

*(The following is an unofficial English translation of the Convocation Notice of the 79th Ordinary General Meeting of Shareholders of Advantest Corporation (the “Company”). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.*

*(Pictures, graphs and reference matters in the Japanese have been omitted from this translated document.)*

(Stock Code Number: 6857)

**CONVOCATION NOTICE OF  
THE 79th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and time: June 23, 2021 (Wednesday) at 11:00 a.m.  
(The reception desk will open at 10:00 a.m.)

Place: Hall at Gunma R&D Center of Advantest Corporation  
336-1, Ohwa, Meiwa-machi, Ora-gun, Gunma  
(Please refer to the venue guide map at the end.)

## **Message to Shareholders**

To Our Shareholders

We are pleased to send you this Convocation Notice for the 79th Ordinary General Meeting of Shareholders.

First of all, I sincerely hope that the spread of the new coronavirus disease (COVID-19) will end as soon as possible and wish for the earliest possible recovery of those who have been affected by the disease.

During the consolidated fiscal year of 2020, the global economy was severely impacted by the global spread of the new coronavirus (COVID-19). Countries struggled to balance infection prevention measures with economic activity as they strove to achieve economic recoveries. However, the pace of recovery from this historical recession remained slow.

In the semiconductor testing device business segment, our core business segment, remote work and nesting consumption grew as a result of the COVID-19 pandemic, resulting in strong data center and gaming device-related demand throughout the course of the year. In automobile and industrial device-related business, demand stagnated from spring due to city lockdowns and restrictions on peoples' mobility aimed at containing the growth of COVID-19, but with the recovery of end-product production, market conditions improved in the latter half of the year. In the smartphone-related business segment, we strove to capture demand for new testing devices that arose due to competition focused on device capabilities. We also engaged in comprehensive testing and solution sales of mechatronics business segment products and system level testing business segment products.

As a result of these measures, the Company reached new records in orders, net sales, and net income. The Company thereby achieved all of the management metrics outlined in the 1st Mid-Term Management Plan for the three-year period starting from fiscal year 2018. Orders received during the consolidated fiscal year under review amounted to 330.6 billion yen, and net sales were 312.8 billion yen. In terms of profit, operating income was 70.7 billion yen and income before income taxes was 69.6 billion yen.

With respect to the year-end dividend distribution to shareholders, we resolved at the meeting of the Board of Directors held on May 21, 2021 to distribute a year-end dividend of 80 yen per share that includes a commemorative dividend of 10 yen for achieving sales of over 300 billion yen for the first time, with a payment date of June 3, 2021.

Since Advantest has paid an interim dividend of 38 yen per share, the total dividend per share for the fiscal year will be 118 yen per share.

We hope that we may rely on you for your continued support and guidance in the future.

June 2021

Yoshiaki Yoshida  
Representative Director,  
President and CEO

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**To Our Shareholders**

Yoshiaki Yoshida  
Representative Director  
President and CEO  
ADVANTEST CORPORATION  
1-6-2 Marunouchi, Chiyoda-ku,  
Tokyo

**CONVOCATION NOTICE OF  
THE 79th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

Notice is hereby given that the 79th Ordinary General Meeting of Shareholders of ADVANTEST CORPORATION (the “Company”) will be held as set forth below.

In order to prevent the spread of COVID-19, the Company requests that shareholders exercise their voting rights via the Internet or in writing if at all possible, and refrain from attending the General Meeting of Shareholders in person.

The Company requests that you exercise your voting rights by 5:00 p.m. on June 22, 2021 (Tuesday) after carefully reading the reference documents set forth below.

1. Date and time: June 23, 2021 (Wednesday) at 11:00 a.m.  
(The reception desk will open at 10:00 a.m.)
2. Place: Hall at Gunma R&D Center of Advantest Corporation  
336-1, Ohwa, Meiwa-machi, Ora-gun, Gunma  
(Please refer to the venue guide map at the end.)
3. Subject matters of the general meeting of shareholders:
  - Matters to be reported:
    - Item No.1: Matters concerning the business report, consolidated financial statements and non-consolidated financial statements reporting for the 79th Fiscal Year (from April 1, 2020 to March 31, 2021)
    - Item No.2: Matters concerning the results of audit of the Company’s consolidated financial statements by the Independent Auditors and the Audit and Supervisory Committee
  - Matters to be resolved:
    - Agenda Items:
      - Agenda Item No.1: Election of 8 directors (excluding directors who are audit and supervisory committee members)
      - Agenda Item No.2: Election of 2 directors who are audit and supervisory committee members
      - Agenda Item No. 3 Election of 1 director who is a substitute audit and supervisory committee member
      - Agenda Item No. 4 Revision of amount of compensation for directors (excluding directors who are audit and supervisory committee members)
      - Agenda Item No. 5 Revision of stock compensation plan for directors (excluding outside directors and directors who are audit and supervisory committee members)

### **Notice of Items to be listed on our website**

- As the following information is available on the Company's website in accordance with laws and regulations and Article 13 of the Articles of Incorporation, it is not included in this convocation notice. Materials attached to this convocation notice and the matters posted on the Company's website indicated below are documents audited by the Independent Auditors and the Audit and Supervisory Committee when preparing the Report of Independent Auditors and the Audit Report, respectively.

1. A system that ensures the appropriateness of its business
2. Status of implementation of the system to ensure the appropriateness of business
3. Consolidated Statement of Comprehensive Income
4. Consolidated Statement of Changes in Equity
5. Notes to Consolidated Financial Statements
6. Statement of Changes in Net Assets
7. Notes to Non-Consolidated Financial Statements

(note: This English Translation includes above such statements for your convenience)

- Amendments to the reference documents for the general meeting of shareholders and/or attached materials or any significant changes in the operation of this general meeting of shareholders, if any, will be posted on the Company's website.

- If the date and time or the venue of the general meeting of shareholders are to be changed due to the status of the spread of COVID-19, the information will be posted on the Company's website.

- Presentation materials concerning matters to be reported will be posted on the Company's website.

- The resolutions adopted at the meeting will be posted on the Company's website instead of issuing a written notice of the resolutions.

The Company's website:

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

### **Information about the Online Convocation Notice**

Major contents of this convocation notice can be viewed from a computer or smartphone.

Please visit the website or scan the QR code below.

(note: QR code and URL is omitted since the Online Convocation Notice will be available in Japanese)

## **Measures for Preventing the Spread of COVID-19**

### **[Requests to Shareholders]**

- In view of the status of the spread of COVID-19, the Company requests that you prioritize the safety of yourself and your family members and refrain from attending the meeting.
- If you are attending the meeting, you are requested to cooperate with the measures to help prevent the spread of COVID-19, including wearing of a mask at the venue, use of alcohol-based disinfection, and temperature check.
- Please note that the meeting staff may speak to those who appear to be in ill health and such shareholders may not be allowed to enter the venue.
- At the venue, you are requested to sit apart from one another to the extent possible.
- To help smooth proceedings of this year's general meeting of shareholders, shareholders are requested to refrain from asking any questions unrelated to the subject matter of the meeting during the Q&A session.

### **[The Company's Measures]**

- To prevent the spread of infection, spaces between seats at the meeting venue will be increased.
- The meeting staff will have their health conditions checked in advance and will wear a mask at the venue.
- Alcohol-based disinfectants will be placed for use at the venue.
- The general meeting of shareholders will be streamed live on the Internet, and a website will be set up for shareholders to submit questions in advance. Please see details on pages 9 to 11.

- |  |
|--|
| <ul style="list-style-type: none"><li>- The Company will not be presenting a gift to shareholders who attend the meeting.</li><li>- The social gathering with shareholders has been cancelled.<br/>We appreciate your understanding.</li></ul> |
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## **Instructions for the Exercise of Voting Rights**

### **If you exercise your voting rights or via the Internet or in writing**

#### **Exercise of voting rights via the Internet**

Please refer to “Instructions for the Exercise of Voting Rights via the Internet” on pages 7 - and indicate your intention to vote “for” or “against” each agenda item by following the on-screen instructions.

**Deadline: By 5:00 p.m. of June 22, 2021 (Tuesday)**

#### **Exercise of voting rights in writing**

Please indicate your intention to vote “for” or “against” each agenda item on the enclosed voting right exercise form, and then return the form to us.

**Deadline: To be delivered by 5:00 p.m. of June 22, 2021 (Tuesday)**

### **If you attend the General Meeting of Shareholders**

When attending the meeting, please bring this convocation notice with you and submit the enclosed voting right exercise form to the reception desk at the site of the meeting.

If you attend the meeting, you do not need to mail the voting right exercise form or vote via the Internet.

**Date and time: June 23, 2021 (Wednesday) at 11:00 a.m.**

## **Instructions for the Exercise of Voting Rights via the Internet**

Voting rights may be exercised online only by accessing the website for casting votes on a PC, smartphone, etc. Please access the website for casting votes and indicate your intention to vote “for” or “against” each agenda item. (This website is out of service from 2:00 a.m. to 5:00 a.m. every day.)

**Deadline for exercise of voting rights: By 5:00 p.m. of June 22, 2021 (Tue)**

### **Using a smartphone to read the QR code**

Read the “QR code for login” and you can log in to the website for casting votes without entering the “login ID” and “temporary password.”

**\*Exercising of voting rights using the following method is available only once.**

#### **1. Read the QR code.**

Use your smartphone and read the “QR code for login” printed on the right-hand slip of the enclosed voting right exercise form.

#### **2. Select the option of exercise of voting rights.**

The screen displays available options for exercise of voting rights. Select your preferred option for exercise of voting rights.

#### **3. Select “for” or “against” each agenda item.**

Follow the on-screen instructions and for each agenda item select “for” or “against.”

**Follow the on-screen instructions to complete your exercise of voting rights.**

#### **For login for the second time onward,**

Please follow the instructions on the next page.

#### **Institutional investors**

Institutional investors can use the electronic voting platform operated by ICJ, Inc. by submitting an application in advance.

## Entering the “login ID” and “temporary password”

1. Access the website for casting votes.
2. Enter the “login ID” and “temporary password” printed on the right-hand slip of the enclosed voting right exercise form
3. Complete the “New password” and “New password (for confirmation)” fields.

**Follow the on-screen instructions and enter “for” or “against.”**

### Website for casting votes

<https://evote.tr.mufg.jp/>

#### Notes

- If you exercise your voting rights via the Internet, you do not need to mail the voting right exercise form.
- If voting rights are exercised both by mail and via the Internet, the exercise of voting rights via the Internet shall be deemed valid.
- If voting rights are exercised via the Internet multiple times, the last exercise of voting rights shall be deemed valid.
- In some cases, you may not be able to use the website for casting votes due to your Internet environment, network service, or communication device model.
- Internet connection charges, communication fees, and other costs incurred by accessing the website for casting votes by smartphone, PC, etc. shall be the responsibility of each shareholder.

[Contact for inquiry on how to operate the website for casting votes]

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation

Phone number: 0120-173-027 (toll-free number within Japan)

Business hours: 9 a.m. to 9 p.m. (Japan time)

## **Notice of live streaming via the Internet**

The general meeting of shareholders will be streamed live on the Internet.

**Streaming date/time:** Starting at 11:00 a.m., June 23, 2021 (Wednesday)

\* The live stream will go online from 10:30 a.m.

### **How to watch the streamed meeting**

(1) Access the following URL.

<https://www.virtual-sr.jp/users/advantest2021/login.aspx>

(2) When you connect, you will be asked to enter your ID and password. Please enter the following ID and password.

ID: Your shareholder number (enter your 8-digit shareholder number using single-byte characters)

Password: Enter the postal code of your registered residence (enter your 7-digit postal code, omitting the hyphen, using single-byte characters)

(3) After entering your ID and password, agree to the usage terms and press the “View” button.

## **Inquiries regarding IDs, passwords, or the live streaming of the general meeting of shareholders**

(Inquiries)

Mitsubishi UFJ Trust and Banking Corporation

Tel: 0120-191-060 (Hours: June 23, 2021, from 9:00 a.m. until the meeting ends)

### **Important notes**

- In order to protect the privacy of shareholders attending the meeting, only the areas near the meeting chairperson and the officers will be shown in the stream. However, please be aware that, when unavoidable, shareholders attending the meeting may be visible in the stream.
- Viewing the stream of the meeting is not considered attending the general meeting of shareholders under the Companies Act. Accordingly, shareholders viewing the live stream will not be able to make comments, exercise voting rights, or make objections at the general meeting of shareholders. Advantest requests that shareholders exercise their voting rights in advance via the Internet or by mail.
- Opinions from shareholders will be received on the day of the general meeting of shareholders in the form of messages.
- The general meeting of shareholders will only be streamed live in Japanese.
- Individual shareholders are responsible for any expenses such as Internet connection fees or communication fees involved in viewing the streamed meeting.
- Please note that you may experience audio or video issues depending on your computer environment (model, capabilities, etc.) and Internet connectivity environment (traffic conditions, connection speed, etc.).
- Details regarding viewing environments, etc., will be posted separately on the “Shareholders’ Meeting” section of our website. You can also test your viewing environment from our website, so please perform confirmation in advance.
- Only shareholders may view the live streamed meeting.
- Please refrain from filming, making video recordings, making audio recordings, saving, or posting the streamed meeting to social media.
- Disclosing or providing the personal information of shareholders or other information involving the privacy of shareholders, obtained through the video or audio of the meeting, to third parties is strictly prohibited.
- On-demand streaming of the general meeting of shareholders will be available from our website at a later date, following the conclusion of the meeting.
- Live streaming of the meeting may not be possible in the event of a natural disaster, due to the spread of COVID-19, or under other circumstances. Information regarding whether or not live streaming will be performed, streaming conditions, and the like will be provided as necessary on our website.

<<Advantest website>>

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

### **Advance registration of questions**

- If you have any questions concerning the matters to be reported or the matters to be resolved at the 79th Ordinary General Meeting of Shareholders, you may register those questions via our website.
- On the day of the general meeting of shareholders, we plan to answer questions submitted in advance that concern matters of great interest to shareholders. Please be aware that we will refrain from answering questions that are not related to the objectives of the general meeting of shareholders, that are duplicates of other questions, or which, by answering, would violate the rights or interests of our customers, our employees, or other persons.
- Use the URL or QR code below to access the website and enter all necessary information.

(note: QR code is omitted)

<<Advance question registration website>>

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

**Receipt of questions:** Until 5:00 p.m. on June 15, 2021 (Tuesday)

## **Reference Documents for the General Meeting of Shareholders**

Agenda Items and Reference Matters:

**Agenda Item No. 1:** Election of 8 directors (excluding directors who are audit and supervisory committee members)

The term of office of all 8 current directors (excluding directors who are audit and supervisory committee members) will expire upon the closing of this ordinary general meeting of shareholders. The Company therefore requests that you elect 8 directors (excluding directors who are audit and supervisory committee members). The Company has received a report from the Audit and Supervisory Committee stating that this agenda item was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee, taking into consideration the career, capabilities, personalities, and other attributes of each candidate in a comprehensive manner, and that the candidate nomination procedure was appropriate and there were no specific findings.

The profiles of the director candidates (excluding directors who are audit and supervisory committee members) are set forth below.

Candidate No.	Name	Present position and assignment	Number of attendances at the meetings of the Board of Directors
1	<input type="checkbox"/> Reappointed Yoshiaki Yoshida	Representative Director, President and CEO	13/13 (100%)
2	<input type="checkbox"/> Reappointed <input checked="" type="checkbox"/> Independent Osamu Karatsu	Outside Director	13/13 (100%)
3	<input type="checkbox"/> Reappointed <input checked="" type="checkbox"/> Independent Toshimitsu Urabe	Outside Director	13/13 (100%)
4	<input type="checkbox"/> Reappointed <input checked="" type="checkbox"/> Independent Nicholas Benes	Outside Director	13/13 (100%)
5	<input type="checkbox"/> Reappointed Soichi Tsukakoshi	Director, Senior Executive Officer, Supply Chain	13/13 (100%)
6	<input type="checkbox"/> Reappointed Atsushi Fujita	Director, Managing Executive Officer, Corporate Administration and Compliance	13/13 (100%)
7	<input type="checkbox"/> Reappointed Koichi Tsukui	Director, Managing Executive Officer, Test Technology	10/10 (100%)
8	<input type="checkbox"/> Reappointed Douglas Lefever	Director, Managing Executive Officer, Customer Relations & Corporate Strategy	10/10 (100%)

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
1	 Yoshiaki Yoshida (February 8, 1958) <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div>  Number of Years as Director: 8 years	April 1999      Joined Advantest Corporation June 2006      Executive Officer June 2009      Managing Executive Officer June 2013      Director, Managing Executive Officer June 2016      Director, Senior Executive Officer January 2017   Representative Director, President and CEO (present position)	48,494
<p><b>The reasons for nomination as a candidate for a director</b></p> <p>After his duties as the representative director of a subsidiary of the Company, Executive Vice President of the Corporate Planning Group, Executive Vice President of the Corporate Relations Group, and Executive Vice President, Nanotechnology Business Group, Mr. Yoshiaki Yoshida has been serving as Representative Director, President and CEO of the Company since January 2017. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for a director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
2	 <p>Osamu Karatsu (April 25, 1947)</p> <p>Reappointed</p> <p>Independent</p> <p>Number of Years as Outside Director: 9 years</p>	<p>April 1975      Joined Nippon Telegraph and Telephone Public Corporation</p> <p>June 1991      Executive Manager, LSI Laboratories, Nippon Telegraph and Telephone Corporation</p> <p>June 1997      Vice President and Director, Advanced Telecommunications Research Institute International (Resigned June 1999)</p> <p>April 1999      Principal Consultant, SRI Consulting K.K.</p> <p>April 2000      Chief Executive Director, SRI International Japan (Resigned January 2012)</p> <p>June 2012      Outside Director of Advantest Corporation (present position)</p>	3,175
<p><b>The reasons for nomination as a candidate for an outside director and the number of years in office</b></p> <p>In addition to his management experience at R&amp;D institutions in Japan and overseas, Mr. Osamu Karatsu has a wealth of knowledge and experience as a semiconductor specialist. He is expected to reflect his knowledge of the industry and his broad perspectives in the Company Group's management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him again as a candidate for an outside director.</p> <p><b>Independence</b></p> <p>The Company has no special transactions with Mr. Osamu Karatsu and the Company judges that he is sufficiently independent in light of the "Independence Criteria of Independent Outside Directors" (page 28) specified by the Company. And since he also satisfies the requirements for independent directors/auditors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
3	 <p>Toshimitsu Urabe (October 2, 1954)</p> <p>Reappointed</p> <p>Independent</p> <p>Number of Years as Outside Director: 2 years</p>	<p>April 1978      Joined Mitsubishi Corporation</p> <p>April 2009      Senior Vice President and Deputy Chief Representative for China of Mitsubishi Corporation, and President for Mitsubishi Corporation (Hong Kong) Ltd.</p> <p>April 2011      Senior Vice President and Senior Assistant to Senior Executive Vice President, Human Resources of Mitsubishi Corporation</p> <p>April 2013      Executive Vice President, Group CEO, Business Service Group of Mitsubishi Corporation</p> <p>April 2017      Advisor, Mitsubishi Corporation</p> <p>June 2017      Deputy President and Executive Officer of Mitsubishi UFJ Lease &amp; Finance Company Limited (currently Mitsubishi HC Capital Inc.) (Resigned as Executive Officer in March 2021) (Resigned as Director in April 2021)</p> <p>June 2019      Outside Director of Advantest Corporation (present position)</p> <p>April 2021      Outside Director of Japan Business Systems, Inc. (present position)</p>	321
<p><b>The reasons for nomination as a candidate for an outside director and the number of years in office</b></p> <p>Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company, particularly overseas experience in the United States and Asia, experience in business investment decisions, etc., and extensive experience in administrative management, for example human resources. He is expected to reflect his knowledge in the Company Group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him again as a candidate for an outside director.</p> <p><b>Independence</b></p> <p>The Company has no special transactions with Mr. Toshimitsu Urabe, and the Company judges that he is sufficiently independent in light of the Independence Criteria of Independent Outside Directors (page 28) specified by the Company. And since he also satisfies the requirements for independent directors/auditors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
4	 <p>Nicholas Benes (April 16, 1956)</p> <p>Reappointed</p> <p>Independent</p> <p>Number of Years as Outside Director: 2 years</p>	<p>September 1983    Joined Morgan Guaranty Trust Company of New York (currently JPMorgan Chase &amp; Co.)</p> <p>November 1983    Joined California and New York State Bar Association.</p> <p>May 1994            Senior Managing Director, Kamakura Corporation</p> <p>April 1997          President and Founder, JTP Corporation (present position)</p> <p>March 2000         Outside Director, Alps Mapping Co., Ltd.</p> <p>December 2006    Outside Director, Livedoor Holdings Co., Ltd.</p> <p>March 2007         Outside Director, Cecile Co., Ltd.</p> <p>November 2009    Representative Director, The Board Director Training Institute of Japan (present position)</p> <p>June 2016          Outside Director, Imagica Robot Holdings Inc. (currently IMAGICA GROUP Inc.)</p> <p>June 2019          Outside Director of Advantest Corporation (present position)</p>	0
<p><b>The reasons for nomination as a candidate for an outside director and the number of years in office</b></p> <p>Mr. Nicholas Benes has extensive knowledge and experience about corporate governance matters, and experience in investment banking including M&amp;A transactions. He is expected to reflect his knowledge of corporate governance and the shareholder-oriented perspective in the Company Group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, the Company believes that he is a suitable person as an outside director, and therefore, has nominated him again as a candidate for an outside director.</p> <p><b>Independence</b></p> <p>Mr. Nicholas Benes does not have any dealings with the Company that would affect his independent judgement. The Company has paid an annual fee to and received executive training from the Board Director Training Institute of Japan, where he has been a representative director. The amount of payment to the Board Director Training Institute of Japan in FY2020 was less than JPY 1,000,000. Therefore, the Company judges that the institute is not a major business partner as defined in the Independence Criteria of Independent Outside Directors (page 28) specified by the Company, and accordingly he is sufficiently independent. And since he also satisfies the requirements for independent directors/auditors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
5	 Soichi Tsukakoshi (February 1, 1960)  <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div>  Number of Years as Director: 4 years	April 1983      Joined Advantest Corporation June 2008      Executive Officer June 2013      Executive Vice President, Production Group (present position) June 2015      Managing Executive Officer June 2017      Director, Managing Executive Officer Supply Chain (present position) June 2020      Director, Senior Managing Executive Officer (present position)	5,072
<p><b>The reasons for nomination as a candidate for a director</b>            Mr. Soichi Tsukakoshi has been engaged in sales and marketing operations. After his duties as Senior Vice President of the Sales Group, he currently serves as Executive Vice President of the Production Group. He has a wealth of knowledge and experience concerning sales and marketing as well as production. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value through enhancement of efficiency of manufacturing and supply chain optimization and, therefore, has nominated him again as a candidate for a director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
6	 <p>Atsushi Fujita (November 15, 1959)</p> <p>Reappointed</p> <p>Number of Years as Director: 2 years</p>	<p>April 1983      Joined Advantest Corporation</p> <p>June 2015      Executive Officer</p> <p>June 2017      Managing Executive Officer, Executive Vice President, Corporate Administration Group (present position)</p> <p>June 2019      Director, Managing Executive Officer (present position)</p> <p>June 2020      In charge of Corporate Administration and Compliance (present position)</p>	2,305
<p><b>The reasons for nomination as a candidate for a director</b></p> <p>Mr. Atsushi Fujita has been engaged in corporate administration mainly in finance and accounting for many years, including assignment to the US and Germany. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for a director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
7	 <p data-bbox="256 539 512 607">Koichi Tsukui (December 11, 1964)</p> <div data-bbox="320 618 464 663" style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Reappointed</div> <p data-bbox="264 712 504 813">Number of Years as Director: 1 year</p>	<p data-bbox="539 253 1265 595"> April 1987      Joined Advantest Corporation  June 2014      Executive Officer  June 2015      Managing Executive Officer  June 2019      In Charge of DH Business Group (present position)  June 2020      Director, Managing Executive Officer (present position)  Test Technology (present position)  Leader, ATE Business Group (present position) </p>	1,951
<p data-bbox="256 819 967 846"><b>The reasons for nomination as a candidate for a director</b></p> <p data-bbox="256 853 1437 1012">Mr. Koichi Tsukui has been engaged in business operations and sales and marketing operations for many years including assignment to Germany. He has a wealth of knowledge and experience concerning the Company group's business and corporate management. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for a director.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
8	 <p>Douglas Lefever (December 10, 1970)</p> <p style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</p> <p>Number of Years as Director: 1 year</p>	<p>June 1998      Joined Advantest America, Inc.</p> <p>August 2014    Executive Officer, Advantest Corporation</p> <p>September 2014   Director, President and CEO, Advantest America, Inc. (present position)</p> <p>June 2017      Managing Executive Officer, Advantest Corporation</p> <p>June 2019      Leader, System Test Business Unit (present position)</p> <p>June 2020      Director, Managing Executive Officer (present position) Customer Relations &amp; Corporate Strategy (present position) Leader, Applied Research &amp; Venture Team (present position)</p>	0
<p><b>The reasons for nomination as a candidate for a director</b></p> <p>Mr. Douglas Lefever is responsible for promoting business development mainly in the US (Silicon Valley). He has a wealth of knowledge and experience concerning the Company group's business and corporate management and is expected to contribute to enhancing and galvanizing the diversity of the Board of Directors. Thus, the Company believes that he is a suitable person to realize sustainable enhancement of corporate value and, therefore, has nominated him again as a candidate for a director.</p>			

Notes:

1. These candidates do not have any special interest in the Company.
2. Messrs. Osamu Karatsu, Toshimitsu Urabe and Nicholas Benes are candidates for outside director.
3. The Company has entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act with each of Messrs. Osamu Karatsu, Toshimitsu Urabe and Nicholas Benes. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.
4. The Company has concluded a directors and officers liability insurance contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The insurance policy insures all directors, executive officers and employees of the Company, including employees in managerial and supervisory positions, and all employees of Company subsidiaries, including executives and employees in managerial and supervisory positions, against legal damages and litigation expenses that may arise when the insured party assumes liability for the execution of his or her duties or is subject to a claim for the pursuit of said liability. However, the insurance policy has certain exclusions, such as providing no coverage for damages suffered by insured parties arising from actions taken by said insured parties with the knowledge that they were in violation of the law, to ensure that the insured parties execute their duties in an appropriate manner. The insurance premiums, including riders, are borne in their entirety by the company to which the insured party belongs, and no insurance premiums are borne by the insured parties themselves. Every candidate is currently a director of the Company (excluding directors who are audit and supervisory committee members) and is covered by the insurance policy. If the candidates are reappointed as Director, they will continue to be covered by the insurance policy as insured parties. The Company plans to renew the insurance contract with the same contents while each director is in office.

**Agenda Item No. 2:** Election of 2 directors who are audit and supervisory committee members

The term of office of the current directors who are audit and supervisory committee members, Messrs. Yuichi Kurita and Kouichi Nanba will expire upon the closing of this ordinary general meeting of shareholders. The Company therefore requests the election of 2 directors who are audit and supervisory committee members. The Company has obtained the consent of the Audit and Supervisory Committee with respect to this agenda item.

The profiles of the candidates for director who is an audit and supervisory committee member are set forth below.

Candidate No.	Name	Present position and assignment	Number of attendances at the meetings of the Board of Directors and the meetings of the Audit and Supervisory Committee
1	<div style="border: 1px solid black; display: inline-block; padding: 2px;">Reappointed</div> Yuichi Kurita	Director, Standing Audit and Supervisory Committee Member	Meetings of the Board of Directors: 13/13 (100%) Meetings of the Audit and Supervisory Committee: 14/14 (100%)
2	<div style="border: 1px solid black; display: inline-block; padding: 2px;">Reappointed</div> <div style="border: 1px solid black; display: inline-block; padding: 2px; background-color: #cccccc;">Independent</div> Kouichi Nanba	Outside Director, Audit and Supervisory Committee Member	Meetings of the Board of Directors: 13/13 (100%) Meetings of the Audit and Supervisory Committee: 14/14 (100%)

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
1	 Yuichi Kurita (July 28, 1949)  <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div> Number of Years as Director who is an audit and supervisory committee member: 6 years	April 1973      Joined Fujitsu Limited March 2001     Joined Advantest Corporation June 2003      Executive Officer June 2007      Director, Managing Executive Officer June 2010      Director, Senior Executive Officer June 2012      Standing Audit and Supervisory Board Member June 2015      Director, Standing Audit and Supervisory Committee Member (present position)	11,563
<p><b>The reasons for nomination as a candidate for a director who is an audit and supervisory committee member:</b></p> <p>Mr. Yuichi Kurita has many years of experience in finance and corporate management and has a wealth of knowledge and experience concerning finance and accounting. He served as a director and an audit and supervisory board member of the Company. Currently serving as a director who is a standing audit and supervisory committee member, he is striving to enhance audit and supervision, and corporate governance. In view of his achievements, the Company believes that he is a suitable person to enhance supervisory and oversight functions and, therefore, has nominated him again as a candidate for a director who is an audit and supervisory committee member.</p>			

	Name (Date of Birth)	Brief personal history; position and assignment; and other significant concurrently held positions, if any	Number of the Company's shares owned
2	 <p>Kouichi Nanba (September 1, 1949)</p> <p>Reappointed</p> <p>Independent</p> <p>Number of Years as Outside Director who is an audit and supervisory committee member: 2 years</p>	<p>April 1979 Assistant Judge, Tokyo District Court</p> <p>April 1989 Judge, Chiba District Family Court</p> <p>April 1993 Professor, Legal Training and Research Institute</p> <p>April 1997 Judge, Tokyo District Court</p> <p>April 1999 Chief Judge, Tokyo District Court</p> <p>May 2010 Director, Kumamoto District Court</p> <p>August 2012 Chief Judge, Tokyo High Court</p> <p>October 2014 Special Counsel, Mori Hamada &amp; Matsumoto Legal Firm (present position)</p> <p>June 2019 Director, Audit and Supervisory Committee Member (present position)</p>	289
<p><b>The reasons for nomination as a candidate for an outside director who is an audit and supervisory committee member:</b></p> <p>Although Mr. Kouichi Nanba has not been directly involved in the management of a company in the past, he has a wealth of experience and a high level of expertise in law and compliance, after serving as a judge mainly in charge of civil cases for many years, and as engaging in the practice of corporate legal affairs as a lawyer. He is expected to reflect his knowledge of laws and compliance in the Company Group's audit and supervision, thereby contributing to the enhancement of compliance. Thus, the Company believes that he is a suitable person a director who is an audit and supervisory member, and therefore, has nominated him again as a candidate for an outside director.</p> <p><b>Independence</b></p> <p>The Company has no special transactions with Mr. Kouichi Nanba or the law firm to which he belongs. Therefore, the Company judges that he is sufficiently independent in light of the Independence Criteria of Independent Outside Directors (page 28) specified by the Company. And since he also satisfies the requirements for independent directors/auditors specified by Tokyo Stock Exchange, Inc., the Company has registered him as an independent director.</p>			

Notes:

1. These candidates do not have any special interest in the Company.
2. Mr. Kouichi Nanba is a candidate for an outside director.
3. The Company has entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act with Messrs. Yuichi Kurita and Kouichi Nanba. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances.
4. The Company has concluded a directors and officers liability insurance contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The insurance policy insures all directors, executive officers and employees of the Company, including employees in managerial and supervisory positions, and all employees of Company subsidiaries, including executives and employees in managerial and supervisory positions, against legal damages and litigation expenses that may arise when the insured party assumes liability for the execution of his or her duties or is subject to a claim for the pursuit of said liability. However, the insurance policy has certain exclusions, such as providing no coverage for damages suffered by insured parties arising from actions taken by said insured parties with the knowledge

that they were in violation of the law, to ensure that the insured parties execute their duties in an appropriate manner. The insurance premiums, including riders, are borne in their entirety by the company to which the insured party belongs, and no insurance premiums are borne by the insured parties themselves. Every candidate is currently a director who is an audit and supervisory committee member of the Company and is covered by the insurance policy. If the candidates are reappointed as Director who is an audit and supervisory committee member, they will continue to be covered by the insurance policy as insured parties. The Company plans to renew the insurance contract with the same contents while each director is in office.

**Agenda Item No. 3:** Election of 1 director who is a substitute audit and supervisory committee member

The validity of the election of the current director who is a substitute audit and supervisory committee member expires at the commencement of this ordinary general meeting of shareholders. The Company requests that you elect one director who is a substitute audit and supervisory committee member to fill the vacancy, if the number of directors who are audit and supervisory committee members falls short of the quorum pursuant to laws and regulations. The Company has obtained the consent of the Audit and Supervisory Committee with respect to this agenda item.

The candidate for director who is a substitute audit and supervisory committee member is as below.

Name
Osamu Karatsu

For the date of birth, brief personal history and other items to be described in the reference documents for the General Meeting of Shareholders for the above candidate, please see Agenda Item No. 1 “Election of 8 directors (excluding directors who are audit and supervisory committee members)” on page 15.

(Reference)

Skill Matrix of the Board of Directors following the General Meeting of Shareholders

\* If the election of all the candidates in this convocation notice is approved as proposed, the expertise and experience of the Directors will be as shown in the table below.

	Independence (Outside)	Management	Finance / accounting	Insight of semiconductor industry	R&D	Global operations	Legal affairs
Yoshiaki Yoshida		●		●		●	
Osamu Karatsu	●			●	●	●	
Toshimitsu Urabe	●	●				●	
Nicholas Benes	●	●				●	●
Soichi Tsukakoshi				●		●	
Atsushi Fujita			●	●		●	
Koichi Tsukui				●	●	●	
Douglas Lefever				●	●	●	
Yuichi Kurita			●	●		●	
Kouichi Nanba	●						●
Sayaka Sumida	●		●			●	

(Reference)

### **Independence Criteria of Independent Outside Directors**

Outside Director of Advantest Corporation (the “Company”) shall be judged to be independent provided none of the following conditions apply presently and recently.

1. Major Business Partner

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

2. Expert

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

3. Relative

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

Notes

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

**Agenda Item No. 4:** Revision of amount of compensation for directors (excluding directors who are audit and supervisory committee members)

At the 73rd Ordinary General Meeting of Shareholders held on June 24, 2015, shareholders approved that the amount of compensation for directors (excluding directors who are audit and supervisory committee members) of the Company shall be no more than 600 million yen per year. Based on our management philosophy of “Enabling Leading-Edge Technologies” and our vision of “Adding Customer Value in an Evolving Semiconductor Value Chain,” we have decided to review our officer compensation system in order to make it more conducive to enhancing our corporate value. With regard to cash compensation which consists of monthly fixed compensation and performance-based bonuses, the Company wishes to expand the range of fluctuations of the performance-based bonuses (which are not paid to outside directors) to the range from 0 to 200% of the annual amount of fixed compensation in order to reward the contribution by officers during an upturn in performance and reduce the burden on the Company during a downturn in performance. In order to continue to diversify and strengthen the composition of the Board of Directors and to strengthen the functions of the Board of Directors through the development of a compensation system, the Company proposes that the amount of compensation for directors (excluding outside directors and directors who are audit and supervisory committee members) be set at no more than 900 million yen per year, that compensation for outside directors (excluding directors who are audit and supervisory committee members) be set at no more than 60 million yen per year, and that the specific amount and timing of payment to each director be determined by a resolution of the Board of Directors following the deliberation by the Nomination and Compensation Committee.

This agenda item has been determined by the Board of Directors following the deliberation by the Nomination and Compensation Committee in which outside directors make up the majority of the members, taking into consideration the aforementioned purposes, the scale of the Company’s business, the directors (excluding outside directors and directors who are audit and supervisory committee members) and executive officers compensation policy and procedure (if this agenda item is approved, we plan to change details in the policy as stated in the ((Reference) Directors and Executive Officers Compensation Policy and Procedure (after revisions)) section below, so that it is consistent with the approved details), the director compensation system, its payment level, the current number of directors and future trends. The Company has received a report from the Audit and Supervisory Committee stating that this agenda item was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee, and that the procedure for determining the compensation, etc. was appropriate, and that there were no specific findings. The Company believes the details to be appropriate. The total amount of fixed compensation for FY2021 shall be maintained at a lower level than in FY2020.

There are currently 8 directors (excluding directors who are audit and supervisory committee members), of whom 3 are outside directors. Even if Agenda Item No. 1, “Election of 8 directors (excluding directors who are audit and supervisory committee members)” is approved as proposed, the number of directors will not change.

**Agenda Item No. 5:** Revision of stock compensation plan for directors (excluding outside directors and directors who are audit and supervisory committee members)

I. Reason for Proposal

Compensation for directors (excluding outside directors and directors who are audit and supervisory committee members) of the Company shall be up to 900 million yen per year if Agenda Item No. 4 “Revision of amount of compensation for directors (excluding directors who are audit and supervisory committee members)” is approved as proposed. Furthermore, shareholders approved at the 76th the Ordinary General Meeting of Shareholders held on June 27, 2018, that 1) with respect to stock options for directors (excluding outside directors and directors who are audit and supervisory committee members) of the Company, the maximum total amount of compensation to be paid by the Company to directors to cover stock acquisition right subscriptions shall be 200 million yen per year, and the maximum total number of stock acquisition rights to be issued to directors within one year from the date of the ordinary general meeting of shareholders pertaining to each fiscal year shall be 5,000 (the total number of shares to be issued for the stock acquisition rights shall be 500,000), and that 2) with respect to the performance-based stock compensation plan for such directors, the upper limit on the total amount of cash in trust to be contributed by the Company shall be 200 million yen each fiscal year, and the upper limit of the total number of the base shares used as the basis of the Company shares, etc., to be delivered, etc., to such directors shall be 90,000 shares each fiscal year.

As part of its review of the executive incentive plan, for the purpose of promoting further value sharing with shareholders and the Company's directors (excluding outside directors and directors who are Audit and Supervisory Committee members; hereinafter referred to as “Eligible Directors”) and encouraging management promotion from a medium- to long-term perspective, the Company would like to replace the existing stock options and performance-based stock compensation plan with a new stock compensation plan consisting of a restricted stock compensation plan (hereinafter referred to as the “Plan I”) and a performance share unit plan (hereinafter referred to as the “Plan II,” Plan I and Plan II hereinafter collectively referred to as the “Plan”), explained in II. Outline of the Plan below, separately from the amount of cash compensation to be resolved in Agenda Item No. 4.

The amount of cash compensation claims or cash to be paid to the Eligible Directors based on this agenda item shall be no more than 200 million yen per year for Plan I and no more than 600 million yen per year for Plan II. However, in principle, compensation in Plan II is expected to be paid in a lump sum in an amount equivalent to compensation for the execution of duties over the three fiscal years, and the Company believes this corresponds substantially to a payment of no more than 200 million yen per fiscal year. In addition, the total number of common shares of the Company to be delivered to the Eligible Directors based on this agenda item is within 50,000 shares per year for the Plan I, and within 150,000 shares per year for each medium-term management plan (three fiscal years) for the Plan II. At the time of resolution of this agenda, the dilution rate is limited to a maximum of 0.1% per year.

The specific timing of payment and distribution to each Eligible Director shall be decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee. If this agenda item is approved as proposed, no new allotment of stock acquisition rights or additional establishment of trusts with regard to existing stock options and performance-based stock compensation plan will take place in the future. However, the exercising of stock options already granted and the granting of points under the performance-based stock compensation plan established prior to FY2020 shall be possible in the future.

This agenda item has been determined by the Board of Directors following the deliberation by the Nomination and Compensation Committee in which outside directors make up the majority of the members, taking into consideration the aforementioned purposes, the scale of the Company's business, the directors (excluding directors who are audit and supervisory committee members) and executive officers compensation policy and procedure the director compensation system, its payment level, the current number of directors and future trends. The Company has received a report from the Audit and Supervisory Committee stating that this agenda item was decided by the Board of Directors following the deliberation by the Nomination and Compensation Committee, and that the procedure

for determining the compensation, etc. was appropriate, and that there were no specific findings. The Company believes the details to be appropriate.

The number of directors (excluding outside directors and directors who are audit and supervisory committee members) is currently 5. Even if Agenda Item No. 1 “Election of 8 directors (excluding directors who are audit and supervisory committee members)” is approved as proposed, the number of such directors will not change.

## II. Outline of the Plan

### 1. Restricted Stock Compensation Plan (Plan I)

#### (1) Outline of the Plan I

Based on the resolution of the Board of Directors, the Eligible Directors shall make in-kind payment of all cash compensation claims paid under this agenda item and shall in return receive shares of common stock of the Company that shall be issued or disposed of, and the total number of shares of common stock of the Company to be issued or disposed of under this agenda item shall not exceed 50,000 shares per year. However, if the Company splits (including an allotment of common shares without consideration) or consolidates its common stock after the date of the resolution for this agenda item, or if the total number of shares of common stock of the Company to be issued or disposed of as restricted stock needs to be adjusted, the total number of such shares shall be adjusted to a reasonable extent.

The amount to be paid-in per share of common stock of the Company that has been issued or disposed as stated above shall be determined by the Board of Directors, within a scope in which the amount is not particularly favorable to the Eligible Directors who subscribe for such shares of common stock of the Company, based on the closing price of shares of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding each date of the resolution by the Board of Directors (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto). The issuing or disposal of shares of common stock of the Company under this agenda and in-kind payment of cash compensation claims shall be subject to the conclusion of an agreement on the allotment of restricted stock (hereinafter referred to as the “Allotment Agreement” in this agenda item) with each Eligible Director that includes the following details.

#### (2) Outline of details of the Allotment Agreement

##### 1) Transfer restriction period

The Eligible Directors may not transfer, create a security interest on, or otherwise dispose of shares of common stock of the Company allotted to them under the Allotment Agreement (hereinafter referred to as “Allotted Shares” in this agenda item) during the period from the date of allotment in accordance with the Allotment Agreement until the time immediately after their resignation as either director or executive officer of the Company (hereinafter referred to as the “Transfer Restriction Period” in this agenda item) (this restriction hereinafter referred to as the “Transfer Restriction” in this agenda item).

##### 2) Handling when resigning for reasons other than those justifiable prior to the expiration of the term of service

In the event that an Eligible Director resigns as either director or executive officer of the Company before the expiration of the period determined in advance by the Board of Directors (hereinafter referred to as the “Term of Service” in this agenda item), the Company shall automatically acquire the Allotted Shares without consideration, unless such resignation is due to expiration of term of office, death or for other justifiable reasons.

##### 3) Lifting the Transfer Restriction

Notwithstanding the provisions in 1) above, the Company shall lift the Transfer Restriction for all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the condition that the Eligible Director continuously remained in the position as either director or executive officer of the Company throughout the Term of Service. However, if the Eligible Director resigned from the position as either director or executive officer of the Company prior to the expiration of the Term of Service due to expiration of term, death or for other justifiable reasons, the Company shall make reasonable adjustments, as necessary, to the number of Allotted Shares for which the Transfer Restriction will be lifted and the timing at which the Transfer Restriction will be lifted by a resolution of the Board of Directors. The Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted in accordance with the above-stated provisions.

#### 4) Treatment in the event of organizational restructuring, etc.

Notwithstanding the provisions in 1) above, if, during the Transfer Restriction Period, matters concerning a merger agreement in which the Company becomes the dissolving company, a stock-for-stock exchange agreement or a stock-transfer plan in which the Company becomes a wholly-owned subsidiary, a share delivery plan in which the Company may have a possibility to delist or any other matters concerning organizational restructuring, etc. is approved at the general shareholders meeting of the Company (or the Board of Directors of the Company in cases where approval at a general shareholders meeting is not required for the such organizational restructuring, etc.), the Company shall, by resolution of the Board of Directors, lift the Transfer Restriction prior to the effective date of such organizational restructuring, etc., for the number of Allotted Shares that is reasonably determined based on the period from the date of commencement of the Transfer Restriction Period until the date of approval of such organizational restructuring, etc. In the cases set forth above, the Company shall automatically acquire without consideration Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted.

#### 5) Other Matters

Other matters concerning Allotment Agreement shall be determined by the Board of Directors.

### (3) Restricted Stock Unit Plan

If an Eligible Director is a non-resident at the time of receiving the allotment of the above-mentioned restricted stock, the restricted stock unit plan (a plan in which shares of the Company are delivered after a certain period of time) may be applied instead of the above-stated Plan I for the purpose of avoiding the need to comply with laws and regulations and disadvantages in terms of taxation in the country of residence of such Eligible Director. Even in such case, the terms shall be the same as those of the above-stated Plan I, except for the timing of the issuance or disposal of shares of common stock of the Company, and will be managed within the framework of the amount of compensation and the total number of common shares set forth in the Plan I.

## 2. Performance Share Unit Plan (Plan II)

### (1) Outline of the Plan II

The Plan II is a performance-based stock compensation plan, under which numerical targets for the Company's performance, etc. during the performance evaluation period consisting of the fiscal years that correspond to the period of the Company's Mid-Term Management Plan ("Performance Evaluation Period") are preliminarily set by the Board of Directors, and cash compensation claims for the delivery of shares of common stock of the Company are delivered according to the rate of achievement of such numerical targets as compensation for the Performance Evaluation Period. Accordingly, the payment of cash compensation claims for the delivery of shares of common stock of the Company to the Eligible Directors shall, in principle, take place after the Performance Evaluation Period ends. Given that the Plan II pays cash compensation for the delivery of shares of common

stock of the Company according to the achievement of the above-mentioned numerical targets, at the time the Plan II is introduced, no decision will have been made on whether to pay such cash compensation claims to each Eligible Director, the number of shares of common stock of the Company to be delivered (“Number of Shares to be Delivered”) or the amount of cash compensation claims for the delivery of shares of common stock of the Company.

The initial Performance Evaluation Period will be three fiscal years from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024, which corresponds to the period of the Company’s Mid-Term Management Plan. After the initial Performance Evaluation Period ends, the Board of Directors may approve the continuation of the Plan II to the extent approved at this general meeting of shareholders.

## (2) Structure of the Plan II

The specific structure of the Plan II is as follows.

- 1) The Board of Directors shall determine the numerical targets to be used in the Plan II (EPS (earnings per share) and other targets are planned for the initial Performance Evaluation Period), the performance-based factor, and other indicators that are necessary for the calculation of the specific Number of Shares to be Delivered.
- 2) After the expiration of the Performance Evaluation Period, the Company shall determine the number of shares of common stock of the Company to be allotted to each Eligible Director according to the achievement of each numerical target during the Performance Evaluation Period.
- 3) The Company shall pay cash compensation claims to each Eligible Director within the total amount to be paid during the above-stated Performance Evaluation Period as compensation for the Plan II based on a resolution of the Board of Directors, according to the number of shares of common stock of the Company allotted to each Eligible Director determined in 2) above, and each Eligible Director shall be allotted such number of shares of common stock of the Company by making in-kind payment of all such cash compensation claims. The amount to be paid-in for shares of common stock of the Company shall be determined by the Board of Directors, within a scope in which the amount is not particularly favorable to the Eligible Directors who subscribe for such shares of common stock of the Company, based on the closing price of shares of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors pertaining to the above-stated allotment (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto).
- 4) Requirements and other details concerning the delivery of shares to each Eligible Director shall be in accordance with that determined the Board of Directors.

## (3) Method of calculating the Number of Shares to be Delivered and cash compensation claims

The maximum of the total number of shares of common stock of the Company to be delivered by the Company to the Eligible Directors in (2) 3) above shall be a maximum of 150,000 shares during the target period of each Mid-Term Management Plan (three fiscal years). If the Company splits (including an allotment of common shares without consideration) or consolidates its common stock after the date of the resolution for this agenda item, or if the total number of shares of common stock of the Company needs to be adjusted, the total number of such shares shall be adjusted to a reasonable extent.

The Company shall calculate the number of shares of common stock of the Company to be delivered to each Eligible Director based on the formula in 1) below (fractions of less than one share shall be rounded down), and the amount of cash compensation claims to be paid to each Eligible Director based on the formula in 2) below. In the event that an Eligible Director resigns, etc. during the Performance Evaluation Period, the number of shares of common stock of the Company or the

amount of money to be delivered to the Eligible Director or his/her heir, etc. may be reasonably adjusted in accordance with that determined by the Board of Directors.

If the maximum cash compensation claim set forth above or the maximum number of shares of common stock of the Company to be delivered as stated above is likely to be exceeded due to the delivery of the number of common shares of the Company set forth in the following formula, the Company shall reduce the Number of Shares to be Delivered to each Eligible Director in a reasonable manner determined by the Board of Directors, such as on a pro rata basis, within a scope that does not exceed the maximum cash compensation claim and the maximum number of shares of common stock of the Company to be delivered.

- 1) Number of shares of common stock of the Company to be issued or disposed of to each Eligible Director

Base number of shares (\*1) x payment ratio (\*2)

- 2) Cash compensation claims to be paid to each Eligible Director

Number of shares of common stock of the Company calculated in 1) above x share price at time of delivery (\*3)

(\*1) Determined in advance by the Board of Directors

(\*2) Determined in advance by the Board of Directors within the range of [60 - 140%] according to the achievement of each performance indicator during the Performance Evaluation Period.

(\*3) Determined by the Board of Directors, within a scope in which the amount is not particularly favorable to the Eligible Directors who subscribe for such shares of common stock of the Company, based on the closing price of shares of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution to be made by the Board of Directors pertaining to the issuance or disposal of shares of common stock of the Company after the end of the Performance Evaluation Period (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto).

- (4) Payment conditions for payments to the Eligible Directors

In principle, the Company shall issue or dispose of the number of shares of common stock of the Company calculated based on (3) 1) above to the Eligible Directors after the end of the Performance Evaluation Period if the Eligible Directors fulfill the following requirements.

- 1) Eligible Directors have continuously remained in the position of either director or executive officer of the Company throughout the Performance Evaluation Period
- 2) Eligible Directors have not engaged in any misconduct as defined by the Board of Directors
- 3) Other requirements deemed necessary by the Board of Directors to achieve the purpose of the Plan II

If, during the Performance Evaluation Period, a director is newly appointed or an Eligible Director resigns from his/her position as either director or executive officer of the Company for a justifiable reason, the Board of Directors shall issue or dispose of shares of common stock of the Company in the number that have been reasonably adjusted in accordance with the term of office of such director and executive officer.

If an Eligible Director dies during the Performance Evaluation Period, cash shall be paid in lieu of shares of common stock of the Company to his/her heir, etc. The amount of cash to be paid to the heir, etc. of such director shall be the amount obtained by multiplying the number of base number of shares reasonably adjusted according to the term of office of such director and executive officer by a price determined by the Board of Directors, within a scope in which the amount is not particularly favorable to any person who subscribe for such shares of common stock of the Company based on the

closing price of shares of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors pertaining to the cash payment (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto).

(5) Treatment in the event of organizational restructuring, etc.

If, during the Performance Evaluation Period, matters concerning a merger agreement in which the Company becomes the dissolving company, a stock-for-stock exchange agreement or a stock-transfer plan in which the Company becomes a wholly-owned subsidiary, a share delivery plan in which the Company may have a possibility to delist or any other matters concerning organizational restructuring, etc. is approved at the general shareholders meeting of the Company (or the Board of Directors of the Company in cases where approval at a general shareholders meeting is not required for the such organizational restructuring, etc.), the Company shall pay in cash based on a resolution of the Board of Director, instead of in shares of common stock of the Company, in the amount obtained by multiplying the base number of shares that has been adjusted for the period from the date of commencement of the Performance Evaluation Period until the date of approval for organizational restructuring, etc. by a price determined by the Board of Directors, within a scope in which the amount is not particularly favorable to any person who subscribe for such shares of common stock of the Company based on the closing price of shares of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors (or, if there was no trade on such business day, the closing price on the trading day immediately prior thereto).

(Reference) Policies and Procedures for Determining Compensation for Directors and Executive Officers (After revised)

1. Basic policy

Based on the Company's corporate mission and vision, we aim to create a system for the compensation of directors and executive officers that contributes to the enhancement of corporate value. The ground rules of the system are as follows.

- (1) Compensation mix and compensation level that shall attract international human resources who support the Company's global business development.  
In order to continue to grow globally in the complex and rapidly evolving semiconductor industry, we will appoint talented people from all over the world and compensate them appropriately by global standards.
- (2) Bonus that is strongly linked to business performance  
Given the inevitability of fluctuations in business performance, strongly indexing bonuses to performance will fully reward the contributions of officers when business performance is strong and will reduce the burden on the Company during downturns in business performance.
- (3) Stock compensation that incentivizes directors and officers to share values with shareholders and promotes management from a medium- to long-term perspective  
We will combine transfer-restricted stock compensation, which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders, and performance-linked stock compensation, which promotes the achievement of medium-term management goals that lead to corporate value improvement.

2. Policy on the system, timing, conditions, and determination of director compensation

- (1) For directors who also serve as executive officers, fixed compensation (monetary remuneration) appropriate to their duties and responsibilities will be paid monthly, in addition to the executive officer compensation specified in 3 below.
- (2) For outside directors (excluding directors who are Audit and Supervisory Committee members), fixed compensation (monetary remuneration) will be paid in consideration of their roles and independence. Fixed compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).
- (3) Fixed compensation (monetary remuneration) will be paid to directors who are Audit and Supervisory Committee members in consideration of their roles and independence. The individual compensation level of directors who are Audit and Supervisory Committee members will be decided through discussions with them.
- (4) In addition to the above, lump sum payments may be made based on special events such as the anniversary of the Company's founding.

3. Policy on the system, timing, conditions, and determination of executive officer compensation

The compensation of executive officers is as described by the basic policy set forth in 1 above. (1) Fixed compensation (monetary remuneration), (2) performance-linked bonuses (monetary remuneration), and (3) stock compensation shall all be set at appropriate levels. The ratio of fixed compensation, performance-linked bonuses, and stock compensation is approximately 1: 1: 1 for Senior Executive Officers (including the president) and 1: 0.8: 0.8 for other Executive Officers.

- (1) Fixed compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).
- (2) Performance-linked bonuses (monetary remuneration) are short-term incentives for the results of a

single year, and are paid once a year after the performance of the Group for the relevant business year is confirmed.

- a. The amount of bonuses is determined using net income as an index.
  - b. Target amounts will be set by referring to the net income targets of the single-year business plan and mid-term management plan. We will pay the standard amount when the target values are achieved, but the amount paid will fluctuate as described below when actual results undershoot or exceed the target values.
    - Actual results <50% of target values: 0% of standard amount
    - Actual results >150% of target values: 200% of standard amount
    - Actual results 50% -150% of target values: Varies between 0-200% of standard amount
- (3) Regarding stock-based compensation, we will grant restricted stock (RS) and performance-linked stock compensation (PSU) with the intention of incentivizing the pursuit of medium- to long-term enhancement of corporate value in alignment with shareholder priorities. As a general rule, about half of the stock-based compensation should be RS and about half should be PSU.
- a. Shares of RS will be granted every business year as described above. As a general rule, holding is obligatory during the term of office, and transfer restrictions will be lifted when an officer retires.
  - b. PSU will be based on indicators that determine the value of the Company's stock as described below, granted in the first year of the Company's 3-year mid-term management plan, and delivered after the conclusion of the period of the mid-term management plan according to the values of these indicators. PSU may fluctuate between 60 to 140% of the standard amount according to how close actual results come to mid-term management targets. The indicators for evaluating achievement of mid-term management targets are as follows, and the degree of fluctuation is determined by the total value of both indicators.
    - Main indicator: Earnings per share (EPS) during the mid-term management plan  
→ Fluctuation between 70% and 130% of the standard amount
    - Sub-indicator: Relative Total Shareholders Return (r-TSR) and ESG evaluation  
→ Fluctuation between -5% to 5% of the standard amount
- Note, officers who take office or retire in the second or third years of the medium-term management plan will be as standard performance, prorated according to the length of time they have served.
- (4) Compensation for non-residents in Japan may be different from the above due to laws and other circumstances.
  - (5) If there are changes in the Company's financial situation or business environment that are clearly judged to make it difficult to achieve the goals of the mid-term management plan, this system and its operation may be reviewed based on a resolution of the Board of Directors.
  - (6) In addition to the above, lump sum payments may be made based on special events such as the anniversary of the Company's founding.

#### 4. Procedures and methods for determining compensation

- (1) Individual compensation for directors (excluding directors who are Audit and Supervisory Committee members) and executive officers is deliberated by the Nomination and Compensation Committee based on consultation with the Board of Directors, and proposed to the Board of Directors. The Board of Directors deliberates on proposals from the Nomination and Compensation Committee and decides on compensation.
- (2) However, performance-linked bonuses are determined as follows:
  - a. Up to 30% of the total amount calculated and determined according to the policies above of performance-linked bonuses for executive officers, excluding the president, shall be redistributed based on individual evaluations conducted by the president and approved by the Nomination and Compensation Committee. Results of these evaluations and redistributions shall be reported to the Board of Directors.
  - b. In principle, the president's performance-linked bonus is calculated based on the results of performance indicators, but if the Board of Directors deems it necessary and clearly states their reasoning, it may be increased or decreased.

5. Reduction of compensation, clawbacks, etc.

The Company may reduce future compensation or claw back past compensation by resolution of the Board of Directors in the event of certain circumstances, such as violation of relevant laws and regulations or internal rules.

(Reference) Image of new executive compensation system

1. Compensation Amount

① Current Compensation Amounts

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

Directors (excl. Outside Directors)	Cash Compensation* <sup>1</sup> Within 600 million yen per year	Stock Option Compensation Within 200M yen /year and within 500K shares	Performance-based Stock Remuneration Plan Within 200 M yen /year and within 90K shares
Outside Directors		(Not applicable)	

Directors who are Audit and Supervisory Committee members

Directors who are Audit and Supervisory Committee members	Cash Compensation Within 100 million yen per year	(Not applicable)	
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② Proposed Compensation Amounts (red fonts)

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

Directors (excl. Outside Directors)	Cash Compensation* <sup>1</sup> Within 900 million yen per year	Restricted Stock Compensation Within 200M yen /year and within 50K shares	Performance Share Unit Compensation* <sup>2</sup> Within 200M yen /year and within 50K shares
Outside Directors	Cash Compensation Within 60 million yen / year	(Not applicable)	

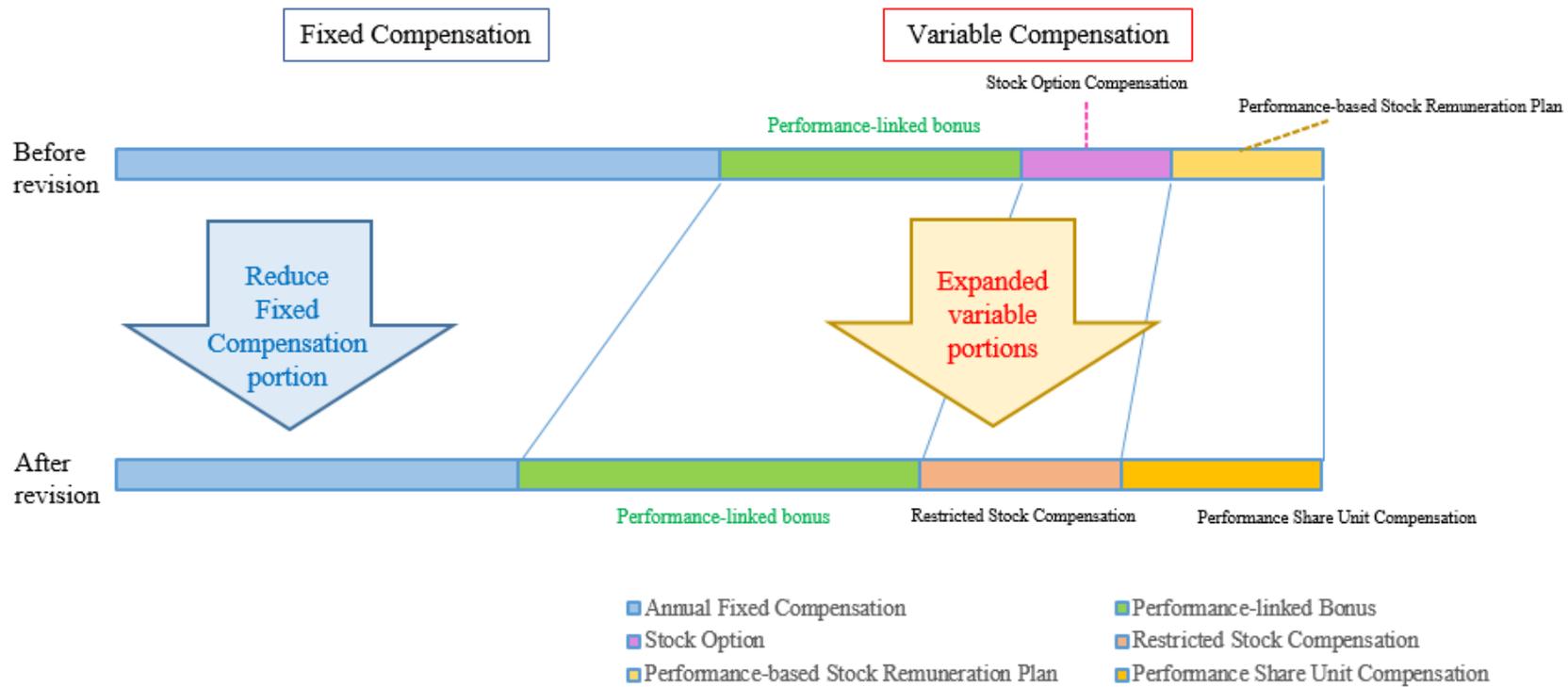
Directors who are Audit and Supervisory Committee members

Directors who are Audit and Supervisory Committee members	Cash Compensation Within 100 million yen per year	(Not applicable)	
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\*1 Including fix compensation and performance linked bonuses (Performance linked bonuses is not paid to outside directors.)

\*2 Performance Share Units will be granted in a lump sum for three years. The proposed Compensation Amount for business execution for three years is 600 million yen and 150,000 shares, but the compensation for one year is as described above.

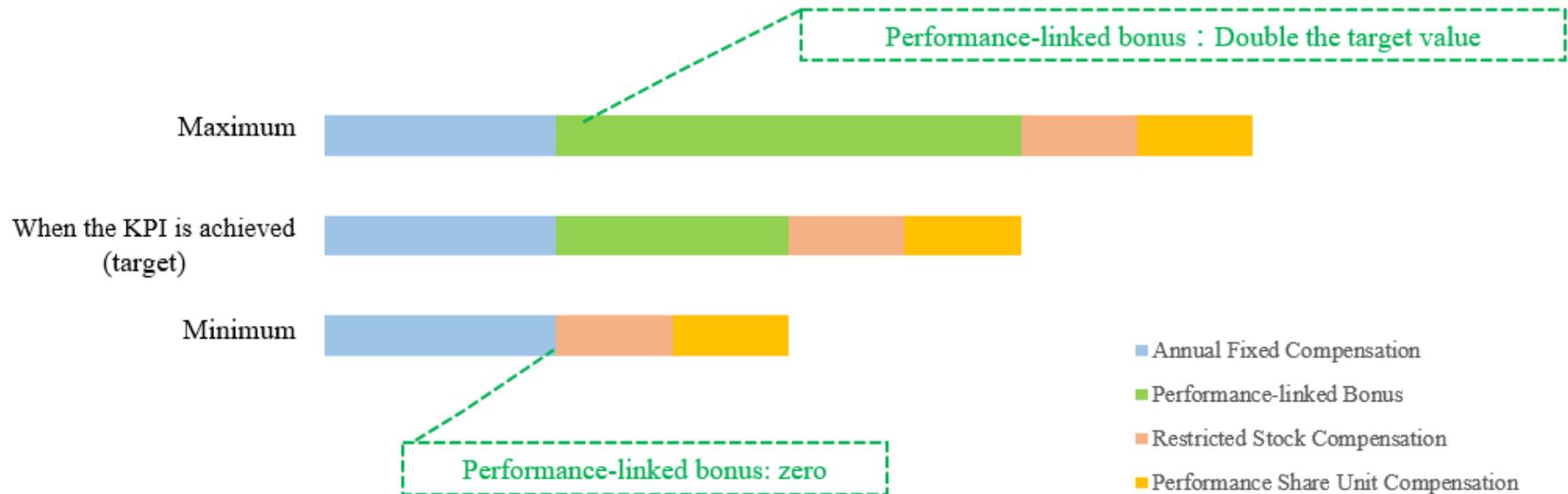
2. Image of revision of executive compensation system (compensation composition and ratio)



\* The above image shows design models of executive compensation system, and the actual payment composition varies depending on business performance.

### 3. Image of performance level for a single year and executive compensation

\* Stock-based compensation (i.e. the Restricted Stock Compensation and the Performance Share Unit Compensation) is stated at the standard value.



(Attachments)

## **Business Report**

(April 1, 2020 through March 31, 2021)

### 1. Current Conditions of the Company group

#### (1) Business conditions during the fiscal year

##### (i) Operations and Results of Business

#### Overall

During the consolidated fiscal year of 2020, the global economy was severely impacted by the COVID-19 pandemic. Although efforts were made in each country to balance public health and economic activity in order to save the economy, a historic recession set in, and the pace of recovery remains slow.

In Advantest's core semiconductor test equipment business, the mainstreaming of remote work and increased domestic consumption due to COVID-19 restrictions supported firm demand related to data centers and game consoles throughout the year. Automotive and industrial-related test demand continued to stagnate from early spring under the influence of lockdowns intended to contain COVID-19, and other restrictions on movement, but market conditions improved from the second half of the fiscal year due to the recovery of final-product manufacturing. Meanwhile, in smartphone-related markets, the intensifying friction between the United States and China triggered a significant adjustment in test equipment demand, but Advantest compensated for this impact by striving to capture the demand for new test equipment that has arisen as a result of competition in handset performance. Advantest also endeavored to boost sales of integrated test solutions such as mechatronics business products and system level test business products, amid further advances in semiconductor performance and reliability assurance needs.

As a result, Advantest achieved record-high orders, sales, and net income. This enabled us to achieve all the management targets set under our first medium-term management plan, which covered the three years starting from FY2018. Orders received for the current consolidated fiscal year were (Y) 330.6 billion (14.9% increase in comparison to the previous fiscal year), and sales were (Y) 312.8 billion (13.4% increase in comparison to the previous fiscal year). In terms of profit, although our sales composition ratio saw a decline in products with a high gross profit margin, a one-time profit of approximately (Y) 8.1 billion was recorded, consisting of gains on business transfers and gains due to the transfer to one defined benefit corporate pension plan at Advantest's German subsidiary. As a result, operating income was (Y) 70.7 billion (20.5% increase in comparison to the previous fiscal year) and income before income taxes was (Y) 69.6 billion (18.9% increase in comparison to the previous fiscal year). In addition, with the inclusion of deferred tax assets likely to be realized during a certain fixed period in the future that were recorded in the fourth quarter, net income was (Y) 69.8 billion (30.4% increase in comparison to the previous fiscal year). Average currency exchange rates in the current consolidated fiscal year were 1 USD to 106 JPY (109 JPY in the previous fiscal year) and 1 EUR to 123 JPY (121 JPY in the previous fiscal year). The percentage of net sales to overseas customers was 95.5% (94.6% in the previous fiscal year).

#### Business conditions by Business Segment

##### Semiconductor and Component Test System Segment

In this segment, the mainstreaming of remote work helped to support a strong demand environment for SoC semiconductor test equipment for HPC (High Performance Computing) devices. In addition, the transition to higher functionality for display driver ICs and image sensors used in new smartphones with improved performance has greatly increased test demand for these types of devices, and contributed to an increase in orders. The movement to secure inventories of automotive and other types of semiconductors, which gathered momentum toward the end of the fiscal year, also boosted orders for SoC semiconductor test equipment. On the other hand, due to the exacerbation of friction between the United States and China, Advantest experienced a significant demand adjustment related to the business of some smartphone-related SoC semiconductor customers over last summer, which somewhat depressed sales and profit in this segment. Sales of test equipment for memory semiconductors remained high amidst growing test demand for memory semiconductors for data servers and game consoles.

As a result of the above, orders received were (Y) 227.2 billion (18.0% increase in comparison to the previous fiscal year), net sales were (Y) 207.2 billion (5.1% increase in comparison to the previous fiscal year), and segment income was (Y) 61.6 billion (5.4% decrease in comparison to the previous fiscal year).

#### Mechatronics System Segment

In this segment, sales of device and interface products that closely track demand for test equipment for memory semiconductors grew in step with memory test equipment sales. In addition, a one-time gain on the transfer of Advantest's probe card business of approximately (Y) 2.5 billion was recorded as part of this segment's profit.

As a result of the above, orders received were (Y) 42.1 billion (16.1% increase in comparison to the previous fiscal year), net sales were (Y) 40.0 billion (10.2% increase in comparison to the previous fiscal year), and segment income was (Y) 5.0 billion ((Y) 5.5 billion improvement in comparison to the previous fiscal year).

#### Services, Support and Others Segment

In this segment, demand for Advantest's services remained strong against the backdrop of the robust semiconductor market. In addition, Advantest's acquisition of Essai, Inc., in January 2020 boosted segment sales due to the effect of consolidation. Furthermore, market needs for semiconductors with better performance and reliability raised demand for various system level test equipment, including Essai's products, contributing to a significant increase in sales.

As a result of the above, orders received were (Y) 62.5 billion (5.8% increase in comparison to the previous fiscal year), net sales were (Y) 66.8 billion (57.0% increase in comparison to the previous fiscal year), and segment income was (Y) 10.4 billion (3.5 times increase in comparison to the previous fiscal year).

#### Sales Breakdown by Business Segment (consolidated)

Fiscal Year Segment	FY2019 (the 78th)		FY2020 (the 79th)		Change from the previous period	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage increase (decrease) (%)
Semiconductor and Component Test System	197,154	71.5	207,203	66.3	10,049	5.1
Mechatronics System	36,293	13.1	40,005	12.8	3,712	10.2
Services, Support and Others	42,526	15.4	66,753	21.3	24,227	57.0
Intercompany transaction elimination	(79)	(0.0)	(1,172)	(0.4)	(1,093)	-
Total	275,894	100.0	312,789	100.0	36,895	13.4
Overseas	261,105	94.6	298,768	95.5	37,663	14.4

#### (ii) Capital Expenditures

The Company group invested a total of ¥13.7 billion in capital expenditures in FY2020. Most of the investments were used for new product development and production facilities.

#### (iii) Financing

No significant financing activities took place in FY2020.

#### (iv) Business transfers and absorption-type and incorporation-type company splits

The Company's subsidiary Advantest America, Inc. transferred its probe card business to FormFactor, Inc. effective July 30, 2020.

(v) Acquisition or disposal of shares or other equities or stock acquisition rights of other companies

The Company's subsidiary Advantest America, Inc. acquired 3,306,924 ordinary shares of PDF Solutions, Inc. (approx. 65 million USD), a leading provider of software-based data analytics solutions to the semiconductor industry, effective July 30, 2020.

(2) Conditions of Assets, Profit and Loss

Conditions of Assets, Profit and Loss of the Company group (consolidated)

	IFRS			
	FY2017 (the 76th)	FY2018 (the 77th)	FY2019 (the 78th)	FY2020 (the 79th)
Net sales (Millions of yen)	207,223	282,456	275,894	312,789
Operating Margin (%)	11.8%	22.9%	21.3%	22.6%
Net income (loss) attributable to owners of the parent (Millions of yen)	18,103	56,993	53,532	69,787
Basic earnings per share (Yen)	101.94	302.35	270.12	353.87
Return on Equity (ROE (%))	15.5%	35.3%	24.9%	27.3%
Total equity attributable to owners of the parent (Millions of yen)	124,610	198,731	231,452	280,369
Total assets (Millions of yen)	254,559	304,580	355,777	422,641

(Notes)

1. The name of each item in the category above is presented according to the IFRS terminology.
2. The calculation of "Basic earnings per share" was based on the average number of shares issued during the relevant fiscal year less the average number of treasury shares held during the fiscal year.

(3) Significant Subsidiaries

Name of Subsidiary	Common Stock	Percentage of Voting Rights (Note)	Principal Activities
Advantest Laboratories Ltd.	¥50 million	100%	Research and development of measuring and testing technologies
Advantest Finance Inc.	¥310 million	100%	Leasing of the Company's products and sales of used products
Advantest America, Inc.	4,059 thousand USD	100%	Development and sales of the Company's products
Advantest Test Solutions, Inc.	2,500 thousand USD	100%	Design and sales of the Company's products
Essai, Inc.	500 thousand USD	100%	Design, production and sales of the Company's products
Advantest Europe GmbH	10,793 thousand Euros	100%	Development and sales of the Company's products
Advantest Taiwan Inc.	500,000 thousand New Taiwan Dollars	100%	Sales of the Company's products
Advantest (Singapore) Pte. Ltd.	15,300 thousand Singapore Dollars	100%	Sales of the Company's products
Advantest Korea Co., Ltd.	9,516 million Won	100%	Support for sales of the Company's products
Advantest (China) Co., Ltd.	8,000 thousand USD	100%	Support for sales of the Company's products

(Note) Percentage of voting rights includes indirectly held shares.

#### (4) Issues to be Addressed

In FY2018, Advantest formulated a 10-year mid- to long-term management policy, its “Grand Design,” which defines the commitments and strategies needed for Advantest to continue to be a company that embodies its corporate mission of "enabling leading-edge technology." At the same time as the Grand Design, the company formulated its first three-year mid-term management plan (FY2018-FY2020) (MTP1) to achieve the goals of the Grand Design, and has since executed the strategies MPT1 called for.

MTP1 was successfully completed in FY2020 with results exceeding all management targets. Based on these achievements, Advantest has now updated its Grand Design and newly formulated its second mid-term management plan (FY2021-FY2023) (MTP2). Under MTP2, Advantest aims to make a further leap forward in order to secure its progress toward achieving the goals of the Grand Design.

### **1. Grand Design (10 years) (FY2018-FY2027)**

<Vision Statement>

#### **Adding Customer Value in an Evolving Semiconductor Value Chain**

<Mid/Long-Term Management Goals>

#### **¥400B in annual sales**

Previously, Advantest set the final goal of the Grand Design at ¥300B - ¥400B in annual sales, but the company has now revised this target upward, as the lower limit of the target range was already reached in FY2020. In addition, Advantest originally planned to achieve this goal in FY2027, but will now aim for it to be achieved earlier, based on the progress of the company’s business performance and future business outlook.

<Strategy>

Advantest is expanding its business domains beyond the development and sales of semiconductor volume production test systems to also include adjacent markets such as semiconductor design / evaluation processes and product / system level test processes, which are performed before and after semiconductor volume production processes, with the aim of expanding and growing corporate value.

To achieve the above, Advantest will engage with five strategic issues: reinforce core businesses, invest strategically; seek operational excellence; explore value to reach a higher level; pioneer new business fields; and further promote ESG initiatives.

### **2. Summary of First Mid-Term Management Plan (MTP1, FY2018-FY2020)**

<Status of targeted management metrics>

	FY2018-FY2020 average Conservative case	FY2018-FY2020 average Base scenario	FY2018-FY2020 (Results)
Sales	JPY 230.0B	JPY 250.0B	JPY 290.4B
Operating Margin	15%	17%	22%
Return on Equity (ROE)	15%	18%	29%
Earnings per share (EPS)	JPY 135	JPY 170	JPY 309

Amid the expansion of the semiconductor market and the semiconductor tester market spurred by the progress of the digital revolution, Advantest’s market share expanded faster than expected (overall market share in 2017 was about 36%, while average overall market share from 2018 to 2020 was about 50%), and businesses acquired through M&A made rapid contributions to business performance. As a result, all metrics exceeded the targets set under the base scenario of MPT1.

### **3. Outline of Second Mid-Term Management Plan (MTP2, FY2021-FY2023)**

<Targeted management metrics>

Under MTP2, Advantest will promote efforts to strengthen its business for further growth, expand growth investment as well as shareholder returns, and strive to increase corporate value. Given this framework, the management metrics that are emphasized in MTP2 are sales, operating margin, net income, return on equity attributable to owners of the parent (ROE), and earnings per share (EPS). Advantest will endeavor to grow all

these numbers. In order to evaluate the progress of the plan from a mid/long-term perspective, the company will use three-year averages so as to minimize the impact of single-year performance fluctuations.

The numerical targets for MTP2 are as follows:

FY2021-FY2023 average	
Sales	JPY 350-380B
Operating Margin	23-25%
Net Income	JPY 62-70B
Return on Equity (ROE)	20% or more
Earnings per share (EPS)	JPY 320-370

※These predictions assume an exchange rate of 1 USD = 105 JPY.

#### <Key Measures>

- Semiconductor & Component Test System Business Segment
  - Capture the expanding demand for test equipment for smartphone-related SoC semiconductors and HPC (high performance computing) devices by leveraging the strengths of the new V93000 EXA Scale
  - Establish a leading position in test for millimeter-wave related devices, a sector that will enter full-scale growth from 2022 onwards
  - Maintain a strong business foundation for DRAM and non-volatile memory device test
- Mechatronics Business Segment
  - Expand sales opportunities by providing test cell environments that deliver better test quality
- Services & Other Business Segment
  - As demand for system level testing (SLT) increases, win more customers in mobile, HPC, memory / storage, etc. In addition, expand recurring business for SLT consumables
  - Promote the search for an innovative business model in the data analytics field, one of Advantest's new business areas

#### <Cost / profit structure>

As part of Advantest's quest to increase corporate value, the company will maintain its high level of R&D investment, which is the source of its growth. At the same time, it will improve SG&A efficiency and profitability by seeking operational efficiency gains.

#### <Capital policy, capital allocation, shareholder returns>

Advantest's capital policy under MTP2 will prioritize business investments for growth while flexibly utilizing liabilities (debt) from a balance sheet management perspective that considers both capital efficiency and cost of capital. Furthermore, the company's policy is to maintain financial soundness and establish an appropriate capital structure to strengthen the foundations of its business and create sustainable corporate value. As a measure of financial soundness, Advantest seeks a shareholders' equity ratio of 50% or more, and for capital efficiency, ROE of 20% or more.

In terms of resources for growth investment and shareholder returns, Advantest anticipates a cumulative operating cash flow of ¥220 billion yen or more during the MTP2 period, and expects to utilize the excess after periodic reviews of cash on hand levels. The company's growth investment target will be ¥100 billion for strategic investments such as M&A, and ¥40 billion for capital investments, to be spent cumulatively over the MTP2 period. Regarding shareholder returns, Advantest will change its dividend policy from a semi-annual dividend payout ratio of 30% to a minimum semi-annual dividend of ¥50 per share and a minimum annual dividend of ¥100 yen per share. The company has set the target to achieve a total annual return ratio of 50% or more, enhance shareholder returns through dividends and share repurchases, and improve capital efficiency.

#### <Further promotion of ESG initiatives>

Advantest will commit to helping to solve social issues and contributing to humanity's sustainable future through its business activities. In this context, with respect to corporate governance, which is the basis for its own sustainability, the company will strengthen earning power through the enhancement of management and execution systems as well as establishment and operation of succession plans. At the same time, Advantest

will work on sustainability factors related to human capital, such as respect for human rights and human resource development and education, and strengthen its response to climate change.

\* Detailed Mid/Long-Term Management Policy is published in the column of Mid/Long-Term Management Policy in the Company's website.

URL: <https://www.advantest.com/ja/investors/management-policy/management-policy.html>

#### **4. Near-term Prospects**

Looking at the business environment of FY2021, in the SoC semiconductor testing device business segment, the Company forecasts demand to grow for testing of advanced SoC semiconductors used in smartphones and HPC, backed by active technology investment in advanced semiconductors. The Company also expects increased testing demand for analog semiconductors, driven by reductions in power consumption by electronic devices and the recovery of the automobile industry. For memory semiconductors, in addition to solid demand, in FY2021, the Company forecasts investment in technologies such as miniaturization and multilayer technologies. These will lead memory semiconductor testing demand, so the Company also expects strong performance in the memory semiconductor testing device business segment.

The Company's consolidated financial results forecast for FY2021, based on forecasts for individual business segments, exchange rates, and other factors, is as follows: Orders received of 350.0 billion yen, net sales of 350.0 billion yen, operating income of 85.0 billion yen, income before income tax of 85.0 billion yen, and net income of 64.0 billion yen. Exchange rate assumptions for this forecast are 1USD to 105 JPY and 1 EUR to 130 JPY.

However, there are still no signs of the COVID-19 pandemic ending, and the future outlook of the global economy remains highly uncertain. The risks affecting the Company's business, such as intensified friction between the U.S. and China, the ability to secure supply capabilities, and unforeseen natural disasters, are growing in complexity. The Company will continue to carry out its business activities while placing the highest priority on flexibly responding to changes in the external environment.

The ongoing spread of COVID-19 continues to have a severe impact on the global economy, but at the same time it presents an opportunity for the acceleration of the digital revolution. The digital revolution, led by 5G technology, will stimulate medium- and long-term demand for semiconductors with high levels of performance and reliability. The Company also expects a rise in customer needs for semiconductor testing solutions that provide even greater value, and predicts that the resulting digital revolution will create greater business opportunities for the Company over the mid- to long-term.

The Company has not only reinforced its existing business segments, such as semiconductor wafer-level and package-level testing, but also entered the field of system / module level testing / solutions and made advances in the field of data analytics, such as using semiconductor test data in semiconductor process analysis.

As the digital revolution progresses, the Company will continue its unflagging growth initiatives aimed at achieving the net sales target of 400.0 billion yen set by the "Grand Design" mid- to long-term management policy.

#### **(5) Primary Areas of Business**

The Company group manufactures and markets semiconductor and component test systems products, products related to mechatronics systems such as test handlers and device interfaces, and products related to system level test equipment. In addition, the Company group also carries out research and development activities and provides support services and related services associated with these products.

(6) Significant Sales Offices and Factories

(i) Japan

Category	Name of Office	Location
Head Office, Sales Offices and Service Offices	Head Office	Chiyoda-ku, Tokyo
R&D Centers, Laboratories	Gunma R&D Center	Meiwa-machi, Ora-gun, Gunma
	Saitama R&D Center	Kazo-shi, Saitama
	Kitakyushu R&D Center	Kitakyushu-shi, Fukuoka
	Advantest Laboratories	Sendai-shi, Miyagi
Factories	Gunma Factory	Ora-machi, Ora-gun, Gunma
	Sendai Factory	Sendai-shi, Miyagi

(ii) Overseas

Category	Name of Office	Location
Sales Offices, R&D Centers, Laboratories and Service Offices	Advantest America, Inc.	U.S.A.
	Advantest Europe GmbH	Germany
	Advantest Taiwan Inc.	Taiwan
	Advantest (Singapore) Pte. Ltd.	Singapore
	Advantest Korea Co., Ltd.	Korea
	Advantest (China) Co., Ltd.	China

(7) Employees

Employees of the Company group (as of March 31, 2021)

Number of Employees	Increase from end of FY2019
5,261 (475)	213 (94)

(Note) The numbers set forth above indicate the numbers of employees excluding part-time and non-regular employees. The numbers in brackets indicate the annual average number of such part-time and non-regular employees.

(8) Major Lenders

Not applicable.

(9) Other significant matters with respect to the current status of the Company group

Not applicable.

## 2. Company Information

### (1) Equity Stock (as of March 31, 2021)

(i) Total number of issuable shares 440,000,000 shares

(ii) Total number of issued shares 199,566,770 shares

(Note) Total number of issued shares includes treasury shares (2,437,243 shares).

(iii) Number of shareholders 34,003

(iv) Major Shareholders (Top 10 shareholders)

Name of Shareholder	Number of Shares (in: thousand shares)	Percentage of Ownership (%)
The Master Trust Bank of Japan, Ltd. (trust account)	53,804	27.29
Custody Bank of Japan, Ltd. (trust account)	20,771	10.53
Custody Bank of Japan, Ltd. (investment trust account)	5,820	2.95
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	4,015	2.03
Custody Bank of Japan, Ltd. (trust account 4)	3,907	1.98
Custody Bank of Japan, Ltd. (trust account 7)	3,544	1.79
STATE STREET BANK WEST CLIENT - TREATY 505234	3,193	1.61
JP MORGAN CHASE BANK 385781	2,459	1.24
Custody Bank of Japan, Ltd. (trust account 5)	2,280	1.15
SSBTC CLIENT OMNIBUS ACCOUNT	2,262	1.14

(Notes) 1. Number of Shares is rounded down to the nearest thousand.

2. Percentage of Ownership is calculated excluding treasury shares (2,437,243 shares).

3. Percentage of Ownership is rounded down to the second decimal place.

(v) Status of shares issued to officers as compensation for the execution of their duties during the fiscal year 2020

Not applicable.

(vi) Important items regarding our shares

(i) The Company introduced stock remuneration plan, so called “the BIP (Board Incentive Plan) trust compensation system” for directors (excluding outside directors and directors who are audit and supervisory committee members), based on the resolution of the 76<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2018 and the resolution of the Board of Directors made in accordance with such shareholders’ resolution.

The number of stocks of the Company that trust account for the BIP trust owns is 146,685 shares as of March 31, 2021.

(ii) The Company introduced stock remuneration plan, so called “the ESOP (Employee Stock Ownership Plan) trust compensation system for officers and executive employees of the Company and its subsidiaries, based on the resolution of the Board of Directors from FY2018.

The number of stocks of the Company that trust account for the ESOP trust owns is 548,147 shares as of March 31, 2021.

(iii) The Company purchased treasury stock as indicated below based on the resolution to purchase treasury stock in accordance with the Articles of Incorporation as stipulated in Article 459, Paragraph 1 of the Companies Act made at the meeting of the Board of Director held on July 30, 2020.

Types of shares acquired :	Shares of common stock
Total number of shares acquired:	2,494,600
Total cost of acquisition:	¥13,077,323,000
Acquisition period:	From July 31, 2020 to October 30, 2020
Reason for acquisition:	In consideration of the current cash position and medium- to long-term growth investment, the shares of treasury stock were acquired for the purpose of promoting efficient use of capital in accordance with the

capital policy of the Company's medium - to long-term management policy "Grand Design" and to deliver shares upon exercise of stock options (stock acquisition rights).

(2) Stock Acquisition Rights

(i) Stock acquisition rights held by directors and audit and supervisory committee members (as of March 31, 2021)

	Resolution at the meeting of the Board of Directors held on July 25, 2018	Resolution at the meeting of the Board of Directors held on June 26, 2019	Resolution at the meeting of the Board of Directors held on June 25, 2020
Date of issuance	August 10, 2018	July 12, 2019	July 13, 2020
Issuance Price	¥61,000 per unit	¥76,800 per unit	¥206,500 per unit
Holding status of stock acquisition rights by directors and audit and supervisory committee members	620 units (3 persons)	1,100 units (5 persons)	530 units (5 persons)
Directors (excluding audit and supervisory committee members and outside directors)	620 units (3 persons)	1,100 units (5 persons)	530 units (5 persons)
Outside directors (excluding audit and supervisory committee members)	0 units (0 persons)	0 units (0 persons)	0 units (0 persons)
Directors (audit and supervisory committee members)	0 units (0 persons)	0 units (0 persons)	0 units (0 persons)
Class and aggregate number of shares to be issued or delivered upon exercise	62,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)	111,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)	53,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)
Exercise price to be paid upon exercise	¥2,540 per share	¥3,090 per share	¥6,990 per share
Exercise period	August 11, 2020 to August 10, 2023	July 13, 2021 to July 12, 2024	July 14, 2022 to July 13, 2025
Terms of exercise	The stock acquisition rights may not be inherited.		
Reasons for the Company's acquisition of the stock acquisition rights	<p>The Company shall automatically acquire the stock acquisition rights, for no consideration, if:</p> <p>(a) the general meeting of the shareholders or, if approval by the shareholders' meeting is not legally required, then the board of directors resolves to approve (i) any merger agreement pursuant to which the Company shall dissolve, (ii) any agreement or a plan pursuant to which the Company shall split all or part of its business or (iii) any stock-for-stock exchange agreement or stock-transfer plan pursuant to which the Company shall become a wholly-owned subsidiary of another company;</p> <p>(b) the rights holder becomes a person who does not hold any position as a director, corporate auditor, officer, employee or any other similar position of the Company or its domestic or overseas subsidiaries; except where the Company deems that it is appropriate to allow him/her to exercise his/her stock acquisition rights and notifies him/her;</p> <p>(c) the rights holder dies.</p>		
Restriction on the transfer of the stock acquisition rights	Acquisition of stock acquisition rights by transfer shall require approval by the Board of Directors. Provided, however, if it is the Company acquiring the stock acquisition rights by transfer, such transfer shall be deemed to be approved by the Board of Directors.		

## (ii) Stock acquisition rights granted to the Company's employees etc. during fiscal year 2020

	Resolution at the meeting of the Board of Directors held on June 25, 2020
Date of issuance	July 13, 2020
Issuance Price	¥206,500 per unit
Condition of granting	1,390 units (19 persons)
Employees of the Company	1,390 units (19 persons)
Directors of the Company's subsidiaries	0 units (0 persons)
Employees of the Company's subsidiaries	0 units (0 persons)
Class and aggregate number of shares to be issued or delivered upon exercise	139,000 shares of common stock (each stock acquisition right is exercisable for 100 shares)
Exercise price to be paid upon exercise	¥6,990 per share
Exercise period	July 14, 2022 to July 13, 2025
Terms of exercise	The stock acquisition rights may not be inherited.
Reasons for the Company's acquisition of the stock acquisition rights	The Company shall automatically acquire the stock acquisition rights, for no consideration, if: (a) the general meeting of the shareholders or, if approval by the shareholders' meeting is not legally required, then the board of directors resolves to approve (i) any merger agreement pursuant to which the Company shall dissolve, (ii) any agreement or a plan pursuant to which the Company shall split all or part of its business or (iii) any stock-for-stock exchange agreement or stock-transfer plan pursuant to which the Company shall become a wholly-owned subsidiary of another company; (b) the rights holder becomes a person who does not hold any position as a director, corporate auditor, officer, employee or any other similar position of the Company or its domestic or overseas subsidiaries; except where the Company deems that it is appropriate to allow him/her to exercise his/her stock acquisition rights and notifies him/her; (c) the rights holder dies.
Restriction on the transfer of the stock acquisition rights	Acquisition of stock acquisition rights by transfer shall require approval by the Board of Directors. Provided, however, if it is the Company acquiring the stock acquisition rights by transfer, such transfer shall be deemed to be approved by the Board of Directors.

(3) Directors and Audit and Supervisory Committee Members

(i) Directors and Audit and Supervisory Committee Members (as of March 31, 2021)

Title	Name	Assignment in the Company and significant concurrent positions
Representative Director	Yoshiaki Yoshida *	
Director	Osamu Karatsu	
Director	Toshimitsu Urabe	Deputy President (Representative Director) and Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.)
Director	Nicholas Benes	Representative Director, The Board Director Training Institute of Japan
Director	Soichi Tsukakoshi*	
Director	Atsushi Fujita*	
Director	Koichi Tsukui*	
Director	Douglas Lefever*	
Director Standing Audit and Supervisory Committee Member	Yuichi Kurita	
Director Audit and Supervisory Committee Member	Kouichi Nanba	Special Counsel, Mori Hamada & Matsumoto Legal Firm
Director Audit and Supervisory Committee Member	Sayaka Sumida	Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd. Outside Audit & Supervisory Board Member, The Nisshin OilliO Group, Ltd.

- (Notes)
- Mr. Yuichi Kurita has been appointed as a standing audit and supervisory committee member in order to enhance effectiveness of audits and supervisory function by the Audit and Supervisory Committee through information gathering by attending important meetings and conducting hearings about reports on operations received from execution departments as well as through strengthened collaboration between the accounting auditor and the internal audit division.
  - Mr. Yuichi Kurita, a director who is an audit and supervisory committee member, has many years of experience in corporate planning, and finance, as well as experience serving as an officer of the Company responsible for administration. Ms. Sayaka Sumida, a director who is an audit and supervisory committee member, has experience as a certified public accountant working for an auditing firm. Both Mr. Kurita and Ms. Sumida have considerable knowledge regarding finance and accounting.
  - Mr. Osamu Karatsu, Mr. Toshimitsu Urabe, Mr. Nicholas Benes, Mr. Kouichi Nanba and Ms. Sayaka Sumida are outside directors.
  - The Company has registered Directors Osamu Karatsu, Toshimitsu Urabe, Nicholas Benes, Kouichi Nanba and Sayaka Sumida as independent directors with the Tokyo Stock Exchange.
  - Director Toshimitsu Urabe resigned as Executive Officer at Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) on March 31, 2021.
  - Director Nicholas Benes resigned as Outside Director of IMAGICA GROUP on June 30, 2020.
  - The changes to the assignments and significant concurrent positions of directors as of March 31, 2021, are as follows:
    - \* Director Toshimitsu Urabe resigned as Director of Mitsubishi HC Capital Inc. (formerly Mitsubishi UFJ Lease & Finance Company Limited) on April 1, 2021.
    - \* Director Toshimitsu Urabe was appointed as an outside director of Japan Business Systems, Inc. on April 2, 2021.
  - The Company has in place an Executive Officers System and \* indicates a director who also serves as an Executive Officer.

7. The positions of Executive Officers are currently held as follows:

Title	Name	Assignment in the Company and significant concurrent positions
President and CEO	Yoshiaki Yoshida	
Senior Executive Officer	Soichi Tsukakoshi	Supply Chain Executive Vice President, Production Group
Managing Executive Officer	Atsushi Fujita	Corporate Administration and Compliance Executive Vice President, Corporate Administration Group
Managing Executive Officer	Koichi Tsukui	Test Technology Leader, ATE Business Group
Managing Executive Officer	Douglas Lefever	Customer Relations & Corporate Strategy Director, President and CEO, Advantest America, Inc.
Managing Executive Officer	Keith Hardwick	Director, Chief Financial Officer, Advantest America Inc.
Managing Executive Officer	Kazuhiro Yamashita	Sub-leader, ATE Business Group
Managing Executive Officer	Isao Sasaki	Executive Vice President, Quality Assurance Group
Managing Executive Officer	Kimiya Sakamoto	Executive Vice President, Sales Group
Managing Executive Officer	Yasuo Mihashi	Executive Vice President, Corporate Relations Group
Managing Executive Officer	Juergen Serrer	Sub-leader, ATE Business Group
Executive Officer	Toshiyuki Okayasu	Executive Vice President, New Concept Product Initiative
Executive Officer	CH Wu	Chairman of the Board, President and CEO, Advantest Taiwan Inc.
Executive Officer	Yong Xu	Director and President (CEO), Advantest (China) Co., Ltd.
Executive Officer	Michael Stichlmair	Managing Director (Sales & FS), Advantest Europe GmbH
Executive Officer	Toshio Goto	Executive Vice President, DH Business Group
Executive Officer	Jinhee Lee	Representative Director and President, Advantest Korea Co., Ltd.
Executive Officer	Ricky Sim	Managing Director (CEO), Advantest (Singapore) Pte. Ltd.
Executive Officer	Akira Ono	Senior Vice President (Officer), Corporate Administration Group
Executive Officer	Sanjeev Mohan	Sales & Support EVP, Advantest America, Inc.
Executive Officer	Makoto Nakahara	Senior Vice President (Officer), Sales Group
Executive Officer	Masayuki Suzuki	Executive Vice President, Memory Test Business Unit, ATE Business Group
Executive Officer	Naruo Tanaka	Senior Vice President (Officer), Corporate Relations Group
Executive Officer	Richard Junger	Sub-leader, ATE Business Group

(ii) Overview of limited liability agreements

The Company entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act, with outside directors Osamu Karatsu, Toshimitsu Urabe, Nicholas Benes, Kouichi Nanba and Sayaka Sumida, and a director who is a standing audit and supervisory committee member Yuichi Kurita. The upper limit of liability based on each agreement is the minimum liability as provided in the relevant laws and regulations.

(iii) Overview of the contents of the directors and officers liability insurance contracts

The Company has concluded a directors and officers liability insurance contract with an insurance company in accordance with Article 430-3, Paragraph 1 of the Companies Act, covering all employees of the Company, including directors, executive officers, and employees in managerial and supervisory positions, and also all employees of Company subsidiaries, including executives and employees in managerial and supervisory positions.

The insurance premiums, including riders, are borne in their entirety by the company to which the insured party belongs, and no insurance premiums are borne by the insured parties themselves.

The insurance policy covers legal damages and litigation expenses that may arise when the insured party assumes liability for the execution of his or her duties or is subject to a claim for the pursuit of said liability.

However, there are certain exclusions, such as the insurance policies providing no coverage for damages suffered by insured parties arising from actions taken said insured parties with the knowledge that they were in violation of the law, to ensure that the insured parties execute their duties in an appropriate manner.

- (iv) Matters concerning policy for determining the details of individual compensation, etc. for directors (excluding directors who are audit and supervisory committee members)

The Company's policy for determining the details of individual compensation for directors (excluding directors who are audit and supervisory committee members) at the time of preparing this Business Report is as follows.

In order to comply with the revised Companies Act that came into effect on March 1, 2021, we have revised our compensation structure, payment timing and conditions, the method of determining compensation and return of compensation, etc. in the policy.

The Nomination and Compensation Committee deliberated individual compensation for directors (excluding directors who are audit and supervisory committee members) for the fiscal year 2020 based on the policy and reported their findings to the Board of Directors. The Board of Directors deliberated and determined compensation based on the Nomination and Compensation Committee's findings, and the Company believes that compensation is in line with the policy.

#### < Directors and Executive Officers Compensation Policy and Procedure >

##### 1. Purpose

The Board of Directors establishes this Policy and Procedure so that the Directors and Executive Officers Compensation shall be determined to make it effective for a sustainable level of business development, to support mid-to-long term enhancement of corporate value, to share the shareholders' perspective, and to secure and motivate superior human resources who manage the Advantest Corporation group ("Company");

##### 2. Structure, Timing, Conditions and Policy in Determination

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

Compensation for Independent Directors is comprised only of (1) fixed compensation, in consideration of their roles and independence from management.

- (1) Fixed Compensation, to be paid monthly, is determined at an appropriate level by referring to market data and the individual's position and responsibilities.
- (2) Performance-linked Bonuses are to be paid yearly in the next fiscal year as an incentive for short-term performance, and are to be calculated based on consolidated Net Sales, Operating Income Ratio, Net Income after Tax, ROE etc. of the Fiscal Year. Calculated Performance-linked Bonuses vary between 0% and 85% of each individual's fixed compensation.
- (3) Stock Compensation is an incentive for long term performance and also encourages directors and executive officers to share the shareholders' perspective. Both "Stock Options" and "Performance-based Stock Remuneration" will be granted by considering the Company's performance trends, economic situation, stock, and the like. The number of Stock Options granted shall be determined by position and is exercisable from 2 to 5 years after the date of allocation. The number of vested stocks of "Performance-based Stock Remuneration" shall be determined based on the individual's position and will vary based on consolidated Net Sales, Operating Income Ratio, Net Income after Tax, ROE etc., of each fiscal year, and these vested stocks are awarded 3 fiscal years after the end of each period. The levels

required for these performance indicators are determined with reference to the Company's medium-term management plan.

- (4) The ratio of fixed compensation, performance-linked bonuses, and stock compensation is approximately 100: 85: 100.
- (5) Compensation for non-residents in Japan may be treated differently from the above due to laws and other circumstances.
- (6) In addition to the above, a lump sum bonus based on special events of the entire company such as the anniversary may be paid.

### 3. Procedures and Methods of Determination

After consultation with the Board of Directors, the Nomination and Compensation Committee deliberates and proposes the Compensation for each Director (excluding Directors who are Audit and Supervisory Committee members) and Executive Officer to the Board of Directors. The Board of Directors deliberates and determines the compensation based on the proposal from the Nomination and Compensation Committee. However, with regard to performance-linked bonuses (excluding the president), 20% (maximum) of the calculated and determined total amount will be redistributed based on the individual performance that is evaluated by president.

The Audit and Supervisory Committee deliberates and determines the compensation for each Director who is an Audit and Supervisory Committee member.

### 4. Return of Compensation, etc.

The Company may reduce the compensation for the future or order repayment of compensation paid in past by a resolution of the Board of Directors in the event of certain circumstances such as violation of relevant laws and regulations or internal rules.

- (v) Matters concerning policies for determining the details of individual compensation, etc. for directors who are audit and supervisory committee members

The Company has established a policy for determining the details of individual compensation for directors who are audit and supervisory committee members. Under the policy, the amount of compensation for each audit and supervisory committee member is determined through discussions by audit and supervisory committee members, taking into consideration the distinction between standing and non-standing positions, the assignment of auditing duties, the details and level of compensation paid to directors, and other factors. This policy was approved by a resolution of the audit and supervisory committee held on January 27, 2016.

## (vi) Total amount of compensation for directors

Category	Total Compensation (Millions of yen)	Total Compensation by Category (Millions of yen)					Number of Eligible Officers
		Cash Compensation			Non-Cash Compensation		
		Fixed Compensation	Performance-based Compensation	Other Cash Compensation	Stock Options	Performance-based Stock Compensation	
Directors (excluding audit and supervisory committee members) (excluding outside directors)	576	184	159	1	91	141	6
Directors (audit and supervisory committee members) (excluding outside directors)	42	42	—	0	—	—	1
Outside Directors	62	61	—	1	—	—	6

- (Notes)
- The above list includes one director (excluding audit and supervisory committee member) and one director (an audit and supervisory committee member) who resigned from its position on June 25, 2020.
  - Performance-based bonuses are paid to directors (excluding outside directors and directors who are audit and supervisory committee members) as performance-based compensation. Performance-based bonuses are cash compensation calculated based on the Group's net sales, operating margins, net income, Return on Equity (ROE), and other performance indicators each fiscal year. Many of these indicators were set as key management indicators in the Group's Mid-Term Management Plan in enhancing corporate value. Bonuses calculated based on performance indicators are deliberated by the Nomination and Compensation Committee before being approved by the Board of Directors. The amount of bonus varies between 0 to 85% of fixed compensation, depending on the achievement of targets set for each of the abovementioned performance indicators and bonus is not paid if the minimum achievement level is not reached for all targets or if the ROE falls below 8%. Changes in net sales, operating margins, net income, and ROE, including those for the fiscal year 2020, are stated in 1. (2) Conditions of Assets, Profit and Loss.
  - Performance-based stock compensation and stock acquisition rights in the form of stock options are delivered to directors (excluding outside directors and directors who are audit and supervisory committee members) as non-cash compensation. Performance-based stock compensation is recorded as an expense in accordance with Japanese standards for the fiscal year 2020. The details of stock compensation and the state of delivery is as described in (iv) of 2. (3) Directors and Audit and Supervisory Committee Members, and (v) of 2. (1) Equity Stock, respectively. The number of shares received in relation to stock compensation varies based on the Group's net sales, operating margins, net income, ROE and other performance indicators during three consecutive fiscal years, and many of these indicators were set as key management indicators in the Group's Mid-Term Management Plan in enhancing corporate value.
  - At the 73rd Ordinary General Meeting of Shareholders held on June 24, 2015, shareholders approved that the total amount of compensation for the Company's directors (excluding directors who are audit and supervisory committee members) shall be no more than 600 million yen per year. The number of directors (excluding directors who are audit and supervisory committee members) at the end of this ordinary general meeting of shareholders is 6 (including 2 outside directors). Furthermore, separate from this monetary compensation, shareholders approved at the 76th ordinary general meeting of shareholders held on June 27, 2018, that, 1) with respect to the performance-based stock compensation for directors (excluding outside directors and directors who are audit and supervisory committee members), the upper limit on the total amount of trust money to be provided by the Company shall be 200 million yen for each three fiscal years of the target period, and the upper limit of the total number of the based shares, which are the basis of the Company's shares, etc., to be delivered, etc., to such directors shall be 90,000 shares for each three fiscal years of the target period, and that 2) with respect to stock options for directors, the maximum total amount of compensation to be paid by the Company to directors to cover stock acquisition right subscriptions shall be 200 million yen per year, and the maximum total number of stock acquisition rights to be issued to directors within one year from the date of the ordinary general meeting of shareholders pertaining to each fiscal year shall be 5,000 (the total number of shares to be issued for the stock acquisition rights shall be 500,000). The number of directors (excluding outside directors and directors who are audit and supervisory committee members) at the end of this ordinary general meeting of shareholders is 4.
  - At the 73rd Ordinary General Meeting of Shareholders held on June 24, 2015, shareholders approved that the total amount of compensation for the Company's directors who are audit and supervisory committee members shall be no more than 100 million yen per year. The number of directors who are audit and supervisory committee members at the end of this ordinary general meeting of shareholders is 3 (including 2 outside directors).
  - The Company does not delegate decisions on the details of individual compensation, etc. for directors (excluding directors who are audit and supervisory committee members) to directors or other third parties. This content is discussed and resolved at the Board of Directors based on the deliberation by the Nomination and Compensation Committee.

7. “Other cash compensation” in the table above refers to “congratulatory money” paid uniformly to all officers and employees, including directors, as a reward for achieving record-breaking performance in a single fiscal year in terms of net sales, net income and other performance indicators for the fiscal year 2020.

(vii) Matters pertaining to outside directors and outside audit and supervisory committee members

(a) Significant concurrent positions held and relationship to the Company

Name	Concurrent position(s)	Relationship to the Company
Toshimitsu Urabe (Outside Director)	Deputy President (Representative Director) and Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited	There is no special relationship between Mitsubishi UFJ Lease & Finance Company Limited and the Company.
Nicholas Benes (Outside Director)	Representative Director, The Board Director Training Institute of Japan	The Company has paid an annual fee to and received executive training from The Board Director Training Institute of Japan (“BDTI”). The amount of payment to BDTI in FY2020 was less than JPY1M.
	Outside Director, IMAGICA GROUP Inc.	There is no special relationship between IMAGICA GROUP Inc. and the Company.
Kouichi Nanba (Outside Director, Audit and Supervisory Committee Member)	Special Counsel, Mori Hamada & Matsumoto Legal Firm	There is no special relationship between Mori Hamada & Matsumoto Legal Firm and the Company.
Sayaka Sumida (Outside Director, Audit and Supervisory Committee Member)	Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd.	The Company has transactions with Furukawa Electric Co., Ltd., including the purchase of raw materials, etc. The amount of such transactions with Furukawa Electric Co., Ltd., in the current fiscal year is less than 1% of the total of the Company’s consolidated cost of sales and selling, general and administrative expenses.
	Outside Audit & Supervisory Board Member, The Nisshin OilliO Group, Ltd.	There is no special relationship between The Nisshin OilliO Group, Ltd. and the Company.

- (Notes)
1. Director Toshimitsu Urabe resigned as Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited on March 31, 2021 and as Director of Mitsubishi UFJ Lease & Finance on April 1, 2021. Mitsubishi UFJ Lease & Finance Company Limited changes its tradename to Mitsubishi HC Capital Inc. on April 1, 2021.
  2. Mr. Nicholas Benes resigned as Outside Director of IMAGICA GROUP Inc. on June 30, 2020.

## (b) Principal activities

Name	Attendance	Participation at meetings
Osamu Karatsu (Outside Director)	Meetings of Board of Directors: 13 out of 13 times	<p>Mr. Karatsu is expected to reflect his knowledge of the industry and his broad perspectives in the Company Group's management, thereby contributing to the sustainable enhancement of the Company's corporate value and invigorating the activities of the Board of Directors.</p> <p>During the fiscal year 2020, Mr. Karatsu performed his duties based on his role, including providing advice in view of the environment surrounding the semiconductor industry and the global situation, when formulating the Mid-Term Management Plan starting in FY2021, and brought a higher perspective to management.</p> <p>Mr. Karatsu expresses his opinions based mainly on his knowledge of the semiconductor industry and from long-term and strategic perspectives at meetings of the Board of Directors.</p>
Toshimitsu Urabe (Outside Director)	Meetings of Board of Directors: 13 out of 13 times	<p>Mr. Urabe is expected to reflect his knowledge of investment decisions and administrative management such as human resources, in the Company Group's global management, thereby contributing to the sustainable enhancement of the Company's corporate value and invigorating the activities of the Board of Directors.</p> <p>As chairman of the Nomination and Compensation Committee, during the fiscal year 2020, Mr. Urabe performed his duties based on his role, including providing advice drawing from his experience in human resources field in relation to revisions to the officer compensation system.</p> <p>Mr. Urabe expresses his opinions mainly on business investment decisions and global management based on his management experience.</p>
Nicholas Benes (Outside Director)	Meetings of Board of Directors: 13 out of 13 times	<p>Mr. Benes is expected to reflect his knowledge of corporate governance and the shareholder-oriented perspective in the Company Group's global management, thereby contributing to the sustainable enhancement of the Company's corporate value and invigorating the activities of the Board of Directors.</p> <p>During the fiscal year 2020, Mr. Benes performed his duties based on his role, including providing advice from the perspective of minority shareholders in particular, such as institutional investors and individual shareholders, and appropriately reflected the opinions of stakeholders on the Company. Mr. Benes expresses his opinions based mainly on his knowledge of corporate governance.</p>

Name	Attendance	Participation at meetings
Kouichi Nanba (Outside Director, Audit and Supervisory Committee Member)	Meetings of Board of Directors: 13 out of 13 times	Mr. Nanba is expected to reflect his knowledge of laws and compliance in the Company Group's audit and supervision, thereby contributing to the enhancement of compliance. During the fiscal year 2020, Mr. Nanba performed his duties based on his role, including pointing out matters relating to the revised Companies Act and providing advice from a compliance perspective as a member of the Nomination and Compensation Committee and the Audit and Supervisory Committee based on his many years of experience as an attorney-at-law. Mr. Nanba expresses his opinions mainly in relation to law and compliance from a professional perspective.
	Meetings of Audit and Supervisory Committee: 14 out of 14 times	
Sayaka Sumida (Outside Director, Audit and Supervisory Committee Member)	Meetings of Board of Directors: 10 out of 10 times	Ms. Sumida is expected to reflect her knowledge of finance and accounting in the Company Group's audit and supervision, thereby contributing to the enhancement of corporate accounting and internal controls. During the fiscal year 2020, as a member of the Audit and Supervisory Committee, Ms. Sumida performed her duties based on her role, including providing advice on disclosure documents such as the Annual Financial Report based on many years of experience as a certified public accountant. Ms. Sumida expresses her opinions mainly in relation to corporate accounting and accounting auditing from a professional perspective.
	Meetings of Audit and Supervisory Committee: 11 out of 11 times	

(Notes) Above descriptions relating to Ms. Sayaka Sumida state her activities after she was appointed as Director on June 25, 2020.

(4) Accounting Auditor

(i) Name of accounting auditor

Ernst & Young ShinNihon LLC

(ii) Remuneration

	Amount
Remuneration to the accounting auditor for this fiscal year	¥146 million
Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the accounting auditor	¥146 million

(Notes) 1. Under the agreement between the Company and the accounting auditor, as the Company has not drawn any distinction between the remuneration for the audit services pursuant to the Companies Act and that pursuant to the Financial Instruments and Exchange Act of Japan, the amount set forth above represents the aggregate amount of these audit services.

2. The Company's significant overseas subsidiaries have been audited by the Ernst & Young group.

(iii) Reason that the Audit and Supervisory Committee gave consent to the amount of remuneration to the accounting auditor

The Audit and Supervisory Committee obtained necessary materials and received reports from directors, executive officers, the internal departments concerned, and the accounting auditor, and reviewed appropriateness of the content of the audit plan of the accounting auditor, the status of execution of accounting audit duties, the basis for calculation of the estimated amount of remuneration. As a result, the Audit and Supervisory Committee concluded that the amount of remuneration to the accounting auditor is appropriate and gave consent pursuant to Article 399, Paragraphs 1 and 3 of the Companies Act.

(iv) Policies on dismissal or non-reappointment of the accounting auditor

In the case that the accounting auditor falls under any of the items according to Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss the accounting auditor upon the unanimous consent of the audit and supervisory committee members. In such case, an audit and supervisory committee member who is appointed by the audit and supervisory committee shall report the dismissal and its reasons at the first general meeting of shareholders convened after such dismissal. In addition, other than the above, if it is deemed to be difficult for the accounting auditor to conduct appropriate audits due to the occurrence of events that impair its qualification or independence, the Audit and Supervisory Committee shall determine the content of an agenda item about dismissal or non-reappointment of the accounting auditor to be submitted to a general meeting of shareholders.

(5) The Board of Directors resolved a system that ensures the appropriateness of its business as follows:

Basic Policy for the System to Ensure the Appropriateness of Business

Holding “Enabling Leading-Edge Technologies” as our corporate mission, the Advantest Group established The Advantest Way that clarifies mission, vision, core values, guiding principle and ethical standards of the Advantest Group, and has strived to increase the transparency of its management and achieve a sustainable level of business development and mid-to-long term enhancement of corporate value. To further promote these efforts, the Company will prepare a framework as described in each paragraph below, implement the establishment, development and management of the internal control system, and ensure the sound operations of the Company.

1. Framework to the effective performance of duties by Board Directors of the Company and the Subsidiaries

- (i) The Company promotes management efficiency by separating the management decision making function and supervisory function from the function of the execution of operations. The Board of Directors shall make management decisions and supervise management. Regarding execution of operations, executive officers and employees shall execute operations based on the Board of Directors’ clarification of the function and authority of the body executing operations, while delegating necessary authorities to ensure the prompt and efficient performance of duties.
- (ii) The Board of Directors of the Company, as the management decision making body, shall make decisions on significant matters concerning the execution of business and basic management policies of Advantest Group, including the Internal Control System, and in its capacity to supervise management, the Board of Directors shall monitor and supervise execution of duties by Directors and executive officers.
- (iii) The Board of Directors of the Company shall approve the basic management policy of the Advantest Group, receive reports on business results based on monthly closing account, financial situation, status of the performance of duties by each department, and review the appropriateness of such plans.

2. Framework to ensure the compliance with applicable laws and ordinances as well as the articles of incorporation by directors, executive officers, and employees of the Company and the Subsidiaries in performing their duties

- (i) To ensure compliance with all applicable laws and regulations as well as the articles of incorporation, and to ensure that actions are taken faithfully and ethically, the Company shall establish The Advantest Way for all directors, executive officers and employees of the Advantest Group, and notify such directors, executive officers and employees of these codes. Furthermore, the Company shall establish the “Code of Ethics for Executives” for directors and executive officers.
- (ii) The Advantest Group shall establish subcommittees such as the Internal Control Committee, the Compliance Committee and the Disclosure Committee in order to ensure the appropriateness of business of Advantest Group.
- (iii) The Internal Control Committee shall report to the Board of Directors about the design and operation of Internal Control System as deemed necessary.
- (iv) The Compliance Committee monitors the compliance of laws and regulations and the

- implementation of The Advantest Way and report to the Board of Directors as deemed necessary.
- (v) The Disclosure Committee oversees the proper disclosure by management and report to the Board of Directors as deemed necessary.
  - (vi) The Company establishes a corporate ethics helpline for whistleblowing such that employees can report behaviors that are illegal or inappropriate in light of applicable laws, Articles of Incorporation or The Advantest Way. The Company stipulates that the reporter / consultant will not treat such persons adversely for having reported an incident or sought consultation regarding a potential violation, and will thoroughly disseminate it.
3. Rules relating to the management of risk of loss and other frameworks of the Company and the Subsidiaries
- (i) With respect to potential risks behind management environment, business activities and corporate assets of Advantest Group, the Company shall identify and classify risk factors for each important business process, analyze the magnitude of risks, possibility of actual occurrence and frequency of such occurrence, etc., and create written policies and procedures regarding the appropriate response to and avoidance/ reduction of the risks, as part of the internal control activities.
  - (ii) With respect to emergency situations such as disasters, the Company shall establish the Risk Management Group, create written emergency action guidelines and prepare by implementing education and training programs on a regular base.
  - (iii) The Internal Control Committee shall thoroughly manage risks of the Advantest Group and report material risks to the Board of Directors.
  - (iv) The Company is making efforts to prevent occupational injuries, create a comfortable working environment, and promote the good health of its employees through the establishment of the Safety and Health Committee.
4. Framework regarding the retention and management of information with respect to the performance of duties by Board Directors of the Company
- (i) The Company shall properly retain and manage the following information regarding the exercise of duties by directors, pursuant to the internal rules that stipulate details such as the period of retention, person in charge of retention and method of retention.
    - Minutes of general meetings of shareholders and reference materials
    - Minutes of meetings of the Board of Directors and reference materials
    - Other important documents regarding the exercise of duties by directors
  - (ii) The Company shall establish the Information Security Committee that is responsible for protecting personal information and preventing confidential information from leaking.
5. Framework to ensure the appropriateness of operations of the Company, and the group as a whole, including its subsidiaries
- (i) The Advantest Group shall establish and operate the same quality of internal control system for the Company and each company of the Advantest Group in order to conduct the consolidated group management placing an emphasis on business evaluation based on consolidated accounting.
  - (ii) The internal control system of the Advantest Group is supported by each department of the Company that is responsible for each group company, and is established and operated as a unified system based on the policies of the group created by the Internal Control Committee. Significant matters concerning the status of each group company that is controlled by the Internal Control Committee shall be reported to the Board of Directors.
  - (iii) Auditing Group of the Company supervises an internal audit to each group company.
6. Matters relating to employee(s) who assist the Audit and Supervisory Committee
- The Company shall establish the Audit and Supervisory Committee and assign the employee(s) who assist it.
7. Matters relating to the independence of the employee(s) referred to in the preceding Section

from Board Directors of the Company (excluding directors who are Audit and Supervisory Committee members) and the matters for ensuring the effectiveness of direction to the employee(s)

- (i) The personnel matters including but not limited to assignment, transfer, performance appraisal and disciplinary action of the employee(s) referred to in Section 6 shall be subject to a prior consent of the Audit and Supervisory Committee.
- (ii) The employee(s) referred to in Section 6 shall perform their duties exclusively pursuant to the instruction and order by directors who are Audit and Supervisory Committee members and their independence from any officers or employees other than the directors who are Audit and Supervisory Committee members shall be ensured.

8. Framework for reporting to the Audit and Supervisory Committee of the Company

- (i) In the event that any violation or breach of applicable laws, Articles of Incorporation or The Advantest Way or the fact that could cause serious damage is detected or reported, such event shall be reported immediately to the Audit and Supervisory Committee.
- (ii) The Company shall adopt a system that allows directors who are Audit and Supervisory Committee members to attend important meetings such as the meeting of the Board of Managing Executive Officers and to keep abreast important matters regarding the execution of operations.
- (iii) In the event that a report or consultation is made to the Corporate Ethics Helpline, the Company shall adopt a system that such report or consultation shall be reported immediately to the Audit and Supervisory Committee.
- (iv) Under the provisions of section 8. (i) and (iii), The Company stipulates that the reporter to the Audit and Supervisory Committee will not treat such persons adversely for having reported an incident, and will thoroughly disseminate it.

9. Other frameworks to ensure the effective implementation of audit by the Audit and Supervisory Committee

- (i) The Company shall ensure that the Audit and Supervisory Committee cooperates with the Accounting Auditors, the Auditing Group (an internal audit division of the Company) and the corporate auditor of each Advantest Group Company, and that there are opportunities to exchange opinions with them as deemed necessary.
- (ii) The Company shall ensure that there are opportunities to exchange opinions between the Audit and Supervisory Committee and the Representative Director and shall strive for communication between them.
- (iii) In case that a member of Audit Supervisory Committee requests a prepayment of expense necessary to perform his or her duties, the Company shall establish a necessary procedure of the prepayment and execute it without delay in accordance with the designated procedure.

(6) Status of implementation of the system to ensure the appropriateness of business

The status of implementation of the system to ensure the appropriateness of business during the fiscal year is as follows:

(i) Framework for the effective performance of duties

To promote management efficiency, the Board of Directors performs management decision-making and supervision in accordance with the Board of Directors Regulations and executive officers and employees execute business in accordance with the Global Organization and Authorization Rules.

The Board of Directors shall make decisions on significant matters with respect to the management policies and management strategies for the Company group and monitors and oversees execution of duties by executive officers.

(ii) Framework concerning compliance

The Company established The Advantest Way, which articulates the Mission, the Vision, the Core Values, the Guiding Principle, and the Ethical Standards. We have completed workshops for officers and employees around the world to inculcate The Advantest Way this fiscal year.

During the fiscal year 2020, the Company held four Compliance Committee meetings to deliberate on operations and systems relating to legal compliance, and provided education on human rights issues to employees at the necessary levels. The Company established a Disciplinary Committee in August 2020 as an organization under the Compliance Committee to strengthen compliance.

The Company has established internal and external helplines, and is working to thoroughly familiarize all officers and employees around the world of the role, etc. of the helplines and to establish an appropriate whistleblowing framework. In addition, continuing from the previous year, e-learning-based compliance education was provided to officers and employees and all of the eligible persons participated in the program.

(iii) Framework for risk management

The Internal Control Committee chaired by the representative director and attended by outside directors as observers identifies and analyzes material risks throughout the Company group and clarifies departments responsible for individual risks and the policies and procedures for responses. Moreover, the status of design and operation of internal control systems and significant results and material deficiencies detected in the course of evaluation of internal controls shall be reported to the Board of Directors.

The Company has established the Risk Management Group headed by the representative director to respond to emergency disasters, such as flooding and pandemics.

(iv) Framework for retention and management of information

The Company retains and manages minutes of general meetings of shareholders and minutes of meetings of the Board of Directors and their reference materials, and important documents regarding the exercise of duties by directors pursuant to the internal rules. The Information Security Committee meets monthly and reviews and implements measures to protect personal information and prevent leakage of confidential information and maintains and enhances of security of IT systems.

In this business year, the Company conducted a simulation drill for dealing with cyberattacks and alerted all employees whenever phishing emails were received. In addition, e-learning-based information security education was provided to officers and employees and all of the eligible persons participated in the program.

(v) Framework to ensure the appropriateness of operations of the group

The Company has defined important business processes of the Company group and conducted risk analysis. The Company provides instructions to group companies about appropriate responses to those risks. In this way, the Company has established internal control systems that are homogeneous within the group and is operating them. The Internal Control Committee identifies the internal control status of each important group company based on a control self-assessment (CSA) performed by the internal audit division and by

means of audits performed by the internal audit division and provides instructions to group companies to ensure operation in compliance with the policy for establishment of internal control systems. The Internal Control Committee reports to the Board of Directors if important matters concerning internal control of group companies come to light.

(vi) Framework for the implementation of audit by the Audit and Supervisory Committee

The Company has put in place a system whereby a standing audit and supervisory committee member attends important meetings such as the meeting of the Managing Executive Officers Committee and keeps abreast of important matters regarding the execution of operations. The Audit and Supervisory Committee holds meetings with the accounting auditor and the internal audit division, as necessary, to ensure good communication. The Company provides opportunities for the representative director and the Audit and Supervisory Committee to exchange opinions on a periodic basis or on an as-needed basis in order to ensure good communication.

The Company has established the Audit and Supervisory Committee Office to which a full-time employee who assists the Audit and Supervisory Committee is assigned. The employee who assists the Audit and Supervisory Committee performs his duties in accordance with instructions of the audit and supervisory committee members, and thus his independence from directors who are not audit and supervisory committee members and from other officers and employees is ensured.

(7) Policies on the distribution of surplus

The policy on the distribution of surplus for the current fiscal year is as follows. The policy was revised in May 2021 as described below (for reference).

(Policy for the current fiscal year)

Based on the premise that a sustainable level of business development and mid-to-long term enhancement of corporate value is fundamental to the creation of shareholder value, the Company practices management that is conscious of both capital cost and financial soundness.

With respect to the distribution of surplus, the Company makes dividend payouts based on semi-annual business performance with a target semi-annual payout ratio of 30%.

Retained earnings are devoted to business investments for growth such as M&A, R&D, facility enhancements, with an aim to strengthen the Company's business position and enhance its corporate value. If residuals are retained for a long time, the company will consider flexibly reviewing its dividend payout ratio and improving total shareholder returns by, for instance, repurchasing stock, taking into consideration our projected growth investments.

(Reference) Policy on the distribution of surplus, revised in May 2021

Based on the premise that a sustainable level of business development and mid-to-long term enhancement of corporate value is fundamental to the creation of shareholder value, the Company practices management that is conscious of capital efficiency, financial soundness, and shareholder returns.

The Company has set the capital policy to prioritize business investment for growth such as R&D, facility enhancements, and M&A, while being flexible in utilization of liabilities (debt) from the viewpoint of balance sheet management that considers both capital efficiency and capital cost. In addition, the Company ensures an appropriate capital structure with maintaining financial soundness in order to strengthen the Company's business position and enhance its corporate value.

The shareholder return that is in congruence with second mid-term management plan for the three years starting from April 1, 2021, under the premise of stable business environment, is set to make stable and continuous dividend with a minimum amount of ¥50 per share for a semi-annual and ¥100 per share for annual. In addition to dividends, the Company set the target to achieve total annual return ratio (\*) of 50% or more, including share buybacks. However, there is a possibility that the Company may not be able to disburse shareholder returns due to the occurrence of investment growth opportunities that require more funds than expected and the deterioration of business performance for the changes in the market environment.

(\*) Total return ratio: (Dividend + share repurchase)/consolidated net income

**Consolidated Financial Statements****Consolidated Statement of Financial Position**

(As of March 31, 2021)

(Millions of Yen)

	FY2019 (reference)	FY2020		FY2019 (reference)	FY2020
<b>Assets</b>			<b>Liabilities</b>		
Current assets	240,142	279,095	Current liabilities	70,537	89,811
Cash and cash equivalents	127,703	149,164	Trade and other payables	46,660	58,558
Trade and other receivables	46,426	57,028	Income tax payables	7,793	8,619
Inventories	58,943	64,340	Provisions	3,335	4,058
Other current assets	6,871	8,563	Lease liabilities	2,275	2,486
Subtotal	239,943	279,095	Other financial liabilities	1,892	3,509
Assets held for sale	199	—	Other current liabilities	8,582	12,581
Non-current assets	115,635	143,546	Non-current liabilities	53,788	52,461
Property, plant and equipment, net	35,072	41,613	Lease liabilities	9,013	9,364
Right-of-use assets	11,184	11,668	Retirement benefit liabilities	40,622	36,891
Goodwill and intangible assets, net	51,025	54,543	Deferred tax liabilities	1,563	4,473
Other financial assets	2,867	10,211	Other non-current liabilities	2,590	1,733
Deferred tax assets	15,351	25,242	<b>Total liabilities</b>	<b>124,325</b>	<b>142,272</b>
Other non-current assets	136	269	<b>Equity</b>		
			Share capital	32,363	32,363
			Share premium	43,550	44,573
			Treasury shares	(4,179)	(15,001)
			Retained earnings	159,803	214,858
			Other components of equity	(85)	3,576
			<b>Total equity attributable to owners of the parent</b>	<b>231,452</b>	<b>280,369</b>
			<b>Total equity</b>	<b>231,452</b>	<b>280,369</b>
<b>Total assets</b>	<b>355,777</b>	<b>422,641</b>	<b>Total liabilities and equity</b>	<b>355,777</b>	<b>422,641</b>

## Consolidated Statement of Profit or Loss

(From April 1, 2020 to March 31, 2021)

(Millions of Yen)

	FY2019 (reference)	FY2020
Net sales	275,894	312,789
Cost of sales	(119,397)	(144,498)
Gross profit	156,497	168,291
Selling, general and administrative expenses	(97,751)	(105,870)
Other income	335	8,499
Other expenses	(373)	(194)
Operating income	58,708	70,726
Financial income	1,045	767
Financial expenses	(1,179)	(1,875)
Income before income taxes	58,574	69,618
Income taxes	(5,042)	169
Net income	53,532	69,787
Net income attributable to: Owners of the parent	53,532	69,787

## Consolidated Statement of Comprehensive Income

(From April 1, 2020 to March 31, 2021)

(Millions of Yen)

	FY2019 (reference)	FY2020
Net income	53,532	69,787
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plan	(2,144)	2,309
Net change in fair value measurements of equity instruments at fair value through other comprehensive income	(169)	(666)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3,490)	4,327
Total other comprehensive income (loss)	(5,803)	5,970
Total comprehensive income for the year	47,729	75,757
Comprehensive income attributable to: Owners of the parent	47,729	75,757

## Consolidated Statement of Changes in Equity

(From April 1, 2020 to March 31, 2021)

(Millions of Yen)

	Equity attributable to owners of the parent						Total Equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total	
<b>FY2020</b>							
Balance as of April 1, 2020	32,363	43,550	(4,179)	159,803	(85)	231,452	231,452
Net income				69,787		69,787	69,787
Other comprehensive income (loss), net of tax					5,970	5,970	5,970
Total comprehensive income for the year	–	–	–	69,787	5,970	75,757	75,757
Purchase of treasury shares		(47)	(13,954)			(14,001)	(14,001)
Disposal of treasury shares		(302)	3,132	(1,439)		1,391	1,391
Dividends				(15,602)		(15,602)	(15,602)
Share-based payments		1,170				1,170	1,170
Other		202				202	202
Transfer from other components of equity to retained earnings				2,309	(2,309)	–	–
Total transactions with the owners	–	1,023	(10,822)	(14,732)	(2,309)	(26,840)	(26,840)
Balance as of March 31, 2021	32,363	44,573	(15,001)	214,858	3,576	280,369	280,369

## Notes to Consolidated Financial Statements

### 1. Notes to significant matters based on which the consolidated financial statements were prepared

#### (1) Basis of presentation

The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (“IFRS”), pursuant to paragraph 1 of Article 120 of the Ordinance on Accounting of Companies (*kaisha keisan kisoku*). However, certain disclosures required on the basis of IFRS are omitted, pursuant to the latter part of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies.

#### (2) Scope of consolidation

Consolidated subsidiaries

- (a) Number of consolidated subsidiaries                      30
- (b) Names of major consolidated subsidiaries are omitted, as they are described in “1. Current Conditions of the Company group, (3) Significant Subsidiaries” of the Business Report.

#### (3) Significant accounting policies

##### (i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call with banks, and other short term highly liquid investments with maturities of 3 months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

##### (ii) Inventories

The cost of inventories includes purchase costs, processing costs and all other costs incurred to bring inventories to their present location and condition.

Inventories are measured at the lower of cost or net realizable value. If net realizable value is less than the cost, that difference is accounted for as a write off and recognized as an expense. The weighted average method is used to calculate cost. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and estimated costs necessary to make the sale.

##### (iii) Financial instruments

Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost in case they meet the following requirements:

- The financial asset is held within a business model with the objective of collecting contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method, and the expected credit losses are recognized as allowance for doubtful accounts. The expected credit losses are calculated based on historical loss experience or future recoverable amounts.

Financial assets measured at fair value through other comprehensive income

The Company group holds certain instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees. These equity instruments are classified as financial assets measured at fair value through other comprehensive income by designation. They are initially and subsequently measured at fair value, and the changes in fair value are recognized in other comprehensive income (OCI). The cumulative amount of OCI is recognized in equity as other components of equity. If the Company group derecognizes financial assets, the cumulative gain or loss recognized in OCI is reclassified from other components of equity to retained earnings. Dividends on financial assets measured at fair value through other comprehensive income are recognized in profit or loss, except when they are considered to be return of the investment.

Financial assets measured at fair value through profit or loss

The other financial instruments are classified as financial assets measured at fair value through profit or loss. These instruments are subsequently measured at fair value and the changes in fair value are recognized in profit or loss.

(iv) Property, plant and equipment (except right-of-use assets)

Except for assets that are not subject to depreciation such as land, assets are depreciated using the straight-line method over their estimated useful lives.

(v) Goodwill and other intangible assets

Goodwill is not amortized. Intangible assets (except right-of-use assets) for which useful lives can be determined are amortized by the straight-line method over their estimated useful lives from the date the assets are available for use.

(vi) Impairment

Property, plant and equipment, right-of-use assets, goodwill and intangible assets are tested for impairment if there is any indication of impairment for the assets. Goodwill is tested for impairment both annually and when there is any indication of impairment. An impairment loss is recognized if the recoverable amount of an asset, cash-generating unit (CGU) or CGU group is less than its carrying amount.

(vii) Provisions

Provisions are recognized when the Company group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the obligations can be made. When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligations.

(viii) Post-employment benefits

The Company and certain of its subsidiaries have retirement and severance defined benefit plans covering substantially all of their employees. For each defined benefit plan, the present value of defined benefit obligations, related current service cost and past service cost are calculated using the projected unit credit method. The discount rates are the yields of high quality corporate bonds that have maturity terms approximating those of the obligations which the benefits are expected to be paid. Net defined benefit liability (asset) is measured at the present value of the defined benefit obligation less the fair value of plan assets. Remeasurements of net of liabilities or assets for defined benefit plans are recognized in full as other comprehensive income in the period when they are incurred and reclassified to retained earnings immediately. Past service costs are recognized immediately in profit or loss.

(ix) Foreign currency translation

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of the reporting period, and revenue and expense items are translated using the average exchange rates during the period. Gains or losses derived from translating foreign operations' financial statements are recognized in other comprehensive income and presented in other components of equity.

2. Notes to revenue recognition

The Company group sells test system products of semiconductor and mechatronics-related products such as test handlers that handling semiconductor devices. When control of such products is transferred to customers, the performance obligation is satisfied and revenue is recognized. The timing at which control of such products transferred to customers is determined upon delivery or acceptance.

Additionally, the Company group has performance obligation towards customers on the service contracts. Revenue from such service contracts is recognized over the contract term on the straight-line basis.

3. Notes to changes in presentation

According to the revision of the Ordinance on Accounting of Companies (*kaisha keisan kisoku*), the Company group has disclosed 4. “Notes to accounting estimates” from the fiscal year ended March 31, 2021.

4. Notes to accounting estimates

(1) Valuation of inventories

(i) Amount recognized in the consolidated financial statements as of March 31, 2021.

Inventories	¥64,340 million
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(ii) Other information that deepens to the understanding of users of the consolidated financial statements regarding the content of accounting estimates

Inventories are measured at the lower of cost or net realizable value. If net realizable value is less than the cost, that difference is accounted for as a write off and recognized as an expense. The Company group may experience substantial losses in cases where the net realizable value drops dramatically as a result of deterioration in the market environment against the forecast.

(2) Impairment of property, plant and equipment, right-of-use assets, goodwill and intangible assets

(i) Amount recognized in the consolidated financial statements as of March 31, 2021.

Property, plant and equipment, net	¥41,613 million
Right-of-use assets	¥11,668 million
Goodwill and intangible assets, net	¥54,543 million

(ii) Other information that deepens to the understanding of users of the consolidated financial statements regarding the content of accounting estimates

The Company group performs an impairment test for property, plant and equipment, right-of-use assets, goodwill and intangible assets when there is any indication that the recoverable amount is less than the carrying amount of the assets. Goodwill is tested for impairment both annually and when there is any indication of impairment.

The impairment test is performed by comparing the carrying amount and the recoverable amount of cash-generating unit (CGU) or CGU group. If the recoverable amount is less than the carrying amount, impairment loss is recognized. The recoverable amount is mainly calculated based on the discounted cash flow model. The estimated future cash flows associated with CGU or CGU group are discounted to present value using a pre-tax discount rate which reflects current market assessments of the time value of money and any risks specific to CGU or CGU group. The estimated future cash flows associated with CGU or CGU group are based on the business plan for 3 years approved by management and the growth rate after 3 years.

CGU that has significant goodwill as of March 31, 2021 are Advantest Test Solutions, Inc. and Essai, Inc., and the amount of goodwill allocated to these CGUs are ¥6,738 million and ¥11,311 million, respectively. Essai, Inc. also has significant intangible assets of ¥17,672 million as of March 31, 2021.

The key assumptions in the impairment test of CGU above are the sales forecast to large-volume customers that form the basis of the three-year business plan, discount rate and growth rate after 3 years. Generally, a reduction rate of capital expenditures of semiconductor manufacturers during downturns in the semiconductor industry, including investments in semiconductor test systems, is much greater than a reduction rate of worldwide semiconductor sales.

These assumptions are based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions. Any changes in these assumptions may have a material impact on amount recognized in the consolidated financial statements in future periods.

(3) Post-employment benefits

(i) Amount recognized in the Consolidated Financial Statements as of March 31, 2021.

Retirement benefit liabilities	¥36,891 million
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(ii) Other information that deepens to the understanding of users of the consolidated financial statements regarding the content of accounting estimates

The Company and certain of its subsidiaries have retirement and severance plans, which are defined benefit and defined contribution plans covering substantially all of their employees. For defined benefit plans, the present value of defined benefit obligations on each of these plans and the service costs are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables such as discount rates. The key assumptions are discount rate and rate of compensation increase.

The actuarial assumptions are determined based on the best estimates and judgments made by management; however, there is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on amount recognized in the consolidated financial statements in future periods.

(4) Provision

(i) Amount recognized in the Consolidated Financial Statements as of March 31, 2021.

Provisions	¥4,058 million
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(ii) Other information that deepens to the understanding of users of the consolidated financial statements regarding the content of accounting estimates

The Company group recognizes warranty provisions in the consolidated statement of financial position.

The Company group's products are generally subject to warranty, and the Company group provides contractual product warranty services when the performance of products sold does not meet expected product specifications.

Estimated repair expenses over the warranty period are accrued based on the historical ratio of the actual repair expenses to corresponding sales when product revenue is recognized.

Provisions is calculated by taking all possible future results into account; however, they may be affected by unexpected events or changes in conditions that may have a material impact on amount recognized in the consolidated financial statements in future periods.

(5) Income taxes and deferred tax assets

(i) Amount recognized in the Consolidated Financial Statements as of March 31, 2021

Income tax payable	¥8,619 million
Deferred tax assets	¥25,242 million

(ii) Other information that deepens to the understanding of users of the consolidated financial statements regarding the content of accounting estimates

(Current taxes)

The Company group, which conducts business around the world, makes reasonable estimates of income tax to be paid to local tax authorities in accordance with local laws and regulations, and recognizes income tax payable and current tax expense based on these estimates.

Calculating income tax payable and current tax expense requires estimates and judgments on various factors including the interpretation of tax regulations by taxable entities and the tax authority in the jurisdiction or experience of prior tax investigation.

Therefore, there may be differences between the amount recognized as income tax payable and current tax expense and the amount of actual income tax payable and current tax expense. These

differences may have a material impact on amount recognized in the consolidated financial statements in future periods.

(Valuation of deferred tax assets)

The Company group judges the recoverability of deferred tax assets depending on taxable income based on future profitability and tax planning against deductible temporary differences. The Company group calculates taxable income that is likely to be earned in the future based on the business plan by reasonably estimating its timing, period and amount.

Key assumption for estimates of taxable income is sales forecast of each business unit as the basis for business plan. The semiconductor test equipment industry is subject to significant demand volatility in the semiconductor industry. Generally, a reduction rate of capital expenditures of semiconductor manufacturers during downturns in the semiconductor industry, including investments in semiconductor test systems, is much greater than a reduction rate of worldwide semiconductor sales. The semiconductor industry has been highly cyclical with recurring periods of excess inventory, which possibly have a severe effect on the semiconductor industry's demand for semiconductor test systems. Therefore, the Company group estimates the timing, period, and amount of taxable income taking into account deviation of past forecast and actual results as well as uncertainty due to future changes in economic conditions.

The timing, period, and amount of taxable income may have a material impact on amount recognized in the consolidated financial statements in future periods, if the result is different from forecast because of significant demand volatility in the semiconductor industry.

(6) Other note

The global epidemic of the new coronavirus(COVID-19) is not expected to have a material impact on our estimates and assumptions on each accounting estimates described above.

5. Notes to consolidated statement of financial position

- |  |                 |
|--|-----------------|
| (1) Allowance for doubtful accounts:   | ¥11 million     |
| (2) Accumulated depreciation on property, plant and equipment:<br>(Accumulated impairment losses are included) | ¥68,369 million |

6. Notes to consolidated statement of changes in equity

- (1) Total number of issued shares as of March 31, 2021  
Ordinary shares 199,566,770 shares

(2) Dividends of surplus

(i) Dividends paid

Resolution	Class of shares	Amount of dividend	Dividend per share	Record date	Effective date
Board of Directors' meeting held on May 21, 2020	Ordinary shares	¥8,157 million	¥41	March 31, 2020	June 2, 2020
Board of Directors' meeting held on October 29, 2020	Ordinary shares	¥7,493 million	¥38	September 30, 2020	December 1, 2020

- (Note) 1. Dividend of ¥22 million to treasury shares for the BIP Trust and the ESOP Trust was included in the amount of dividend which was resolved at the Board of Directors' meeting held on May 21, 2020.  
2. Dividend of ¥26 million to treasury shares for the BIP Trust and the ESOP Trust was included in the amount of dividend which was resolved at the Board of Directors' meeting held on October 29, 2020.

(ii) Dividend with a record date in this fiscal year and an effective date in next fiscal year

Resolution	Class of shares	Source of dividend	Amount of dividend	Dividend per share	Record date	Effective date
Board of Directors' meeting held on May 21, 2021	Ordinary shares	Retained earnings	¥15,770 million	¥80	March 31, 2021	June 3, 2021

(Note) Dividend of ¥56 million to treasury shares for the BIP Trust and the ESOP Trust is included in the amount of dividend.

(3) Share acquisition rights outstanding as of March 31, 2021

(Excluding share acquisition rights for which the exercise period has not begun)

Pursuant to the resolution adopted at the meeting of the Board of Directors of November 29, 2017

Ordinary shares 187,000 shares

Pursuant to the resolution adopted at the meeting of the Board of Directors of July 25, 2018

Ordinary shares 243,000 shares

7. Notes to financial instruments

(1) Financial instruments

The Company group limits its fund management to short-term instruments including deposits at financial institutions with high credit ratings. Credit risk of note receivables and trade receivables pertaining to customers are minimized through credit administration standards.

The Company keeps track of fair values of shares and other securities it owns, and annually reviews them to determine whether the Company should continuously hold them. Furthermore, the Company will not make any speculative derivative transactions other than to conduct derivative exchange rate transactions in order to cope with actual demand risks, pursuant to its fund management guidelines with high credit rating financial institutions.

(2) Fair value of financial instruments

The fair values of financial instruments in Consolidated statement of financial position are equal or similar to book values.

8. Notes to per share information

Equity attributable to owners of the parent per share: ¥1,427.29

Basic earnings per share: ¥353.87

(Note) The Company's share, which is being kept as performance share option compensation in trust account, is included in the treasury share which is deducted in the calculation of per share data.

9. Notes to significant subsequent events

Not applicable.

10. Other notes

Amounts less than one million yen are rounded.

## Non-Consolidated Financial Statements

### Balance Sheet (Non-Consolidated)

(As of March 31, 2021)

(Millions of Yen)

Items	FY2019 (reference)	FY2020	Items	FY2019 (reference)	FY2020
Assets			Liabilities		
Current assets	209,369	234,639	Current liabilities	99,470	115,659
Cash and deposits	106,770	119,344	Trade accounts payable	24,269	34,197
Trade notes receivables	0	22	Other accounts payable	12,375	9,741
Electronically recorded monetary claims	1,047	1,882	Accrued expenses	5,845	6,287
Accounts receivable	40,219	60,816	Income tax payable	3,546	4,324
Merchandises and finished goods	9,219	9,306	Deposits received	46,155	51,514
Work in progress	19,126	18,878	Accrued warranty expenses	3,265	3,920
Raw materials and supplies	18,885	17,042	Bonus accrual for directors	119	159
Other	14,103	7,349	Allowance for share benefits	-	359
Noncurrent assets	163,452	179,489	Other	3,896	5,158
Property, plant and equipment	19,204	19,819	Noncurrent liabilities	13,108	13,060
Buildings and structures	4,289	3,918	Allowance for retirement benefits	10,895	11,664
Land	8,479	8,287	Asset retirement obligations	40	40
Other	6,436	7,614	Allowance for share benefits	410	549
Intangible fixed assets	2,355	2,095	Other	1,763	807
Patent right	1,250	850			
Other	1,105	1,245	Total liabilities	112,578	128,719
Investments and other assets	141,893	157,575	Net assets		
Investment securities	30	30	Stockholders' equity	259,658	284,779
Investment in affiliated companies	103,376	108,928	Common stock	32,363	32,363
Long-term loans receivable	26,131	31,007	Capital surplus	32,973	32,973
Deferred tax assets	11,506	16,626	Capital reserve	32,973	32,973
Other	850	984	Retained earnings	198,501	234,444
			Legal reserve	3,083	3,083
			Other retained earnings	195,418	231,361
			[Reserve for losses in foreign investments]	[27,062]	[27,062]
			[General reserve]	[146,880]	[146,880]
			[Retained earnings carried forward]	[21,476]	[57,419]
			Treasury stock	(4,179)	(15,001)
			Stock acquisition rights	585	630
			Total net assets	260,243	285,409
Total assets	372,821	414,128	Total liabilities and net assets	372,821	414,128

## Statement of Operations (Non-Consolidated)

(From April 1, 2020 to March 31, 2021)

(Millions of Yen)

Items	FY2019 (reference)	FY2020
Net sales	253,795	271,875
Cost of sales	113,892	134,802
Gross profit	139,903	137,073
Selling, general and administrative expenses	87,710	91,975
Operating income	52,193	45,098
Non-operating income		
Interest and dividends income	7,919	8,763
Other	460	1,648
Non-operating expenses		
Interest expenses	916	111
Depreciation expenses for equipment rented	87	84
Other	473	578
Ordinary income	59,096	54,736
Income before income taxes	59,096	54,736
Income taxes – current	6,302	6,825
Income taxes – deferred	(2,272)	(5,120)
Net income	55,066	53,031

## Statement of Changes in Net Assets

(From April 1, 2020 to March 31, 2021)

(Millions of Yen)

	Stockholders' equity					
	Common stock	Capital surplus	Retained earnings			
		Capital reserve	Legal reserve	Other retained earnings		
				Reserve for losses in foreign investments	General reserve	Retained earnings carried forward
Balance at beginning of year	32,363	32,973	3,083	27,062	146,880	21,476
Changes in the year						
Dividends from retained earnings						(15,650)
Net income						53,031
Purchase of treasury stock						
Disposal of treasury stock						(1,438)
Changes of items other than stockholders' equity, net						
Total changes in the year	—	—	—	—	—	35,943
Balance at end of year	32,363	32,973	3,083	27,062	146,880	57,419

	Stockholders' equity		Stock acquisition rights	Total net assets
	Treasury stock	Total stockholders' equity		
Balance at beginning of year	(4,179)	259,658	585	260,243
Changes in the year				
Dividends from retained earnings		(15,650)		(15,650)
Net income		53,031		53,031
Purchase of treasury stock	(13,954)	(13,954)		(13,954)
Disposal of treasury stock	3,132	1,694		1,694
Changes of items other than stockholders' equity, net			45	45
Total changes in the year	(10,822)	25,121	45	25,166
Balance at end of year	(15,001)	284,779	630	285,409

## Notes to Non-Consolidated Financial Statements

1. Notes to significant accounting policies
  - (1) Valuation of securities
    - (i) Investments in subsidiaries: Stated at cost using the moving average method
    - (ii) Other securities
      - (a) Securities with quoted value  
Stated at fair value based on market prices at the end of the relevant period (evaluation difference is accounted for as a component of stockholders' equity; cost of other securities sold is determined using the moving average method)
      - (b) Securities not practicable to estimate fair value  
Stated at cost using the moving average method
  - (2) Valuation of inventories  
Stated principally at cost using the gross average method (balance sheet value of assets are calculated using a method in which book values are written down in accordance with decreased profitability)
  - (3) Depreciation and amortization of noncurrent assets
    - (i) Depreciation of plant and equipment  
Based on the straight-line method
    - (ii) Amortization of intangible fixed assets  
Based on the straight-line method  
However, software for internal use is amortized using the straight-line method over its estimated useful life of 5 years.
  - (4) Allowances
    - (i) Allowance for doubtful accounts  
To prepare for credit losses on accounts receivable and loans, etc., an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on a historical write-off ratio and for bad receivables based on a case-by-case determination of collectability.
    - (ii) Accrued warranty expenses  
To reasonably account for repair costs covered under product warranty in the respective periods in which they arise, the allowance for a given year is provided in an amount determined based on the ratio of repair costs in that year to net sales in the preceding year.
    - (iii) Bonus accrual for directors  
In preparation for the payment of bonuses to directors of the total amount expected to be paid, an estimated amount for the fiscal year 2020 is reported.
    - (iv) Allowance for retirement benefits  
To provide for employee retirement benefits, an allowance is provided in an amount determined based on the estimated retirement benefit obligations and pension assets at the end of the fiscal year.  
Prior service cost is amortized on a straight-line basis over the average remaining service period of employees.  
Any actuarial gains and losses are amortized on a straight-line basis over the average remaining service period of employees, and the amount is recorded in the fiscal year subsequent to its occurrence.
    - (v) Allowance for share benefits  
In preparation for share benefit expected to be paid in the future, an estimated amount for the fiscal year 2020 is reported.
  - (5) Accounting for consumption taxes  
Consumption taxes are accounted using the net-of-tax method.
  - (6) Implementation of a consolidated tax system  
The Company has implemented a consolidated tax system.

2. Notes to revenue recognition

The Company sells test system products of semiconductor and mechatronics-related products such as test handlers that handling semiconductor devices. When control of such products is transferred to customers, the performance obligation is satisfied and revenue is recognized. The timing at which control of such products transferred to customers is determined upon delivery or acceptance.

Additionally, the Company has performance obligation towards customers on the service contracts. Revenue from such service contracts is recognized over the contract term on the straight-line basis.

3. Notes to changes in presentation

(Statement of operations)

“Depreciation expenses for equipment rented”, which was included in “Other” under “Non-operating expenses” is presented as a separate line item for the current fiscal year because of increased materiality of its amount.

(Notes to accounting estimates)

The Company has adopted “Accounting Standard for Disclosure of Accounting Estimates” (Accounting Standards Board of Japan Statement No. 31 March 31, 2020) from the fiscal year ended March 31, 2021 and disclosed 4. “Notes to accounting estimates”.

4. Notes to accounting estimates

(1) Valuation of inventories

(i) Amount recognized in the non-consolidated financial statements as of March 31, 2021

Merchandises and finished goods	¥9,306 million
Work in progress	¥18,878 million
Raw materials and supplies	¥17,042 million

(ii) Other information that deepens to the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

See (1)(ii) of note 4, “Notes to accounting estimates” in the Notes to the consolidated financial statements.

(2) Impairment of property, plant and equipment and intangible assets

(i) Amount recognized in the non-consolidated financial statements as of March 31, 2021

Property, plant and equipment	¥19,819 million
Intangible fixed assets	¥2,095 million

(ii) Other information that deepens to the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

See (2)(ii) of note 4, “Notes to accounting estimates” in the Notes to the consolidated financial statements.

(3) Allowance for retirement benefits

(i) Amount recognized in the financial statements for the current fiscal year

Allowance for retirement benefits	¥11,664 million
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(ii) Other information that deepens to the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

See (3) (ii) of note 4, “Notes to accounting estimates” in the Notes to the consolidated financial statements.

(4) Provisions

(i) Amount recognized in the non-consolidated financial statements as of March 31, 2021

Provisions                      ¥3,920 million

(ii) Other information that deepens to the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

See (4)(ii) of note 4, "Notes to Accounting Estimates" in the Notes to the consolidated financial statements.

(5) Valuation of deferred tax assets

(i) Amount recognized in the non-consolidated financial statements as of March 31, 2021

Deferred tax assets                      ¥16,626 million

(ii) Other information that deepens to the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

See (5)(ii) of note 4, "Notes to accounting estimates" in the Notes to the consolidated financial statements.

(6) Valuation of investment in affiliated companies

(i) Amount recognized in the non-consolidated financial statements as of March 31, 2021

Investment in affiliated companies                      ¥12,723 million (Advantest America, Inc. shares)

(ii) Other information that deepens to the understanding of users of the non-consolidated financial statements regarding the content of accounting estimates

In valuing Advantest America, Inc. shares, the Company reflects the excess earning power of its subsidiaries Advantest Test Solutions, Inc. and Essai, Inc. in its valuation of real value. Determining whether the excess earning power is declining is based on estimated future cash flows based on a three-year business plan approved by management, growth rate after 3 years and discount rate.

The key assumptions in determining whether the excess earning power is declining are the sales forecast to large-volume customers that form the basis of the three-year business plan, discount rate and growth rate after 3 years. Capital expenditures, including test system investments by semiconductor manufacturers, generally decline more than the rate of decline in global semiconductor shipments.

These assumptions are based on the best estimates and judgments of management, but they could be affected by changes in uncertain future economic conditions. Any changes in these assumptions may have a material impact on amount recognized in the non-consolidated financial statements in future periods.

5. Notes to balance sheet

(1) Accumulated depreciation on property, plant and equipment:	¥24,686 million
(2) Short-term receivables from affiliates:	¥40,790 million
Long-term receivables from affiliates:	¥30,999 million
Short-term payables to affiliates:	¥61,953 million

6. Notes to statement of operations

Transactions with affiliated companies

Sales:	¥146,452 million
Purchases:	¥86,314 million
Non-operating transactions:	¥9,750 million

7. Notes to statement of changes in net assets

Total number of treasury stock as of March 31, 2021

Common stock 3,132,075 shares

(Note) The Company's share of 694,832 shares, which is being kept as performance share option compensation in trust account, is included in the number of treasury share at the end of fiscal period.

8. Notes to tax effect accounting

Breakdown by major causes of deferred tax assets and deferred tax liabilities

Deferred tax assets	(Millions of Yen)
Appraised value of inventories	2,442
Research and development expenses	2,304
Allowance for retirement benefits	3,850
Fixed assets	11,241
Loss carried forward	76
Other	<u>4,098</u>
Subtotal of deferred tax assets	24,011
Valuation allowance for loss carried forward	—
Valuation allowance for deductible temporary differences	<u>(7,385)</u>
Subtotal of valuation allowance	<u>(7,385)</u>
Total of deferred tax assets	16,626
Deferred tax liabilities	
Total of deferred tax liabilities	<u>—</u>
Net deferred tax assets	<u><u>16,626</u></u>

9. Notes to transactions with related parties

(1) Parent company and major corporate shareholders

Not applicable.

(2) Officers and major individual investors

Not applicable.

(3) Subsidiaries

Company name	Address	Common stock	Principal Activities	Percentage of Voting Rights	Description of relationships		Details of transactions	Amount of transactions	Items	Balance at fiscal year end
					Officer of subsidiaries temporarily transferred from the Company	Business relationship				
Advantest America, Inc.	California, U.S.A.	4,059 thousand USD	Development and sale of test systems, etc.	100.0%	Yes	Development and sale of the Company's products	Sales	¥40,564 million	Accounts receivable	¥15,963 million
							Loans	¥30,999 million	Long-term loans receivable	¥30,999 million
Advantest Europe GmbH	Munich, Germany	10,793 thousand Euro	Development and sale of test systems, etc.	100.0%	Yes	Development and sale of the Company's products	Purchasing	¥23,201 million	Accounts Payable	¥2,840 million
Advantest Taiwan Inc.	Hsin-Chu Hsien, Taiwan	500,000 thousand New Taiwan Dollars	Sale of test systems, etc.	100.0%	Yes	Sale of the Company's products	Sales	¥60,919 million	Accounts receivable	¥16,020 million
							Depositing of money	-	Deposits received	¥7,372 million
Advantest (Singapore) Pte. Ltd.	Singapore	15,300 thousand Singapore Dollars	Sale of test systems, etc.	100.0%	Yes	Sale of the Company's products	Depositing of money	-	Deposits received	¥36,404 million

Terms and conditions of transactions and determination of policies thereof

1. With respect to sales, the price is determined by referring to the market price, among others.
2. With respect to deposit, it is from cash management system, and the interest rate is determined by taking into account the market interest rate.

10. Notes to per share information

Net assets per share: ¥1,449.74

Net income per share: ¥268.91

(Note) The Company's share, which is being kept as performance share option compensation in trust account, is included in the treasury share which is deducted in the calculation of per share data.

11. Notes to significant subsequent events

Not applicable.

12. Other notes

Amounts less than one million yen are rounded.

## Audit Reports

### Copy of Report of Independent Auditors (Consolidated)

#### Independent Auditor's Report

May 20, 2021

The Board of Directors  
Advantest Corporation

Ernst & Young ShinNihon LLC  
Tokyo, Japan

Toshiyuki Matsumoto   
Certified Public Accountant  
Designated and Engagement Partner

Minoru Ota   
Certified Public Accountant  
Designated and Engagement Partner

Hiroyuki Nakada   
Certified Public Accountant  
Designated Engagement Partner

#### **Opinion**

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity, and notes to the consolidated financial statements of Advantest Corporation (the "Company") applicable to the fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the group, which consisted of the Company and its consolidated subsidiaries (the "Group"), applicable to the fiscal year ended March 31, 2020, in accordance with the provisions of the latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting, which permits companies to omit some disclosure items required under International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the provisions of the latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting, which permits companies to omit some disclosure items required under IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement,

whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by the provisions of the latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting, which permits companies to omit some disclosure items required under IFRSs, matters related to going concern. The Audit and Supervisory Committee are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with the provisions of the latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting, which permits companies to omit some disclosure items required under IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Conflicts of Interest**

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of the Company, prepared in Japanese, for the year ended March 31, 2021. Ernst & Young ShinNihon LLC have not audited the English language version of the consolidated financial statements for the above-mentioned year.

Independent Auditor's Report

May 20, 2021

The Board of Directors  
Advantest Corporation:

Ernst & Young ShinNihon LLC  
Tokyo, Japan

Toshiyuki Matsumoto   
Certified Public Accountant  
Designated and Engagement Partner

Minoru Ota   
Certified Public Accountant  
Designated and Engagement Partner

Hiroyuki Nakada   
Certified Public Accountant  
Designated and Engagement Partner

**Opinion**

Pursuant to Article 436, paragraph 2 (i) of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operation, the statement of changes in net assets, and notes to the financial statements of Advantest Corporation (the "Company") applicable to the fiscal year from April 1,2020 to March 31,2021 .

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2021, in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management, the Audit and Supervisory Committee for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern. The Audit and Supervisory Committee are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Conflicts of Interest**

We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the financial statements of the Company, prepared in Japanese, for the year ended March 31, 2021. Ernst & Young ShinNihon LLC have not audited the English language version of the financial statements for the above-mentioned year.

Audit Report

The Audit and Supervisory Committee of Advantest Corporation (the "Company") has audited the performance of duties by Directors during the 79th fiscal year (from April 1, 2020 to March 31, 2021). We hereby report the method and result thereof as follows.

1. Methods and Content of Audit

Regarding the content of the resolution of the Board of Directors relating to matters stipulated in Article 399-13, Paragraph 1, Item 1(b) and (c) of the Companies Act of Japan and the status of the system being developed pursuant to such resolutions (internal controls system), the Audit and Supervisory Committee periodically received reports from the Directors, Executive Officers, and employees and other personnel concerning the establishment and management of such system, sought explanations as necessary, and expressed opinions. In addition, the Audit and Supervisory Committee carried out audits according to the following method:

- (i) In compliance with the Rules for Audit by the Audit and Supervisory Committee established by the Audit and Supervisory Committee, pursuant to the audit policies, audit plans, allocation of duties, etc., and in coordination with the internal audit division and other relevant departments with jurisdiction over internal control, the audit and supervisory committee members attended important meetings, received reports from Directors, Executive Officers and employees on the performance of their duties, requested further explanations as deemed necessary, reviewed important approval-granting documents, and inspected the state of business operations and assets at the head office and other important branch offices.

With respect to subsidiaries, we communicated with and exchanged information with the directors and corporate auditors of the subsidiaries and received business reports from subsidiaries as deemed necessary, and conducted site visits to the Company's main consolidated subsidiaries overseas (by interviewing via video conferences), and confirmed their state of business operations and assets.

- (ii) In addition, we monitored and reviewed whether the Independent Auditors maintained their independent positions and conducted the audit properly, received reports from the Independent Auditors on the performance of their duties, and requested further explanations as deemed necessary. Furthermore, we were informed by the Independent Auditors that they are establishing a "System to ensure the appropriate performance of duties" (*Syokumu no Suikou ga Tekisei ni Okonawareru Koto o Kakuho Suru Tameno Taisei*) (Matters as defined in each Item of Article 131 of the Company Accounting Regulations) pursuant to "Quality control standards of audit" (*Kansa ni Kansuru Hinshitsu Kanri Kijyun*) (the Business Accounting Counsel, October 28, 2005), and requested their explanations as deemed necessary. We also discussed key audit matters with the Independent Auditors, received reports on the status of implementation of the audit related to such matters, and requested their explanations as deemed necessary.

Based on the above methods, we reviewed the business report and the related supplementary schedules, the consolidated financial statements (the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and notes to consolidated financial statements), and the non-consolidated financial statements (the balance sheet, statement of operations, statement of changes in net assets, notes to non-consolidated financial statements) as well as the related supplementary schedules for the 78th fiscal year.

2. Results of Audit

- (1) Results of audit of the business report and other documents

- (i) The business report and the related supplementary schedules of the Company accurately present the financial conditions of the Company in conformity with applicable laws and regulations and the Articles of Incorporation of the Company.
- (ii) No irregularity or material violation of applicable laws or regulations or the Articles of Incorporation of the Company was found with respect to the activities of the Directors.
- (iii) The contents of the resolutions of the meeting of the Board of Directors with respect to the internal control system are appropriate. In addition, there are no matters to be pointed out regarding the entries in the business report and the performance of duties of Directors with respect to the internal control system.

(2) Results of audit of the consolidated financial statements and the related supplementary schedules

The methods and results of audit performed by Ernst & Young ShinNihon LLC, the independent auditor of the Company, are appropriate.

(3) Results of audit of the financial statements and the related supplementary schedules

The methods and results of audit performed by Ernst & Young ShinNihon LLC, the independent auditor of the Company, are appropriate.

May 21, 2021

Audit and Supervisory Committee of Advantest

Corporation

Member

Yuichi Kurita

Standing Audit and Supervisory Committee



Kouichi Nanba

Audit and Supervisory Committee Member



Sayaka Sumida

Audit and Supervisory Committee Member



Note: Audit and Supervisory Committee Members Kouichi Nanba and Sayaka Sumida are outside directors provided in Article 2, Item 15, and Article 331, Paragraph 6 of the Companies Act of Japan.