

**NOTE: This document has been translated from the Japanese original for reference purposes only. If there is any discrepancy between the Japanese and this translated document, the Japanese original shall prevail.*

A-1-073

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.

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.