to be contributed to the BIP trust and the number of shares to be granted from such trust related to incentive plans to be implemented in the next fiscal year and onward shall be limited to the extent approved at the GMS.

The Company may establish up to one (1) Trust per year and thus will have up to three (3) Trusts at the same time if the Trust is established every year.

For your reference, see the following illustration of the outline described above.

2018	2019	2020	2021	2022	2023
Establish a trust			Grant shares, etc.		
	Establish a trust			Grant shares, etc.	
		Establish a trust			Grant shares, etc.
			Establish/extend a trust		
				Establish/extend a trust	

Diagram description: The table illustrates the timeline of trust establishment and share grants. A blue box highlights the period from FY2019 to FY2022, with a note 'shall be established in FY2019' pointing to the trust established in FY2019. Dotted lines and arrows indicate the flow of share grants from the established trusts in subsequent years.

(2) Eligible persons under the Plan (beneficiary requirements)

The Eligible Directors shall, after the expiry of the Covered Period in principle and subject to the satisfaction of the following beneficiary requirements, receive the Company Shares equivalent to 50% of granted points (prescribed in (4) below) (the number of shares less than a share unit will be disregarded) and the amount of cash equivalent to the selling price of the remaining Company Shares, which the BIP Trust shall sell in the market, etc., following the completion of the prescribed procedures for the designation as a beneficiary; provided, however, that non-resident Eligible Directors not having a securities account for the management of Japanese stocks shall receive the amount of cash equivalent to the selling price of the Company Shares corresponding to the number of points, which the BIP Trust shall sell in the market, etc.

- (i) A person who holds the office as an Eligible Director or holds office in any of the Eligible Companies during the Covered Period on or after the commencement date of the Plan (including those who become an Eligible Director after the commencement date of the Plan)
- (ii) A person who has not committed certain illegal activities during his/her service
- (iii) A person for whom the number of points as prescribed in (4) below has been determined
- (iv) A person who meets other conditions necessary to fulfill the purpose as a performance-based stock remuneration plan

*In the event an Eligible Director who meets the beneficiary requirements retires during the Covered Period (excluding those who retire for personal reasons or those who are dismissed based on legitimate reasons for dismissal), such Eligible Director shall, without delay following the completion of the prescribed procedures, receive the Company Shares equivalent to 50% of the points (reduced by the ratio of enrollment period) to be granted upon retirement (the number of shares less than a share unit will be disregarded) and the amount of cash equivalent to the selling price of the Company Shares corresponding to the remaining points, which shall be sold in the market, etc. Furthermore, if an Eligible Director who meets the beneficiary requirements passes away during the trust period, an heir of such Eligible Director shall receive the amount of cash equivalent to the selling price of the Company Shares corresponding to the number of points to be granted at the point (reduced by the ratio of enrollment period) in time, which the BIP Trust shall sell in the market, etc.

(3) Trust period

a. Trust period of the BIP Trust

Trust period is set by the trust agreement. Three (3) years from August 1, 2019 (planned) to the end of September 2022 (planned) for fiscal year 2019.

b. Continuation of the BIP Trust

The BIP Trust may be continued upon the expiry of the trust period by way of the revision of the trust agreement and the additional entrustment of cash. In that case, the trust period of the BIP Trust shall be extended for an additional three (3) years. The Eligible Subsidiaries shall contribute additional cash as the fund for remuneration for the directors of Eligible Subsidiaries, to the extent of the maximum amount of cash in trust approved at the GMS of Eligible Subsidiaries, for respective extended trust periods. The Company shall entrust cash as the fund for remuneration for the directors of the Company, to the extent of the amount approved at the GMS of the Company, collectively with the cash contributed by the Eligible Subsidiaries, and continue to grant the points to the Eligible Directors during the extended trust period; provided, however, that, if there remain upon such additional contribution the Company Shares (excluding the Company Shares which correspond to the points granted to the directors but have not been granted thereto) and cash within the trust asset (hereinafter such remaining Company Shares and cash collectively referred to as "Remaining Shares, etc.") as of the last day of the trust period before such extension, the total amount of the Remaining Shares, etc., and the additionally contributed trust cash per account of respective Eligible Companies shall remain within the maximum amount of the cash in trust approved at the GMS of such Eligible Companies, respectively. The extension of the trust period is not limited to only once and thus may be extended again in a similar manner later on.

(4) Number of Company Shares, etc., to be granted or paid to Eligible Directors

Certain points will be granted to a person who holds the office as an Eligible Director as of the end of the final fiscal year during the Covered Period (hereinafter referred to as "Granted Points") in principle. The Granted Points shall be determined depending on the executive rank of Eligible Directors at the establishment of the BIP Trust and the achievement level of performance target*. The Company Shares, etc., shall be granted or paid according to the Granted Points after the expiry of the Covered Period in principle. One (1) point shall be equivalent to one (1) Company Share; provided, however, that, if the total number of the Company Shares increases or decreases during the trust period due to share split, allotment of share without contribution, consolidation of share, etc., the Company will adjust the number of Company Shares, etc., to be granted or paid per point depending on the ratio of such increase or decrease.

*The indicators to evaluate the achievement level of the performance target shall be consolidated net sales, consolidated operating income ratio, net income, ROE, etc., of the Company and shall be within the range of 0% to 150% depending on the achievement level of performance target, among others; provided, however, that consolidated net sales, consolidated operating income ratio, net income and ROE shall be used as the indicators for fiscal year 2019.

(5) Maximum amount of cash in trust to be contributed to BIP Trust and maximum number of Company

Shares to be granted from BIP Trust (including shares to be converted into cash)

The total amount of cash in trust to be contributed during the trust period to the BIP Trust by the Eligible Companies as the amount attributable to the Company and to the Eligible Subsidiaries, respectively, and the total number of points to be granted to the Eligible Directors by the BIP Trust during respective Covered Periods may not exceed both of the following thresholds*.

*The maximum amount of cash in trust takes the current level of remuneration for the Eligible Directors into account and is calculated based on the amount of the fund for stock purchase to which trust fees and trust expenses are added.

	Total maximum amount of cash in trust to be contributed to the BIP Trust (during three (3) fiscal years)	Total maximum number of Company Shares to be granted or paid from the BIP Trust (during three (3) fiscal years)
The Company	¥200 million	90,000 shares
Eligible Subsidiaries in total	¥200 million	90,000 shares
Total	¥400 million	180,000 shares

(6) Method for BIP Trust to acquire Company Shares

The Company Shares will be acquired by the BIP Trust initially from the Company (disposal of treasury shares) or the stock market to the extent of the maximum amount of the fund for stock purchase and the maximum number of shares to be granted as described in (5) above; provided, however, that the BIP Trust to be established in 2019 will purchase the Company Shares from the stock market.

(7) Method and timing of grant or payment of Company Shares, etc., to Eligible Directors

The Eligible Director who meets the beneficiary requirements stated in (2) above shall, after the expiry of the Covered Period of the Plan, receive the Company Shares equivalent to 50% of the Granted Points (the number of shares less than a share unit will be disregarded) and the amount of cash equivalent to the selling price of the remaining Company Shares, which the BIP Trust shall sell in the market, etc., following the completion of the prescribed procedures for the designation as a beneficiary.

See (2) above for handling of non-resident Eligible Directors not having a securities account for the management of Japanese stocks, retirement of Eligible Directors during the trust period who meet the beneficiary requirements, and death of Eligible Directors while in office.

(8) Exercise of voting rights related to Company Shares held within BIP Trust

Voting rights of the Company Shares held within the BIP Trust shall not be exercised to ensure the neutrality of the corporate management.

(9) Handling of dividends related to Company Shares held within the BIP Trust

Dividends related to the Company Shares held within the BIP Trust shall be received by the BIP Trust and allocated to trust fees and trust expenses thereof.

(10) Handling of shares and dividends remaining upon expiry of trust period

In the event the Company Shares remain upon the expiry of the BIP Trust (or upon the expiry of the extended trust period in the case where the BIP Trust is continued according to (3) above) due to such reasons as the failure to achieve the performance target, the Company will, as a measure for enhancing shareholder returns, cancel such shares based on the resolution by the Board of Directors after receiving such remaining shares gratis from the BIP Trust.

Furthermore, the amount of dividends related to the Company Shares held within the BIP Trust which remain upon the expiry of the trust period will be used as part of the fund for stock purchase if the BIP Trust is continuously used, whereas, in the event the BIP Trust is terminated upon the expiry of the trust period, the amount exceeding the allowances for trust expenses will be donated to an organization with which the Eligible Companies and the Eligible Directors have no conflict of interest.

(Reference)

[Outline of trust agreement]

(i)	Type of trust	Cash trust other than a specified cash trust for separate investment (third party benefit trust)
(ii)	Purpose of trust	To give incentives to Eligible Directors
(iii)	Trustor	The Company
(iv)	Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned) (Co-trustee: The Master Trust Bank of Japan, Ltd.) (planned)
(v)	Beneficiaries	Eligible Directors who meet beneficiary requirements
(vi)	Trust administrator	A third party who has no conflict of interest with Eligible Companies (certified public accountant)
(vii)	Date of trust agreement	August 1, 2019 (planned)
(viii)	Trust period	From August 1, 2019 (planned) to the end of September 2022(planned)
(ix)	Commencement date of the Plan	August 1, 2019 (planned)
(x)	Exercise of voting rights	Points to be granted on June, 2022 in principle (planned)
(xi)	Type of shares to be acquired	Not to be exercised
(xii)	Maximum amount of trust cash	Common shares of the Company
(xiii)	Time to acquire shares	¥400 million (planned) (including trust fees and trust expenses) (note) ¥190 million will be the amount of trust cash for fiscal year 2019.
(xiv)	Method to acquire shares	From August 2, 2019 (planned) to August 30, 2019 (planned)
(xv)	Vested rights holder	To be acquired from the stock market
(xvi)	Residual properties	The Company
		Residual properties to be received by the Company, as holder of vested rights, shall be limited to the extent of the allowances for trust expenses remaining after the fund for stock purchase is deducted from the cash in trust .

[Administrative affairs related to trust and shares]

(i)	Administrative affairs related to trust	Mitsubishi UFJ Trust and Banking Corporation will serve as the Trustee of the BIP Trust and be engaged in administrative affairs related to the BIP Trust.
(ii)	Administrative affairs related to shares	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will be engaged in administrative affairs related to the grant of the Company Shares to beneficiaries based on the outsourcing contract.

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