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ADVANTEST CORPORATION

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

This is an English translation of the Corporate Governance Report of Advantest Corporation updated on December 27, 2023.

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

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

### **<I - 1. Basic Views>**

Advantest’s Purpose & Mission is “Enabling Leading-Edge Technologies.” Advantest constantly strives to improve so that we can offer products and services that will satisfy customers around the world, and contribute to the future of society through the development of the most advanced technologies.

In accordance with the corporate mission described in the preceding paragraph, by being open, honest and respectful at all times with all stakeholders, Advantest aims to achieve a sustainable level of business development and enhance corporate value over the mid-to-long term. Advantest always strives to find the best solution to issues, by seeking out root causes and defining their “essence”. To that end, Advantest will establish a fair, efficient and transparent governance system.

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

#### Principle 2.6: Roles of Corporate Pension Fund as Asset Owners

Although the Advantest Corporation Pension Fund is not in full compliance with our planned recruitment and assignment of personnel with appropriate qualifications for operation, it continues to confirm the risks of assets and appropriateness of financial products that it is considering for purchase, while receiving advice from qualified experts.

On the other hand, in order to perform its function as an asset owner optimally, the Advantest Corporation Pension Fund takes the following measures.

- In order to avoid conflicts between beneficiaries of corporate pensions and Advantest, with regard to the Board of Directors of the Advantest Corporation Pension Fund, which is the body that deliberates the Advantest Corporation Pension Fund’s business execution, the Board is composed of an equal number of directors chosen by Advantest and directors elected by pension subscribers.

- In July 2020, the Advantest Corporate Pension Fund announced acceptance of the Japanese version of the Stewardship Code and has taken action to implement it.

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

#### Principle 1.4: Strategic Shareholdings

Advantest does not have listed strategic shares. Following are unlisted strategic shares and shares Advantest subsidiaries hold as of March 31, 2023.

Number and amount of shares Advantest holds

	Company	Amount (Millions of yen)	Reason for holding shares
Listed	0	0	—
Unlisted	6 companies	332	Mainly for transaction support

Number and amount of shares Advantest's subsidiaries holds

	Company	Amount (Millions of yen)	Reason for holding shares
Listed	NASDAQ (US) / PDF Solutions, Inc.	18,723	For joint business development
	KOSDAQ (Korea) / Nepes Ark Corporation	173	For sales transaction strategy
Unlisted	2 companies	118	Mainly for transaction support

(Note) Shares held by Advantest as strategic-shareholdings are unlisted, and the amount is stated in the book value in accordance with Japanese standards. The amount of shares held by Advantest's subsidiaries as strategic-shareholdings is stated in fair value in accordance with IFRS. Investment return of above shares is evaluated regularly and reported to the Board of Directors.

#### Principle 1.7: Related Party Transactions

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

#### Principle 2.4.1: Ensuring diversity in the promotion of core human resources

##### 1. Policies and voluntary and measurable goals for ensuring diversity

The semiconductor test equipment industry is becoming increasingly globalized, and our overseas sales account for more than 90% of total sales. In this business environment, Advantest Group has introduced "INTEGRITY" as our core values. One of them is "Inclusion and Diversity". This clearly states that we are proud of our diverse human resources and capabilities, and believe that diversity makes us stronger. More than half of our employees are non-Japanese nationals, and persons of about 10 nationalities work for us in Japan. In addition, 13 out of 25 executive officers of Advantest are non-Japanese. Also, from the perspective of promoting midcareer hires to core human resources, it is usual to appoint experienced personnel from other companies as core human resources

because more than half of the employees are overseas, where employment is fluid. Even in Japan, the culture of accepting this diversity is well established, and people who have experience at other companies are promoted without being discriminated against. In fact, about half of the current executive officers including the CEO have experience at other companies. In this way, the diversity of foreigners and midcareer hires has already been sufficiently secured, and the culture for these human resources to play an active role is in place. In our current business environment, we will continue to follow our policy regarding promotion of foreigners and midcareer hires to middle managerial positions.

On the other hand, because many of our employees are engineers, it is still difficult to say that we have a large proportion of women in managerial positions, and we recognize this as an issue. The ratio of female managers in FY2019 was 7.7%. In FY2020 it was 8.3%, in FY2021 9.6%, and in FY2022 9.0%. We aim to increase the ratio year by year. In order to achieve this goal, we are actively working to hire female employees who will become female managers. Advantest Group's proportion of female employees in FY2022 is 21.2% (1,507 persons). Advantest Group's proportion of female employees in FY2019 was 19.6% (1,081 persons), FY2020 was 20.2% (1,162 persons), and FY2021 was 20.8% (1,344 persons), so the ratio of female employees is steadily increasing.

2. Policies for human resource development and internal environment development to ensure diversity, and their status

In 2022, the Advantest Group established the position of Chief Human Capital Officer (CHO). Led by this CHO, the Advantest Group has established a system for formulating human resource strategies for the entire Group. In order to achieve our mid-to-long term management policy "Grand Design" and embody our management philosophy "Enabling Leading-Edge Technologies", Advantest Group's human resource strategies are closely linked to our Grand Design management strategies. To enhance the comprehensive strength of our human capital, Advantest Group is promoting a variety of initiatives that focus on both "individual strength" and "organizational strength." To enhance "individual strength," Advantest Group will put more effort into developing the abilities of our employees, and at the same time strive to secure necessary human capital through measures such as improving recruitment and enhancing retention programs. To enhance "organizational strength," Advantest Group is working to improve employee engagement and to retain and promote the active participation of diverse human resources. Furthermore, as a link between these two "wheels," we continue to optimize our personnel system as necessary to embody our management philosophy.

Advantest Group's Basic Policy Regarding Human Capital Development and Internal Environment Development Policy, which are part of our human capital strategies, are as follows.

**"Basic Policy Regarding Human Capital Development"**

The Advantest Group ("Advantest") regards employees as human capital essential for its sustainable growth. Advantest strongly believes developing employees as human capital indicates an investment in human capital, and that the "individual strength" enhanced through the development and the "organizational strength" utilizing the enhanced individual strength are the two "wheels" that drive employee engagement and become the sources of future value creation. Accordingly, Advantest proactively, continually and fairly implements measures to develop human capital under The Advantest Way, INTEGRITY Core Values, technical and professional management strategies, and the skills required to grow within the development framework.

### 1. Self-Directed Career Development

We encourage employees to be proactive in their career development, while Advantest provides the resources and support to acquire the experience and knowledge necessary to enhance their careers inside Advantest.

### 2. Global Human Capital

From a long-term perspective, we are committed to developing human capital with a global viewpoint, which includes providing opportunities to enhance expertise and management skills on a global scale.

### 3. Leading-Edge Human Capital

To achieve our corporate mission statement, “Enabling Leading-edge Technologies,” we aim to develop the skills of every employee and foster high performers to take on leading-edge challenges.

### 4. Advantest Development Framework

Under The Advantest Way and our management strategies, we encourage all employees to enhance the skills required to advance their careers within the Advantest Development Framework, and provide them with the necessary resources.

## **“Internal Environment Development Policy”**

The Advantest Group (“Advantest”) regards employees as human capital essential for its sustainable growth. Advantest also recognizes that maximizing the value of human capital will directly lead to increase its corporate value. Accordingly, Advantest proactively, continually and fairly implements measures to develop the internal environment for human capital under The Advantest Way, its management strategies, and this policy.

### 1. Corporate Culture

We understand The Advantest Way is a corporate culture to bring together our diverse employees to a globally unified team. We continue efforts to instill The Advantest Way as a deeply-rooted corporate culture, aiming to ensure all employee’s embody and practice The Advantest Way in our daily work life.

### 2. Human Capital Development/Cultivation

We are committed to strengthening the development and cultivation of human capital to facilitate self-directed career development for motivated employees. We regularly conduct employee engagement surveys to gain a deep understanding of the strengths and issues of human capital and appropriately reflect the survey results in our measures and action plans to develop and cultivate Advantest’s human capital.

### 3. Health Management

Under our Health and Productivity Management (HPM) Policy, we are strategically committed to maintaining and improving employees’ health from a managerial perspective.

### 4. Workstyles and Work Environments

We accept, encourage, and support diverse workstyles which enables every employee to achieve a good work-life balance. In addition, we promote developing an office environment that provides the necessary resources and support for employees to enhance their remote work environments.

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

Principle 5.2: Establishing and Disclosing Business Strategies and Business Plans

Advantest's corporate mission is "Enabling Leading-Edge Technologies"

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 purpose and mission of "Enabling Leading-Edge Technologies." At the same time as the Grand Design, Advantest 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 MTP1 called for.

In FY2021, the Grand Design was updated in response to the improvement of our business performance and changes in Advantest's environment, because the first mid-term management plan (FY2018- FY2020) (MTP1) had been successfully completed and three years had passed since the formulation of the Grand Design. At the same time, Advantest formulated its second mid-term management plan (FY2021- FY2023) (MTP2), which was announced in May 2021, to ensure achievement of the Grand Design's goals. Advantest is working as one team to achieve these targets.

Under MTP2, the management metrics that are emphasized 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 FY2021 as the first year of MTP2, the markets of semiconductors and related products remained brisk beyond the assumption in the development of MTP2, and our business expansion measures also evolved steadily. In July 2022, Advantest revised the targeted management metrics of MTP2, taking into account the solid progress of the plan; the comprehensive consideration of the forecast of our business environment until FY2023 including a stronger downward resilience in the semiconductor test equipment market driven by the diversification of semiconductor applications, higher difficulty levels for testing high-end semiconductors, and strong motivation of major chip makers to invest in advanced technologies, and based on the assumption that the global economic downturn since 2022 will remain within the range of a normal economic slowdown. Specifically, we have clarified that the targeted averages for 3 fiscal years are sales of 480 billion to 520 billion yen, operating income margin of 27% to 30%, net income of 98 billion yen to 120 billion yen, return on equity (ROE) of 30% to 35%, and net income per share (EPS) of 510 yen to 630 yen.

To achieve the above, Advantest has engaged 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.*

Details are published on our website.

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

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

Our basic concept of corporate governance is described in “I - 1. Basic Views” above.

Details are published on our website.

<https://www.advantest.com/sustainability/governance/governance.html>

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

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

**“Directors and Executive Officers Compensation Policy and Procedure”**

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 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.

Principle 3.1 iv): Board Policies and procedures for the appointment of senior management and the nomination of director candidates

It is stated in the “Directors and Executive Officers Nomination/Dismissal Policy and Procedures” as follows;

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

1. Basic Policy for Nomination

The Advantest Corporation’s (“Company”) basic policy is to nominate persons who can contribute to achieving a sustainable level of business development and to mid-to-long term enhancement of corporate value, and who have the qualities listed below. Detailed appointment criteria for each role will be considered in addition to these criteria. In nominating candidates, consideration will be given to maintaining a good balance of knowledge, experience and skills in order that the board and the management (the executive officers) can successfully fulfill its roles and responsibilities, and to diversity, including gender and international experience, as well as to maintaining the appropriate number of directors and executive officers.

Basic Nomination Criteria:

- A person who respects the management philosophy of the Company group and has excellent personality and insight
- A person who has a good understanding of the Company group's history, corporate culture, employee characteristics, etc. and has sufficient experience and knowledge about the business
- A person who, based on the business environment and competitive trends affecting the Company group, can provide concrete proposals on management strategies, implementation plans, etc. that can contribute to achieving a sustainable level of business development and mid-to-long term enhancement of corporate value, and who can constantly examine and continue efforts to enhance it
- A person who can sensitively perceive changes in the market related to the Company group’s industry and the value to be offered, and who can constructively discuss the direction in which the Company group should move forward

2. Detailed Appointment Criteria

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

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

considered in addition to the criteria.

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

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

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

(3) Directors who are Audit and Supervisory Committee members

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

- a legal professional such as attorney
- a person who has management experience at another company
- a person who has excellent knowledge and experience in finance or accounting
- a person who has excellent knowledge and experience in the Company’s business field
- a person who has wide and deep experience in R&D
- a person who worked as a Director, an Executive Officer, or an employee in administration or internal auditing
- a person who has experience or ability equivalent to the above

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

For Representative Director, the Company will select the person best suited to lead the Company group from among the Directors appointed at the general meeting of shareholders. The Company also can select the Chairman of the Board who convenes the Board and act as the chairperson, and the Vice Chairman of the Board who supports the Chairman of the Board, among the Directors.

(5) Executive Officer

The candidate should possess excellent experience, ability, leadership, as appropriate for a person who has responsibility for business operations. Personality and the like will also be considered in addition to these criteria. Also, for Senior Executive Officers, the Company will select persons suited to discuss the direction of Company group management from among the Executive Officers. The Company also selects the President and CEO from among the Senior Executive Officers.

3. Dismissal criteria of Directors and/or Executive Officers

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

- In the case of violating laws, articles of association, or other rules of the Company group, causing

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

#### 4. Procedures for the Nomination

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

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

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

#### 5. Procedures for Dismissal

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

- Representative Director, Chairman of the Board, Vice Chairman of the Board:  
A person will be dismissed by the position
- Directors:  
Company will submit a proposal for dismissal of Directors to the Extraordinary General Meeting of Shareholders.
- Senior Executive Officer (including President and CEO):  
An individual will be dismissed as the position.
- Executive officer:  
Dismissed from the position of Executive Officer.

Regarding the appointment and the reasons for nomination of candidates for Directors who are not Audit and Supervisory Committee members, and for Mr. Yuichi Kurita and Ms. Tomoko Nakada, please refer to the convocation notice of 81st Ordinary General Meeting of Shareholders (Page 9-20 in English version). For Ms. Sayaka Sumida, please refer to the Convocation notice of the 80th Ordinary General Meeting of Shareholders (Page 25-27 in English version).

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

### Principle 3.1.3: Sustainability Activities

#### 1. Sustainability Activities

The Advantest Group recognizes that management based on our purpose and mission is essential for resolving sustainability issues in order to create corporate value over the mid-to-long term.

Therefore, in 2018, the Advantest Group formulated our Grand Design, a mid-to-long term management policy aimed at supporting our mission of “Enabling Leading-Edge Technologies”, and simultaneously announced our Vision of “Adding Customer Value in an Evolving Semiconductor Value Chain.” We are currently addressing five strategic issues to achieve these goals.

Furthermore, in order to steadily improve corporate value and strengthen our management foundation based on our Grand Design, Advantest Group has established a system to promote a series of three-year mid-term management plans that include financial and sustainability targets.

At the same time, many years of business expansion have transformed the Advantest Group into an organization that embraces diverse cultures, languages, customs, and values. A management foundation that maximizes the potential of our diverse human capital is more necessary than ever.

In recognition of this fact, we revised “The Advantest Way,” our foundational set of guidelines and commitments, in 2019, and are now focused on instilling it among our executives and employees, who are the driving force of our value creation.

The Advantest Way consists of the following six elements. Items (1) to (3) stipulate what the Advantest Group aims to be and what we should do in order to create value and contribute to the common good over the mid-to-long term. Items (4) to (6) define the basic mindset required of Advantest Group’s executives and employees for successful implementation of (1) to (3).

- (1) Purpose & Mission: Enabling Leading-Edge Technologies
- (2) Vision: Adding Customer Value in an Evolving Semiconductor Value Chain
- (3) Core Values: INTEGRITY
- (4) ESG for Sustainability
- (5) Guiding Principle: Quest for the Essence
- (6) Ethical Standards

Among our mid-to-long term value creation initiatives, Advantest Group promotes initiatives for corporate value creation as part of “Sustainability through ESG Promotion.” Specifically, based on the recognition that proactive ESG initiatives are essential for the sustainability of both our company and the world, we have established an ESG Initiatives Basic Policy, which defines a framework of principles for fulfilling our responsibilities.

### **“ESG Initiatives Basic Policy”**

- (1) Advantest strives to protect the environment and reduce our environmental impact.
- (2) Advantest fulfills our social responsibilities as a global company to deliver prosperity worldwide.
- (3) Advantest respects its customers and reliably provides high-quality products and services that meet their needs.
- (4) Advantest respects its shareholders and investors, and appropriately returns profits and discloses information.
- (5) Advantest respects its employees, treats them fairly and creates a comfortable working environment.
- (6) Advantest respects its business partners and builds cooperative relationships with them for mutual benefit.
- (7) Advantest strives to maintain a fair, efficient, and highly transparent governance system.

Advantest aims to improve corporate value over the mid-to-long term within a framework of consideration for the environment while coexisting harmoniously with our fellow citizens under this Basic ESG Policy. Advantest also contributes to the Sustainable Development Goals (SDGs) by actively working on ESG through our business activities.

## 2. Investment in intangible assets (human capital / intellectual capital) and its supervision

We are a company whose core business is the development and manufacture of semiconductor test equipment. And our business is intellectual capital-intensive. We think that it is important not only to invest in tangible assets such as facilities and equipment, but also to invest in intangible assets such as human capital, technology, and intellectual property.

### [Human capital]

The Advantest Group invested 480 million yen in education and training in FY2022. We will continue to work to further strengthen the development and training of human capital. For details, please refer to page 40 of our Integrated Report 2023.

([https://www.advantest.com/about/pdf/E\\_all\\_IAR2023.pdf](https://www.advantest.com/about/pdf/E_all_IAR2023.pdf))

### [Intellectual capital]

We are a technology company whose management philosophy is “Enabling Leading-Edge Technologies”. Therefore, we believe that investment in technology, which is the source of competitive advantage, that is, R&D investment, is one of our most important strategic investments. In FY2022, we invested 60.1 billion yen in R&D.

On the other hand, as part of our growth measures, we are incorporating technologies that we do not have in-house, but which are important for our business expansion, by M&A. In fact, during the period of the first mid-term management plan (FY2018-FY2020), we invested about 50 billion yen, and made 2 M&As and 1 capital and business alliance. We also completed M&A transactions in November 2021, August 2022, and April 2023. These M&As have given us business foundations and technologies that are closely related to our core business, and we also intend to create innovation by fusing our existing technologies with external technologies. These ideas and activities are linked with “Seek operational excellence” and “Explore value to reach a higher level”—two of the management strategies in our second mid-term management policy. We believe that executing the second mid-term management plan will lead to investment in intangible assets, so we report to the Board of Directors regularly on the progress of the mid-term management plan. The Board of Directors checks on the progress and future direction of these projects. In addition, we have organized ARTeam (Applied Research & venture Team) as an organizational structure that goes beyond the R&D team in order

to sensitively grasp the expansion of business into closely related markets and the upcoming changes. We are working to accumulate new intellectual property through joint development with the University of Tokyo in Japan and Stuttgart University in Germany.

### 3. Climate change response

In April 2020, Advantest announced its support for the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) based on the concept that the risks and opportunities posed by climate change to our business and financial status need to be evaluated to achieve sustainable growth. Since then, we have been working on related disclosure.

Advantest Group's environmental activities are organized under the four priority themes of climate change, environmentally hazardous substances, recycling, and biodiversity. Since collaboration with external stakeholders such as customers and suppliers is essential in promoting environmental management, Advantest Group has set mid-term targets for each climate change issue, focusing on the reduction of greenhouse gas (GHG) emissions and the introduction of renewable energy. Advantest Group has established internal and external task forces (TFs) to promote responsible efforts to address environmental issues.

TF1 focuses on CO2 reduction in product development and TF3 targets CO2 reduction through collaboration with customers. Both TF1 and TF3 aim to address Scope 3 Category 11 through collaboration with customers. TF2 focuses on reduction of CO2 emissions through collaboration with business partners to address Scope 3 Category 1 through collaboration with suppliers, and TF4 aims for reduction of CO2 emissions through business activities with the introduction of energy-saving equipment and renewable energy to tackle Scope 1+2 direct emissions from our own production processes. All four TFs are implementing activities related to their goals.

Metrics and goals for measures taken in respect to the risks and opportunities brought about by climate change are managed under our ESG Action Plan. As a mid-to-long term climate change countermeasures target, Advantest Group has set a goal to reach net-zero Scope 1+2 GHG emissions by FY2050. In addition, Advantest Group has set targets to reduce Scope 1+2 GHG emissions by 60% by FY2030 compared to FY2018 and to reduce Scope 3 GHG emissions by 15% by FY2030 compared to FY2018. These goals have been SBTi certified, acknowledging that our greenhouse gas reduction targets are based on scientific evidence.

For more details on our ESG Action Plan and environmental initiatives, please see Advantest's Integrated Annual Report and Sustainability Databook, both available on our website.

< Integrated Annual Report >

[https://www.advantest.com/about/pdf/E\\_all\\_IAR2023.pdf](https://www.advantest.com/about/pdf/E_all_IAR2023.pdf)

< Sustainability Databook >

[https://www.advantest.com/sustainability/report/pdf/En\\_SustainabilityReport2023.pdf](https://www.advantest.com/sustainability/report/pdf/En_SustainabilityReport2023.pdf)

#### Supplementary Principle 4.1.1: Roles and Responsibility of the Board

In principle, to make more flexible decision-making and prompt business management, decisions on business

execution other than matters deemed to be exclusive matters by the Board of Directors on the basis of laws and regulations and the matter of important business execution Board of Director delegates to the President and Group CEO. Executive officer meeting (Executive Management Committee) composed of Senior Executive Officers, will review important matters concerning business execution.

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

#### Principle 4.1.3: Succession planning

The Board of Directors receives reports from the Nomination and Compensation Committee on requirements for the Group CEO position and succession planning for this position, and proactively discusses them. Regarding the status of our succession planning, please refer to “Supplementary Explanation in the Voluntary Establishment of Nomination/Remuneration Committee” below.

#### Principle 4.9: Independence Standards and Qualification for Independent Directors

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

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

Outside 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 Advantest as Major Business Partner or Executive thereof
- (2) Major Business Partner of Advantest or Executive thereof

##### **2. Expert**

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

##### **3. Relative**

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

##### **Notes:**

- \*1 “Recently” shall mean a time range substantially identical to presently.
- \*2 “Major Business Partner” means a partner whose revenue from transactions with Advantest accounts for a considerable part of their revenue, or a partner supplying Advantest with commodities or services indispensable to Advantest’s business.

\*3 “Executive” means the “executive” defined in the Ordinance for Enforcement of the Company Act.

\*4 “Relative” means the person’s relative within the second degree of kinship.

#### Supplementary Principle 4.10.1: Regarding the Nomination and Compensation Committee

We have established the Nomination and Compensation Committee as an advisory organization to the Board of Directors. The Nomination and Compensation Committee is composed of a majority of independent outside directors, and the chairman is also an independent outside director.

Regarding the concept, role, authority and activity status of the Nomination and Compensation Committee, please refer to “Supplementary Explanation in the Voluntary Establishment of Nomination/Remuneration Committee” below.

#### Supplementary Principle 4.11.1: Concept of composition of the Board

In the nomination and selection of Directors and Senior Executive Officers, Advantest recognizes that noteworthy issues around corporate management and communication with stakeholders have to be taken into consideration, in addition to our Purpose & Mission, management strategies, and business strategies. Our business is indispensable for the manufacturing of semiconductors, which support the development of our society, and also assumes the important function of supporting the stable operation of the facilities and systems in our society and industries, creating great opportunities for growth even in the surrounding areas. Advantest has selected the following nine areas for management activities which are considered important for Advantest to grow the business in the mid-to-long term and realize the improvement of our corporate value: “Management & Corporate Strategy,” “Semiconductor,” “Technology,” “Sales & Marketing,” “Finance & Accounting,” “Legal & Compliance,” “Human Capital Management,” “Global Business,” and “Digital Transformation.” The Board of Directors and the Nomination and Compensation Committee have discussed the essential “insight and experiences” required for the execution of duties and the fulfilment of the responsibility of supervision in the nine areas, and established the required skill sets for Senior Executive Officers and Directors. Regarding the details of each director’s skills, please refer to the convocation notice of 81st Ordinary General Meeting of Shareholders (Page 21-23 in English version).

(<https://www.advantest.com/investors/shares-and-corporate-bonds/meeting/pdf/CN81e.pdf>)

Regarding our policies for director appointments, please refer to “Principle 3.1 iv) Board Policies and procedures for the appointment of senior management and the nomination of director candidates” above.

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

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

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

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



(Results in FY2021 and action in FY2022)

Our evaluation of the effectiveness of the Board of Directors in FY2021 indicated that greater awareness of the external environment was required in reporting to the Board of Directors, the method of evaluation itself should be reviewed, and more time should be devoted to discussion versus to reporting. In response to the above, Advantest implemented the following measures in FY2022.

- Regarding the evaluation of the effectiveness of the Board of Directors, the questions have been significantly revised to address the following points:
  - whether the Board of Directors was able to appropriately incorporate external knowledge, and
  - whether the discussions at the Board of Directors were being utilized by the executive side
- We are trying to allow more time for discussion by the Board of Directors by requiring presenters to use an executive summary and provide a concise statement.

(Results in FY2022)

Our directors have diverse backgrounds. In our FY2022 effectiveness evaluation, revising some questions revealed that each director often discusses matters from a different perspective than other members. The company believes that this shows that the diversity of the Board of Directors has been ensured and has advantages.

On the other hand, the following points were raised as improvements to make the Board of Directors more effective.

- Regarding changes in the external environment (changes in the business environment of our company), Advantest management is already accustomed to a certain degree of sensitivity to cycles in the semiconductor testing industry to which our group belongs. On the other hand, it is advisable that the company's sensitivity to other aspects of the external environment (i.e. society, politics, economy, industry in general, etc.) should be enhanced.
- It is preferable that matters to be discussed should be clearly stated in materials reported to the Board of Directors.

#### Supplementary Principle 4.14.2: Training policy for directors

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

##### **“Director Training Policy”**

1. Advantest provides and arranges following actions for new Directors to acquire necessary knowledge on the Advantest’s business, finances, organizations and other matters so as to enhance their understanding of their roles and responsibilities:

- (1) To explain the roles and responsibility required for Directors;
- (2) To explain Advantest group’s business, finances, organizations, major internal regulations, corporate governance structure, and internal control systems;
- (3) To update above (1) and (2) for incumbent Directors as necessary.

2. Advantest should provide and arrange training opportunities suitable for each director as necessary.

In FY2022, Advantest provided explanations for our foreign directors on their responsibilities under Japanese law.

All Executive Directors have taken an external training program on governance. Because governance skills are important, we are expanding the scope of the training to Executive Officers who are not directors.

#### Principle 5.1: Policy for Constructive Dialogue with Shareholders

Our policy for constructive dialogue with shareholders is stated in our “Basic Investor Relations Policy” as follows, and the status of dialogue with shareholders is described below.

#### **“Basic Investor Relations Policy”**

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

#### 1. Disclosure Policy

##### (1) Disclosure of Material Information

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

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

##### (2) Voluntary Disclosure

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

#### 2. Disclosure Methods

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

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

#### 3. Forward-Looking Statements

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

are aware of these risks, Advantest's disclosures are accompanied by cautionary statements.

#### 4. Communication Structure

Advantest's IR Department handles communications with shareholders and investors. In principle, all Advantest's IR communications go through our IR spokespersons—Representative Director, CFO, and IR personnel—but other executives, including outside directors, may also be appointed IR spokespersons in certain cases through IR personnel, depending on individual requirements and the content to be communicated. The IR Department supports our IR spokespersons by liaising with other divisions and collating relevant and specialized information to enhance our dialogue with shareholders and investors.

#### 5. Comprehensive Communication

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

#### 6. Incorporation of Feedback Through Dialogue

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

#### 7. Management of Insider Information and Fairness in Disclosure

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

#### 8. Quiet Periods

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

#### 9. Analyst Reports

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

#### 10. Market Rumors

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

On the date of each quarterly financial results announcement, our representative director and CFO hold financial results briefings for analysts and fund managers. These meetings are attended by not only active investors, but also passive investors and institutional investors with a variety of investment styles. In addition, we hold technology briefings and sustainability briefings for institutional investors in order to provide them with a deeper understanding of our business trends. To further deepen dialogue with our shareholders, we held individual meetings with domestic and overseas institutional investors more than 400 times in FY2022. These individual meetings covered a diverse range of topics, from business trends to exercise of voting rights and ESG. Also, in response to requests from shareholders to disclose information on cross-shareholdings prior to the general meeting of shareholders, we voluntarily disclosed information on cross-shareholdings in the convocation notice for the general meeting. Our dialogues with shareholders are conducted by not only the representative director, the CFO, and IR personnel, but also, as necessary, personnel from related departments, ensuring that these discussions are in-depth. The IR department reports regularly on the status of its IR activities to the Board of Directors.

Principle 5.2.1: Basic policy regarding the business portfolio decided by the board and the status of the review of this portfolio

We launched our “Grand Design” mid-to-long term management policy in FY2018. It calls for us to strengthen our core business (the development and sales of semiconductor volume production test systems) and expand our business domains to related markets such as semiconductor design / evaluation processes and product / system level test processes / data analytics, which come before and after the semiconductor volume production process, respectively. In this way, we aim to grow our business and enhance corporate value. This was resolved by the Board of Directors and refers to our basic thinking regarding the business portfolio. The second mid-term management plan (FY2021-FY2023) also clearly states that we will follow the above-mentioned business area expansion policy. On the other hand, we have introduced a business evaluation system based on ROIC with the formulation of the Grand Design, and continuously review our business and product portfolio based on the perspectives of capital efficiency, mid-to-long term business profit outlook, and best owners.

Status of profit and loss by business segment are reported to the Board of Directors monthly and the Board of Directors discusses the business portfolio as necessary. In addition, when we make an investment that has a significant impact on our business portfolio, the Board of Directors reviews the investment effect as needed. During the period of the first mid-term management plan (FY2018-FY2020), we invested about 50 billion yen, and made 2 M&As and 1 capital and business alliance to enhance our business foundation in the system level test process and data analytics fields. On the other hand, as part of our portfolio review, we sold our probe card business. In addition, during the period of the second mid-term management plan (FY2021 to FY2023), Advantest Group has so far acquired three companies, including a major supplier of test equipment for power semiconductors and two suppliers of printed circuit boards (PCBs), which are the main components of electronic equipment. When Advantest implements M&A, one of the metrics we use to analyze each deal is NPV (Net Present Value), based on the cost of capital, which reflects the risks arising from the specific characteristics of investment targets.

(Action to Implement Management That Is Conscious of Cost of Capital and Stock Price) (Disclosed in English)

Advantest has engaged 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*. To verify whether we are generating returns in excess of our cost of capital, we use our proprietary index, AVA (Advantest Value Added), as one of our business evaluation indicators. AVA is based on EVA, a management

metric that measures corporate value creation. AVA evaluates our business in terms of profitability and investment capital such as inventories and fixed assets. AVA is reported monthly to the Board of Directors. Since introducing AVA, we have reviewed its formula in terms of profit and loss management and invested capital policies, and have updated it as necessary in line with our business development. We use the so-called CAPM metric to estimate our cost of capital. We estimate our cost of capital based on CAPM to be 9-10%.

For capital efficiency, we use ROE and EPS as management metrics. Regarding our target values for ROE and EPS under MTP2, please refer to “Principle 3.1 i): Company objectives (e.g., business principle), business strategies and business plans” and “Principle 5.2: Establishing and Disclosing Business Strategies and Business Plans,” above.

## < I - 2. Capital Structure >

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

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	57,779,800	31.31
Custody Bank of Japan, Ltd. (trust account)	26,223,400	14.21
MOXLEY & CO LLC	4,396,714	2.38
STATE STREET BANK WEST CLIENT - TREATY 505234	3,707,000	2.00
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	3,096,984	1.67
BBH FOR UMB BANK, NA - WCM FOCUSED INTERNATIONAL GROWTH FUND	2,750,200	1.49
JP MORGAN CHASE BANK 385781	2,750,200	1.33
SSBTC CLIENT OMNIBUS ACCOUNT	2,089,261	1.13
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	1,730,830	0.93
JPMorgan Securities Japan Co., Ltd.	1,729,107	0.93

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

Supplementary Explanation

- The above table describes the situation as of the end of September 2023. Advantest carried out a 4-for-1 stock split of common stock, effective October 1, 2023. The share numbers above are from before the stock split.
- Percentage of Ownership is calculated excluding treasury shares (7,003,175 shares). Percentage of Ownership is truncated to the third decimal place.
- In the Report of Possession of Large Volume made available for public inspection as of November 30, 2023, the following companies are reported as the shareholders, but this has not been taken into account in the above "Status of Major Shareholders", as Advantest has been unable to confirm the number of shares substantially held as of the end of the fiscal year.

Daiwa Asset Management Co., Ltd  
 BlackRock Japan Co., Ltd. and its nine affiliates;  
 Mitsubishi UFJ Trust Company and its two affiliates, and  
 Nomura Asset Management Co., Ltd.  
 Sumitomo Mitsui Trust Asset Management Co., Ltd. and its one affiliate

### < I - 3. Corporate Attributes >

Listed Stock Market and Market Section	Tokyo Prime
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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

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

### < II - 1. Organizational Composition and Operation >

Organization Form	Company with Audit and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	9
Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	D	e	f	g	h	i	j	k
Toshimitsu Urabe	From another company											
Nicholas Benes	From another company											
Naoto Nishida	From another company								△			
Sayaka Sumida	Certified public accountant											
Tomoko Nakada	Lawyer											

\* Categories for "Relationship with the Company"

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

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

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

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

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the listed company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

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

Outside Directors' Relationship with the Company (2)
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Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Toshimitsu Urabe		○		Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company and a nonbank financial institution, 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 and IT. He is expected to reflect his knowledge in Advantest Group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, Advantest believes that he is a suitable person as an outside director.
Nicholas Benes		○		Mr. Nicholas Benes has extensive knowledge and experience about corporate governance matters, and experience in investment banking including M&A transactions. He is expected to reflect his knowledge of corporate governance and the shareholder-oriented perspective in the Advantest Group's global management, thereby contributing to the sustainable enhancement of corporate value and invigorating the activities of the Board of Directors. Thus, Advantest believes that he is a suitable person as an outside director.



Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Naoto Nishida		○	Advantest has transactions with Toshiba Corporation of which Mr. Naoto Nishida was an executive until October 2017, and its affiliates, including the sales of our products and the purchase of raw materials, etc. The amount of such transactions with Toshiba Corporation and its affiliates, in FY2022 is less than 1% of the total of the Advantest's consolidated cost of sales and selling, general and administrative expenses.	Mr. Naoto Nishida has a wealth of knowledge and experience as a laser technology expert, in addition to his experience in the fields of technology, supply chain management (SCM), production, and research & development at a global company deeply involved in semiconductors. He is expected to reflect his insights into our business, industry and technology and the perspectives on strategic innovation in Advantest Group's global management, thereby contributing to the sustainable enhancement of corporate value and invigoration of the activities of the Board of Directors. Thus, Advantest believes that he is a suitable person as an outside director.
Sayaka Sumida	○	○		Although Ms. Sayaka Sumida has not been directly involved in the management of a company in the past, she has a wealth of knowledge and experience in finance and accounting gained through her engagement for many years in accounting/auditing services and internal control-related services as a certified public accountant at an accounting firm. She is expected to reflect her knowledge of finance and accounting in Advantest Group's audit and supervision, thereby contributing to the enhancement of corporate accounting and internal controls. Thus, Advantest believes that she is a suitable person as an outside director who is an audit and supervisory committee member.
Tomoko Nakada	○	○		Although Ms. Tomoko Nakada has not been directly involved in the management of a company in the past, she has a wealth of

				experience and a high level of expertise in law as a judge and as a lawyer, engaging in the practice of corporate legal affairs, general civil cases, and domestic and international inheritance cases. She is expected to reflect her knowledge of laws in Advantest Group's audit and supervision, thereby contributing to the enhancement of compliance. Thus, Advantest believes that she is a suitable person as an outside director who is an audit and supervisory committee member.
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[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

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

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Audit and Supervisory Committee appoints one employee to support the duties of the Audit and Supervisory Committee. The personnel matters of the Audit and Supervisory Committee support employee should get prior approval from Audit and Supervisory Committee. The employee who assists the Audit and Supervisory Committee performs his/her duties in accordance with the instructions of the Audit and Supervisory Committee members and ensures independence from Directors and other officers and employees who are not members of the Audit and Supervisory Committee.

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

The Audit and Supervisory Committee collaborates with the Accounting Auditor, the Auditing Group and other internal control departments, and the Audit and Supervisory Board Members of Advantest Group companies to secure opportunities for exchanging opinions as necessary.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

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

Supplementary Explanation

Advantest has established the Nomination and Compensation Committee as a non-mandatory organization, which complements the Board of Directors, to decide appointment/dismissal of Directors and Executive Officers and their compensation. The Nomination and Compensation Committee is responsible for the functions of both a nomination committee and a compensation committee. The Nomination and Compensation Committee shall be responsible for improving the fairness, rationality and transparency of appointment/dismissal of Directors and Executive Officers and their compensation.

The Nomination and Compensation Committee is composed of members selected in members of the Board of Directors under the resolution of the Board of Directors. To introduce an independent viewpoint, more than a half of the members are outside directors. The Human Resource Department is its secretariat. In FY2022, the Nomination and Compensation Committee met 14 times. Mr. Toshimitsu Urabe, Mr. Yoshiaki Yoshida and Ms. Sayaka Sumida attended 14 times All the members were present at every Nomination and Compensation Committee meeting.

In FY2022, the main activities of the Nomination and Compensation Committee were as follows. In the next fiscal year and beyond, the Committee will continue to discuss and examine these issues.

- Candidates for Directors and Executive Officers and the Management Structure

Under the structure of directors and managing executive officers since June 2022, the Committee has considered appropriate candidates and proposed them to the Board of Directors. The management structure for strengthening the CxOs was discussed and proposed to the Board of Directors.

The Committee discussed management structure in response to changes in the business environment including business expansion, acceleration of further growth, and preparation for future generational changes, and proposed transition to a three-member representative director structure to the Board of Directors.

Under the organizational structure for directors and managing executive officers after June 2023, the Committee considered appropriate candidates and a management structure with three representative directors, and proposed them to the Board of Directors.

- Succession Plan for CEO

After analyzing management issues and personnel requirements for the CEO and management team, the Committee held discussions after receiving reports and assessment of some of the Senior Executive Officers and a survey on external human resources from an external HR consulting firm. In these discussions, the Committee referred to the annual CEO assessment by non-executive directors and interviews with non-executive directors and Senior Executive Officers. Based on discussions with the non-executive directors, the Committee decided on a succession candidate and a transition plan and proposed both to the Board of Directors.

- Experience, knowledge, and abilities required of Directors and Senior Executive Officers (skill matrix)

Recognizing that the Skill Matrix is a tool to consider the most appropriate executive team and board structure, the Committee has set the elements of experience, knowledge, and abilities required of Directors and Senior Executive Officers based on discussions with non-executive directors.

- Operation of Fixed Compensation, Performance-based Bonuses and Stock Compensation

Individual evaluations of executive bonuses for FY2021 were discussed and finalized.

The Committee discussed and proposed to the Board of Directors the fixed compensation, performance indicators for performance-linked bonuses and stock compensation for FY2022.

In addition, the Committee established a process to define the roles and expected performances of each Director/Officer and evaluate the results.

Based on that, the Committee discussed fixed compensation for FY2023.

Members after June 27, 2023 are Mr. Toshimitsu Urabe, Ms. Sayaka Sumida, and Mr. Yoshiaki Yoshida. Mr. Toshimitsu Urabe is the chairperson.

The Nomination and Compensation Committee will recommend persons as candidates to the Board of Directors who will contribute to a sustainable level of business development, enhancement of corporate value over the mid-to-long term in accordance with the “Directors and Executive Officers Nomination/Dismissal Policy and Procedures” (\*1) prescribed by the Board of Directors regarding Directors and Executive Officers. The Nomination and Compensation Committee also considers the diversity and appropriate scale of the Board of Directors, including gender and international aspects. In addition, regarding independent outside directors, “Independence Criteria of Independent Outside Directors” (\*2) prescribed by the Board of Directors will also apply in addition to the “Directors and Executive Officers Nomination/Dismissal Policy and Procedures” mentioned previously. Candidates recommended to the Board of Directors should have a wealth of knowledge and can be expected to contribute actively to the Board of Directors. The Board of Directors deliberates proposals from the Nomination and Compensation Committee, and determines candidates of Directors and appoints Executive Officers.

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

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

[Independent Directors]

Number of Independent Directors	5
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Matters relating to Independent Directors

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

[Incentives]

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

Regarding performance-linked remuneration, please refer to the “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” below. New allotment of stock acquisition rights will not take place in the future. However, it will be possible to exercise stock options already granted in the future.

Recipients of Stock Options	
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Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	Selected Directors
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Supplementary Explanation

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

Qualified person:

- Mr. Yoshiaki Yoshida:

Total compensation 213 million Yen (fixed-compensation: ¥64 million; performance-based compensation: ¥65 million; stock options: ¥5 million; restricted stock compensation: ¥30 million; performance-based stock compensation: ¥49 million) in FY2022

- Mr. Douglas Lefever:

Total compensation 279 million Yen (fixed-compensation: ¥78 million; performance-based compensation: ¥75 million; stock options: ¥3 million; restricted stock compensation: ¥59 million; performance-based stock compensation: ¥64 million) in FY2022

- Mr. Koichi Tsukui:

Total compensation 117 million Yen (fixed-compensation: ¥38 million; performance-based compensation: ¥33 million; stock options: ¥3 million; restricted stock compensation: ¥16 million; performance-based stock compensation: ¥27 million) in FY2022

- Mr. Soichi Tsukakoshi:

Total compensation 116 million Yen (fixed-compensation: ¥37 million; performance-based compensation: ¥32 million; stock options: ¥3 million; restricted stock compensation: ¥16 million; performance-based stock compensation: ¥28 million) in FY2022

- Mr. Atsushi Fujita:

Total compensation 115 million Yen (fixed-compensation: ¥37 million; performance-based compensation: ¥32 million; stock options: ¥3 million; restricted stock compensation: ¥16 million; performance-based stock compensation: ¥27 million) in FY2022

\*The compensation of Mr. Douglas Lefever includes that paid by Advantest America, Inc.

\*For stock options granted by FY2020, the amount of stock options are recorded as expenses for FY2022 in accordance with IFRS. No stock options were granted in FY2022. Restricted stock compensation and performance-based stock remuneration are recorded as expenses in accordance with IFRS for FY2022.

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

Advantest has established a Nomination and Compensation Committee, which is chaired by an Independent Director and a majority of its members are Independent Directors, to increase the objectivity and transparency of Compensation for Directors (excluding Directors who are Audit and Supervisory Committee members) and Executive Officers. Additionally, “Policies and Procedures for Determining Directors and Executive Officers (Please refer to Principle3.1 iii) above) has been approved by the Board of Directors based on the deliberation and report by the Nomination and Compensation Committee.

Compensation amounts and performance indicators, etc., have been approved by the Board of Directors based on deliberations and reports by the Nomination and Compensation Committee within the total amount of director compensation, etc.(\*3) determined by resolution of the General Meeting of Shareholders.

Advantest determines the compensation of Directors and Executive Officers so that it shall facilitate a

sustainable level of business development, support mid-to-long term enhancement of corporate value, contribute to shareholder profits, and help to secure and motivate superior human resources. Compensation for Directors (excluding Directors who are Audit and Supervisory Committee members and Independent Directors) and Executive Officers is comprised of (1) Fixed-Compensation (cash compensation), (2) Performance-linked Bonuses as short-term incentives (cash compensation) and (3) Stock Compensation, which 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.

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

The Audit and Supervisory Committee deliberates and determines compensation for Directors who are Audit and Supervisory Committee members within the total amount of the compensation (\*3) that is determined by resolution of the General Meeting of Shareholders.

(1) Fixed-Compensation (cash compensation)

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 as short-term incentives (cash compensation)

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 Advantest 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) Stock Compensation as a long-term incentive

Regarding stock-based compensation, Advantest 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 in accordance with the compensation ratio above. As a

general rule, holding is obligatory during the term of office, and transfer restrictions will be lifted when an officer retires.

b. Regarding PSU, we will make a standard amount of Advantest's stock of which value is decided in accordance with the compensation ratio above, and grant it in the first year of the Company's 3-year mid-term management plan, and deliver it 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

#### (4) Compensation Ratio

The compensation ratio for executive directors is described in the Supplementary Explanation of [Director Remuneration] above. The ratio of fixed compensation, performance-linked bonuses, and stock compensation is approximately 1: 1: 1 for Senior Executive Officers (including the President and Group CEO) and 1: 0.8: 0.8 for other Executive Officers.

(\*3) The upper limit of cash compensation of all Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee members) is JPY900 million per year. The upper limit of cash compensation of all Outside Directors (excluding Directors who are Audit and Supervisory Committee members) is JPY60 million per year. The upper limit of cash compensation of all Directors who are Audit and Supervisory Committee members is JPY100 million per year. The amount of cash compensation claims or cash to be paid to the Directors based on RS shall be no more than 200 million yen per year. The maximum compensation amount of PSU is 600 million yen. However, in principle, PSU compensation 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 Advantest believes this corresponds substantially to a payment of no more than 200 million yen per fiscal year.

#### [Supporting System for Outside Directors]

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

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



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

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

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
-	-	-	-	-	-

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	0
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Others

At the Ordinary General Meeting of Shareholders on June 24, 2022, the provisions regarding Counselors and Advisors were deleted from the Articles of Incorporation.

Advantest does not appoint retired Directors or Executive Officers as advisors. When Advantest determines that there is a need to utilize the capabilities and knowledge of retired Directors or Executive Officers, we will entrust the work to them by individual contract rather than in the form of an advisor's position.

In order to fulfill the management and supervision responsibilities of the Board of Directors, the Board of Directors will make a decision regarding business assignments of post-retirement directors, including former representative directors. In addition, the President and Group CEO makes decisions about business assignments after retirement of executive officers, and report them to the Board of Directors.

As of the filing date of this Report, there are no cases in which work has been entrusted to retired presidents/CEOs.

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

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

The Board of Directors of Advantest, as the management decision making body, shall make decisions on significant matters with respect to the management policies and management strategies for Advantest Group, and in its capacity to supervise management, the Board of Directors shall monitor and supervise the status of exercise of duties by Executive Officers. Advantest strengthens the oversight and supervisory functions of the Board of Directors so as to appoint multiple outside directors as members of the Board of Directors. Regular Board of Directors meetings are held once a month and last about 3 to 5 hours, giving directors time to discuss important matters. In addition, Advantest holds offsite meetings where board members discuss mid-to-long term issues that cannot be discussed within the time limits of Board of Director meetings. The Board of Directors met 14 times at the office and twice off-site in FY2022, and all members attended all meetings. At the Board of

Directors meetings, directors with a wealth of knowledge and experience expressed their opinions from each point of view on various agendas, and active discussions took place.

In FY2022, the main discussion and reporting items of the Board of Directors meetings and offsite meetings were as follows.

- The Board of Directors discussed the progress of the Second Mid-Term Management Plan (MTP2), confirmed the importance of growth investments such as M&A and digital transformation, and reviewed the financial model of MTP2.
- Advantest's changing business environment, including changes in the semiconductor market and geopolitical risks caused by the US-China conflict, were reported on and measures to address the issues were discussed.
- Monthly reports on the current status of sales, profits, inventory levels, cash flow and other relevant factors are made to the Board of Directors to monitor the execution of business operations.
- More effective financing methods were discussed in the agenda of commitment line agreements and long-term borrowing.
- M&As were discussed as growth investments, and the Board decided on the M&A of CREA [Collaudi Elettronici Automatizzati S.r.l.] and Shin Puu Technology Co., Ltd..
- Internal audit reports and compliance reports were made to the Board of Directors twice a year. The reports included reports from Advantest's internal audit system, items pointed out by internal audits and compliance incidents from helpline notifications.
- IR reports were made to the Board of Directors twice this year, which included status of communication with investors and investors' awareness of issues.
- ESG reports were made to the Board of Directors twice this year, which included status of Advantest's climate change initiatives and other ESG initiatives.
- The Corporate Governance Report was presented to the Board of Directors prior to updates being made.

The Board of Directors of Advantest (including Directors who are Audit and Supervisory Committee members) is composed of three executive directors (inside directors), one non-executive director (inside directors) and five non-executive directors (outside directors) as of the filing date of the Report. Two of the directors have non-Japanese nationals and Two are female directors. In order to maintain seamless communication despite the diversification of Directors, Advantest has arranged for simultaneous interpretation at the Board of Directors meetings so that Board members can speak freely in both Japanese and English. Materials and minutes are also translated into English.

Advantest delegates the necessary authorities to ensure the prompt and efficient performance of duties and the Executive Management Committee is positioned as a decision-making body for Advantest's important business execution matters. Of the operations for which authority has been delegated, important matters above a certain level are, in principle, deliberated at the Executive Management Committee. The Executive Management Committee meets approximately twice a month. The Executive Management Committee is composed of Senior Executive Officers, and Mr. Yoshiaki Yoshida is the chairperson.

Advantest transitioned to a company with audit and supervisory committee on June 24, 2015. Members after June 27, 2023 are Mr. Yuichi Kurita, Ms. Sayaka Sumida, and Ms. Tomoko Nakada. Ms. Sayaka Sumida is the chairperson. Mr. Yuichi Kurita, a member of the Audit and Supervisory Committee, has many years of

experience in Advantest's corporate planning, financial and administrative officers and Ms. Sayaka Sumida, a member of the Audit and Supervisory Committee, has many years of experience in working an accounting firm as a certified public accountant. Both have sufficient knowledge of finance and accounting. Also, Ms. Tomoko Nakada, a member of the Audit and Supervisory Committee, has abundant experience on legal affairs.

Pursuant to the audit policies, audit plans, priority audit items, allocation of duties, etc., and in coordination with the internal audit division and other relevant departments with jurisdiction over internal control, members of the Audit and Supervisory Committee attended important meetings such as Executive Management Committee, Business Plan Meeting, Internal Control Committee, 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, members of the Audit and Supervisory Committee communicated with and exchanged information via interviews with directors of the subsidiaries and opinion exchange meetings with corporate auditors of the subsidiaries and received business reports from subsidiaries as deemed necessary, and conducted audits of Advantest's main consolidated subsidiaries overseas (by interviewing via face to face or web conferences), and confirmed their state of business operations and assets. As a result of these investigations and audit activities, members of the Audit and Supervisory Committee shared our views with the directors and department heads on what we recognized as issues needing feedback.

To enhance the effectiveness of auditing and supervisory functions, the Audit and Supervisory Committee appoints a standing Audit and Supervisory Committee member, while outside directors, who are members of the Audit and Supervisory Committee, participate in the Internal Control Committee and on-site audits conducted by the standing Audit and Supervisory Committee member as necessary to actively audit the status of business execution of Advantest.

The Audit and Supervisory Committee met 13 times in FY2022. All members were present at every Audit and Supervisory Committee meeting.

The Audit and Supervisory Committee investigated the status of execution of duties by directors, executive officers, other business execution organizations and the status of maintenance and operation of the internal control system. Also, the Audit and Supervisory Committee has an opportunity to exchange opinions with Outside Directors and Executive Directors.

The other status is stated in the section on “the Audit and Supervisory Committee” in “the Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” above.

We have an Auditing Group for our internal audit under the direct control of the President, Group CEO. With multiple full-time employees and in cooperation with the Audit and Supervisory Committee, accounting auditors, etc., the Auditing Group monitors status of the company's internal controls on a daily basis, and identifies problems. It also makes improvement recommendations. The Auditing Group reports the audit results to the President, Group CEO and the Audit and Supervisory Committee, and also to the Board of Directors on a regular basis.

Regarding accounting audits, Advantest has audited with Ernst & Young ShinNihon LLC and received

predetermined audits. EY Shin Nihon LLC Audit Corporation (formerly Daiichi Audit Office) has been conducting listing audits of Advantest since 1983, when Advantest was listed on the Second Section of the Tokyo Stock Exchange. The certified accountants who executed the accounting audit work of Advantest in 2022 are Mr. Toshiyuki Matsumoto, Mr. Minoru Ota and Mr. Hiroyuki Nakada. The rotation of the certified public accountants is conducted appropriately at Ernst & Young ShinNihon LLC and no certified public accountants are involved in accounting audits of same company for more than seven consecutive fiscal years. Lead certified public accountants are not involved in accounting audits of the same company for more than five consecutive fiscal years. If a certified public accountant is involved in accounting audits of the same company for seven consecutive fiscal years, he or she will be involved in accounting audits of that company only after an interval of five fiscal years. Lead certified public accountants who are involved in accounting audits of the same company for five consecutive fiscal years will not be involved in accounting audits of that company again. In addition, assistants performing Advantest's accounting audit work include those with expert knowledge such as system experts, with CPAs as the main constituents.

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

Advantest has entered into a limited liability agreement pursuant to Article 427, Paragraph 1 of the Companies Act with each of non-executive Directors. The upper limit of liability based on this agreement is the minimum liability as provided in the applicable laws and ordinances. Advantest has concluded indemnification agreements with all directors pursuant to the Article 430-2, Paragraph 1 of the Companies Act. Under the said agreements, Advantest shall indemnify them against expenses listed in Item 1 of the said Paragraph and losses listed in Item 2 of the said Paragraph to the extent permitted by laws and regulations. However, certain conditions of exemption are established to ensure that the appropriateness of the execution of duties by the insured persons is not impaired by the said agreements, and the amount of expenses and losses of no less than JPY 3 million requires deliberation by the Board of Directors.

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

Under a structure of a company with an Audit and Supervisory Committee, the audit and supervisory functions of the Board of Directors can be further strengthened, because Directors who are members of the Committee have voting rights at the Board of Directors. At the same time, decisions can be more flexibly delegated to executives, thereby enabling speedier management. Advantest believes that this will enable us to achieve a sustainable level of business development and mid-to-long term enhancement of corporate value, and therefore Advantest has adopted the structure of a company with an Audit and Supervisory Committee and an executive officer system.

In addition, a certain number of outsiders are required among the members of the Board of Directors in order to provide advice and management monitoring and supervision that will lead to the sustainable level of business development of the Advantest Group and mid-to-long term enhancement of corporate value. Therefore, Advantest has appointed five outside directors. Starting from the General Meeting of Shareholders on June 27, 2023, outside directors are now a majority of the Board of Directors, and more than one director is female.

### III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	More than 3 weeks before the date of the meeting.
Scheduling AGMs Avoiding the Peak Day	Avoid confliction of dates to facilitate participation by holding them 1 to 2 days prior to busy dates
Allowing Electronic Exercise of Voting Rights	Exercise of voting rights via the Internet from our website
Participation in Electronic Voting Platform	Advantest participates in the voting rights electronic exercise platform
Providing Convocation Notice in English	Convocation notice is available in Japanese and English on our Corporate website.
Other	<p>Implementation of Virtual Shareholder Meetings:</p> <p>Advantest held the general meeting of shareholders online as well as inviting shareholders to attend in real life at the venue. At the meeting, shareholders who were participating online were able to send messages to the venue. The live-streaming video will be delivered on demand at a later date. All reported items at the general meeting of shareholders are disclosed on Advantest's website.</p> <p>Analysis of Voting Results:</p> <p>Regarding the approval or disapproval of the agenda at the general meeting of shareholders, Advantest confirms the results of our major institutional investors exercising their voting rights, and if a negative vote is cast, the reasons for that are analyzed in light of the voting standards of institutional investors. If the reasons for opposition cannot be confirmed by the voting standards or disclosure by institutional investors, Advantest contacts the institutional investors directly to confirm the reasons for their opposition. Advantest also reports to the Board of Directors on the voting trends of these institutional investors and our analysis of negative votes.</p>

#### <III - 2. IR Activities>

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	"Basic IR Policy" including disclosure policy is disclosed on our website. (English is also available)

	<a href="https://www.advantest.com/investors/management-policy/irpolicy.html">https://www.advantest.com/investors/management-policy/irpolicy.html</a>
Regular Investor Briefings for Analysts and Institutional Investors	On the date of each quarterly financial results announcements our representative director and CFO hold financial results briefings for analysts and fund managers. These meetings are attended by not only active investors, but also passive investors and institutional investors with a variety of investment styles. In addition, we hold technology briefings and sustainability briefings for institutional investors in order to provide them with a deeper understanding of our business trends. To further deepen dialogue with our shareholders, we also hold individual meetings with domestic and overseas institutional investors.
Regular Investor Briefings for Overseas Investors	IR roadshows, held face to face or online, are conducted by the Group CEO/CFO a few times a year for investors in the US, Europe and Asia.
Posting of IR Materials on Website	<a href="https://www.advantest.com/investors/">https://www.advantest.com/investors/</a> Mid-long-term management policy, financial closing announcement materials, disclosure materials, annual reports, quarterly reports, convocation notice, individual business unit briefing materials, past financial data, and stock / shareholder information are disclosed on our website in English and Japanese.
Establishment of Department and/or Manager in Charge of IR	Corporate Strategy Group, IR Department is in charge.

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

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Advantest established “ESG Initiatives Basic Policy”. Advantest will strive to contribute toward realizing a sustainable society by respecting shareholders, considering the environment and harmonizing with society, while being aware of the contribution of the SDGs.
Implementation of Environmental Activities, CSR Activities etc.	CSR activities are actively organized and conducted by Corporate Strategy Group, ESG Promotion Office.
Development of Policies on Information Provision to Stakeholders	An “Integrated Annual Report” is produced and published every year on Advantest’s website. We have published detailed data under the name of Sustainability Data Book.
Other	<u>Activities to respect human rights:</u> Advantest recognize that Advantest must protect the human rights of all the people in our global business activities. This is stipulated in “The Advantest Way”, the Advantest Group’s code of ethics. Advantest has developed “Advantest Group Human Rights

	Policy” based on “The Advantest Way” and Advantest expresses the Advantest Group’s responsibility to respect human rights. As part of efforts to respect the human rights of suppliers, Advantest conducts a CSR survey every year to verify whether suppliers are operating in a fair manner and with respect to human rights.
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## IV. Matters Related to the Internal Control System

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

The Board of Directors has established 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 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 Directors and Executive Officers” for directors and executive officers.
- (ii) The Advantest Group shall establish subcommittees such as the Internal Control Committee and the Disclosure Committee in order to ensure the appropriateness of business of Advantest Group.
    - The Internal Control Committee shall report to the Board of Directors about the design and operation of Internal Control System as deemed necessary.
    - The Disclosure Committee oversees the proper disclosure by management and report to the Board of Directors as deemed necessary.
  - (iii) Regarding compliance, Chief Compliance Officer (CCO) supervises the compliance of laws and regulations and the implementation of The Advantest Way and report to the Board of Directors as deemed necessary.
  - (iv) 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 events 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 Executive Management Committee 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.
- (iv) 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.

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 FY2022 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 Regulations of the Board of Directors and Executive Officers and employees execute business in accordance with the Global Organization and Authorization Rules.

The Executive Management Committee is positioned as a decision-making body for important business matters of Advantest. Among Executive Officers, those who are deemed capable of leading the group management are nominated as Senior Executive Officers who serve as members of the Executive Management Committee. The Executive Management Committee has largely delegated authority to unit leaders to realize speedy management.

We changed the position of Mr. Douglas Lefever from Director, Senior Executive Officer to Representative Director, Corporate Vice President and Group COO, and Mr. Koichi Tsukui from Director, Senior Executive Officer to Representative Director, Corporate Vice President and Group Co-COO, in order to strengthen the management system in consideration of response to changes in management environments including business expansion, further acceleration of growth, and preparation for generation changes in the future.

- (ii) Framework concerning compliance

Advantest established The Advantest Way, which articulates the Purpose & Mission, the Vision, the Core Values, the Guiding Principle, and the Ethical Standards, under which Advantest raises INTEGRITY as our Core Values. Advantest is promoting initiatives with the aim of materializing INTEGRITY in our daily operations and making INTEGRITY our true corporate culture. Specifically, Advantest launched the “INTEGRITY award” to recognize and express appreciation for employees who have demonstrated INTEGRITY by recommendation from peer employees. As the framework to further promote the transformation of our corporate culture, instead of existing short-term projects, Advantest also appointed the 32 “INTEGRITY Ambassadors” across the globe, and organized the “Culture Council” consisting of Group CEO, Senior Executive Officers, and Leaders of each country, etc. to support the Ambassadors.

In order to strengthen our system to quickly respond to compliance incidents, Advantest has terminated the Compliance Committee and made Chief Compliance Officer (CCO) responsible for the control of compliance. Advantest has transferred the role of information sharing on compliance which had previously been held by the Compliance Committee to the Internal Control Committee to the extent necessary.

Advantest has established internal and external helplines. Advantest has also transitioned the external helpline to more highly-confidential system since March 2023. Advantest is working to thoroughly familiarize all officers and employees around the world with the role 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

In addition to discussing a broad range of risks to the global economy and the overall business environment at Board of Directors and Executive Management Committee, the Internal Control Committee chaired by the representative director, President, Group CEO and attended by outside directors as observers identifies and analyzes important risks throughout Advantest Group and clarifies departments responsible for each risk and policies and procedures for dealing with each risk. Moreover, Advantest shall report to the Board of Directors on the design and operation status of internal control system and on the cases where significant defects and significant deficiencies are found in the internal control evaluation process.

Advantest has established the Risk Management Group headed by the representative director, President, Group CEO to respond to emergency disasters, such as flooding and pandemics. In FY2022, Advantest started to restructure the Business Continuity Plan (BCP) in Japan.

(iv) Framework for retention and management of information

Advantest 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 current fiscal year, Advantest 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.

Advantest obtained a certification of ISO 27001, a standard for information security management system, in August 2021. The extension of certification to our subsidiaries in Germany is applied in May 2022.

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

Advantest establishes important business processes for Advantest as a whole, and by providing guidance on risk analysis and appropriate responses to such risks, Advantest group companies establish and operate the same internal control system. The Internal Control Committee monitors the status of internal controls of each company based on the CSA (Control Self-Evaluation) of important group companies conducted by the internal audit division. It also monitors the status through audits by the internal audit division and gives instructions so that each group company can operate in accordance with the policy for building internal control systems. The Internal Control Committee reports to the Board of Directors if important matters concerning internal control of each group company are discovered.

The internal audit division reports the audit results to the President, Group CEO and the Audit and Supervisory Committee, and also to the Board of Directors.

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

Advantest has put in place a system whereby a standing audit and supervisory committee member attends important meetings such as the meeting of the Executive Management Committee and keeps abreast of important matters regarding the execution of operations. The Audit and Supervisory Committee holds meetings with the independent auditor and the internal audit division, as necessary, to ensure good communication. Advantest provides opportunities for the representative director, President, Group CEO 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.

Advantest 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.

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

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

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

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

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

### V. Other

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

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	

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

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

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

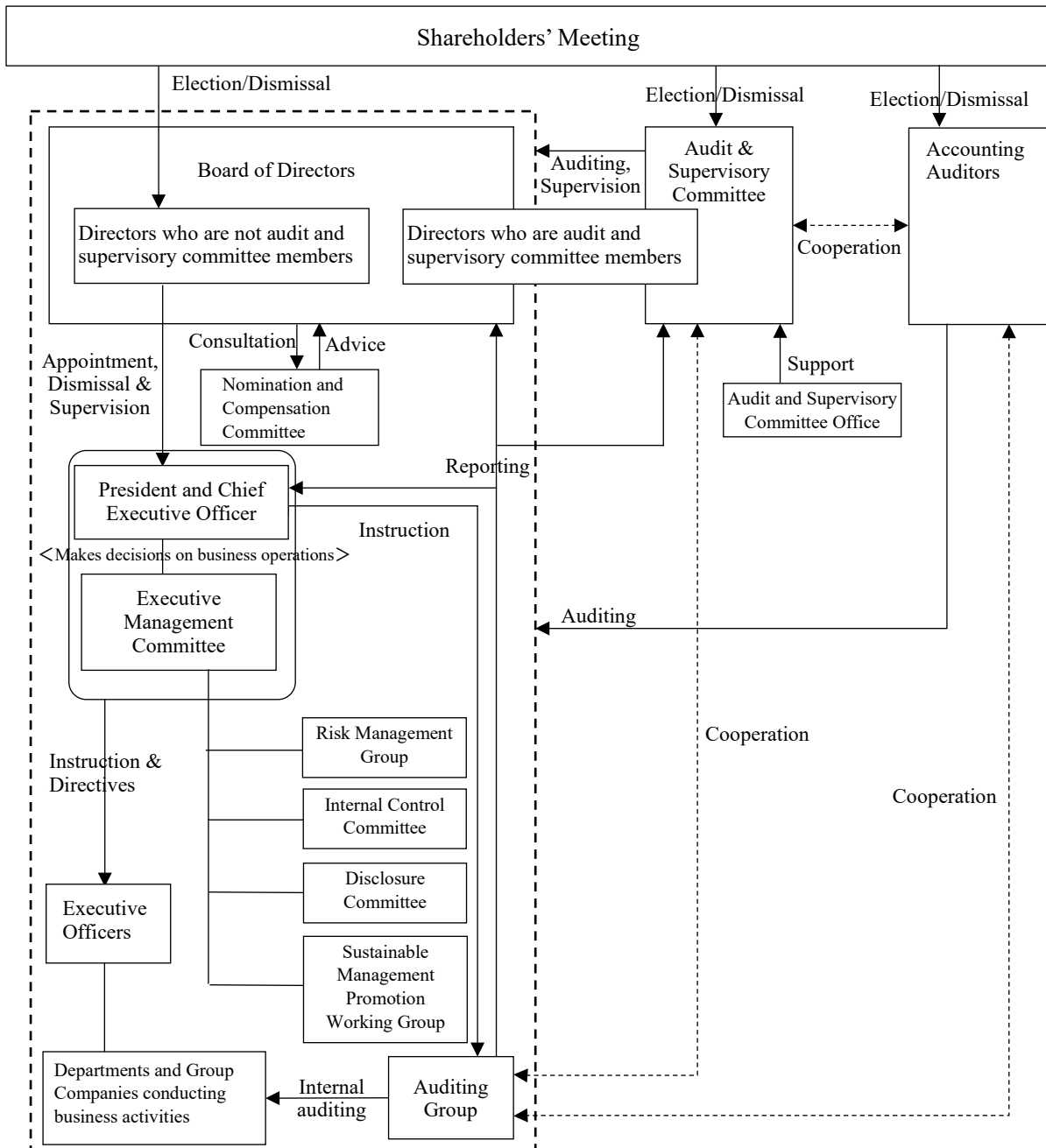
Among the disclosed information, Advantest has established the Disclosure Committee and conducts disclosure control procedures for regular statutory disclosure documents such as information to be submitted to the KLFB, and the Group CEO · CFO evaluate and certify the effectiveness of disclosure control procedures. We further strengthen these documents, by auditing the financial statements by the independent outside auditors and reviews by outside legal counsel as necessary.

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

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

With the above, we ensure the appropriateness of disclosure.

[Corporate Governance Scheme]



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

