

Corporate Governance Report

Updated on: June 24, 2021
ADVANTEST CORPORATION

Yoshiaki Yoshida
Representative Director, President and CEO

Contact: Atsushi Fujita
Director, Senior Executive Officer &
Executive Vice President, Corporate Administration Group
<https://www.advantest.com/>

This is an English translation of the Corporate Governance Report of Advantest Corporation updated on June 24, 2021.

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 corporate 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, and in response to our mandate from stakeholders, Advantest aims to achieve a sustainable level of business development for the Advantest Group and to enhance corporate value over the mid-to-long term. To that end, the Advantest Group will establish a fair and efficient and transparent governance system. Above is a basic view on the Advantest Group’s corporate governance.

Advantest discloses our Corporate Governance Basic Policy at the following website.
(<https://www.advantest.com/sustainability/governance/governance.html>)

[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 the Company, 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.

Principle 4.1.3: Succession planning

Regarding the succession plan of CEO, the Board of Directors is taking the initiative after consideration by the Nomination and Compensation Committee. Currently, we are working on the formulation of this plan, and the Nomination and Compensation Committee will report progress to the Board of Directors. Regarding executive officer candidates, the executive section has developed a succession plan for executive officers and the plan has been reported to the Board of Directors and the Nomination and Compensation Committee.

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

Principle 1.4: Strategic Shareholdings

We do not hold shares of any Japanese listed companies as strategic shares.

Regarding unlisted Japanese stocks, we hold multiple shares as strategic shares as of May 27, 2021. In addition, our overseas subsidiaries hold multiple overseas listed stocks as of May 27, 2021. This is because a company whose shares are held by one of our overseas subsidiaries was listed in FY2020, and separately, our subsidiary in the US purchased shares of PDF Solutions, Inc., a company listed the US to make a business alliance. We also verify the investment effects of major unlisted shares as well as the purpose of holdings and report them 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 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 MPT1 called for.

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

Under MTP2, the management metrics that are emphasized in MTP2 are sales, operating margin, net income, return on equity attributable to owners of the parent (ROE), and earnings per share (EPS). Advantest will endeavor to grow all these numbers. In order to evaluate the progress of the plan from a mid/long-term perspective, Advantest will use three-year averages so as to minimize the impact of single-year performance fluctuations.

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

Details are published on our website.

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

Principle3.1 ii): Basic views and guidelines on corporate governance based on each principle of the Code

Based on our corporate mission of "Enabling Leading-Edge Technologies", our basic concept of corporate governance is to respond to the mandate from stakeholders, the Advantest aims to achieve a sustainable level of business development of the Advantest group and to enhance corporate value over the mid-to-long term. Our corporate governance basic policy (refer to the following URL) was established with this aim.

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

Principle3.1 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 transfer-restricted stock compensation, which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders, and performance-linked stock compensation, which promotes the achievement of medium-term management goals that lead to corporate value improvement.

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

(1) For directors who also serve as executive officers, fixed compensation (monetary remuneration) appropriate to their duties and responsibilities will be paid monthly, in addition to the executive officer compensation specified in 3 below.

(2) For outside directors (excluding directors who are Audit and Supervisory Committee members), fixed compensation (monetary remuneration) will be paid in consideration of their roles and independence. Fixed compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).

(3) Fixed compensation (monetary remuneration) will be paid to directors who are Audit and Supervisory Committee members in consideration of their roles and independence. The individual compensation level of directors who are Audit and Supervisory Committee members will be decided through discussions with them.

(4) In addition to the above, lump sum payments may be made based on special events such as the anniversary of the Company's founding.

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

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

(1) Fixed compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).

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

4. Procedures and methods for determining compensation

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

5. Reduction of compensation, clawbacks, etc.

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

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 achieve a sustainable level of business development and mid-to-long term enhancement of corporate value, and who have the following qualities. Detailed appointment criteria will be considered in addition to the following 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 achieve 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 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 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 Directors of the Company and like will be considered in addition to the criteria.

- a person who worked at the Company as a Director, an Executive Officer, or an employee in Corporate Administration area or Internal Audit group
- 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

(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 Officers

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.

Principle 3.1 v): Explanations with respect to individual appointments and nominations based on iv)

Regarding the appointment of candidates for Directors who are not Audit and Supervisory Committee members, and for Mr. Yuichi Kurita and Mr. Kouichi Nanba, please refer to the convocation notice of 79th Ordinary General Meeting of Shareholders (Page13-25 in English version). For Ms. Sayaka Sumida, please refer to the Convocation notice of the 78th Ordinary General Meeting of Shareholders (Page 19-20 in English version).

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

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 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 4.9: 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 Directors of Advantest shall be judged to be independent when none of the following provided conditions apply presently.

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 4.11.1: Concept of composition of the Board

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.

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.

(Result of FY2019 and action in FY2020)

Regarding board effectiveness in FY 2019, Advantest considered the following three items: materials for distribution and explanation methods of the Board of Directors, the Nomination and Compensation Committee reporting method, and how outside directors should utilize outside experts .

Regarding materials for distribution and explanation methods of the Board of Directors, executives prepare and attach an executive summary when providing materials to the Board of Directors. Also, the Board of Directors have presenters explain their topics briefly.

Regarding the Nomination and Compensation Committee reporting method, the committee reported three times in FY2020 and provides sufficient information to the Board of Directors..

Regarding utilization of outside experts by outside directors, outside directors can use third-party experts. Advantest will continue to improve this system to make it more effective.

(Result of FY2020)

Regarding the effectiveness of the Board of Directors in FY 2020, it was confirmed that discussion about corporate strategy is sufficient, and the Board of Directors exchanged opinions freely. In addition, in order to enhance the effectiveness of the Board of Directors, it was decided that it is important to deepen the discussion of ESG within the Board of Directors and to consider a desirable composition of 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 FY2020, Advantest conducted training as follows.

- For newly appointed outside directors, Advantest explained the Advantest Group’s business, organization, etc.
- Advantest provided an external training program on governance to newly appointed internal directors in Japan.

Principle 5.1: Policy for Constructive Dialogue with Shareholders

It is stated in the “Basic Investor Relations Policy” as follows;

“Basic Investor Relations Policy”

Under the direction of our 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 Section handles communications with shareholders and investors. In principle, all Advantest's IR communications go through our IR spokespersons—the CEO, CFO, Executive Vice President and Senior Vice President in Corporate Planning & Stakeholder Relations Group 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 section 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.

< 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)	53,804,500	27.29
Custody Bank of Japan, Ltd. (trust account)	20,771,500	10.53
Custody Bank of Japan, Ltd. (investment trust account)	5,820,000	2.95
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	4,015,811	2.03
Custody Bank of Japan, Ltd. (trust account 4)	3,907,300	1.98
Custody Bank of Japan, Ltd. (trust account 7)	3,544,400	1.79
STATE STREET BANK WEST CLIENT - TREATY 505234	3,193,300	1.61
JP MORGAN CHASE BANK 385781	2,459,984	1.24

Custody Bank of Japan, Ltd. (trust account 5)	2,280,200	1.15
SSBTC CLIENT OMNIBUS ACCOUNT	2,262,797	1.14

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

Supplementary Explanation

In the Report of Possession of Large Volume made available for public inspection as of March 31, 2021, 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.

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

< I - 3. Corporate Attributes >

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
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	11
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
Osamu Karatsu	From another company											
Toshimitsu Urabe	From another company											
Nicholas Benes	From another company											
Kouichi Nanba	Lawyer											
Sayaka Sumida	Certified public accountant											

* 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

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. 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*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. 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)

i. 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)

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Osamu Karatsu		○		Mr. Osamu Karatsu has a wealth of knowledge and experience as a semiconductor specialist. He is expected to reflect his knowledge of the industry and his broad perspectives in Advantest Group's 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.
Toshimitsu Urabe		○		Mr. Toshimitsu Urabe has extensive management experience at a leading Japanese general trading company, particularly overseas experience in the United States and Asia, experience in business investment decisions, etc., and extensive experience in administrative management for example human resources. He is expected to reflect his knowledge of investment decisions and administrative management such as human resources, 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 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
Kouichi Nanba	○	○		<p>Mr. Kouichi Nanba has not been directly involved in the management of a company in the past, but he has a wealth of experience and a high level of expertise in law and compliance, after serving as a judge mainly in charge of civil cases for many years, and as engaging in the practice of corporate legal affairs as a lawyer. He is expected to reflect his knowledge of laws and compliance in Advantest Group's audit and supervision, thereby contributing to the enhancement of compliance. Thus, Advantest believes that he is a suitable person as an outside director who is an audit and supervisory committee member.</p>
Sayaka Sumida	○	○		<p>Ms. Sayaka Sumida has not been directly involved in the management of a company in the past, but 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.</p>

[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	Inside 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 Audit Office 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 “the Nomination Committee” and “the 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 FY 2020, the Nomination and Compensation Committee met 14 times, and Mr. Toshimitsu Urabe, Mr. Kouichi Nanba and Mr. Yoshiaki Yoshida attended 14 times. All the members were present in every committee. The main discussion agenda of the Nomination and Compensation Committee is as follows.

- Candidates for Directors and Executive Officers.
- Appropriate levels for Fixed Compensation, Performance-linked Bonuses and Stock Compensation
- Succession Plan for CEO

Members after June 23, 2021 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 and 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. 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. 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.

[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.

Recipients of Stock Options	Inside Directors Employee / Subsidiaries’ Directors Subsidiaries’ Employee / Other
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Supplementary Explanation

Advantest will grant stock options to Directors or employees who have important roles and responsibilities.

Regarding Directors who are members of the Audit and Supervisory Committee and outside directors, they are

not eligible for grant of stock options and performance based stock remuneration by resolution of the Ordinary General Meeting of Shareholders held on June 27, 2018.

[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 171 million Yen (fixed-compensation: ¥60 million; performance-based compensation: ¥51 million; other cash compensation: ¥0 million; stock options ¥29 million; performance-based stock compensation: ¥31 million) in FY2020
- Mr. Soichi Tsukakoshi:
Total compensation 121 million Yen (fixed-compensation: ¥44 million; performance-based compensation: ¥38 million; other cash compensation: ¥0 million; stock options ¥18 million; performance-based stock compensation: ¥21 million) in FY2020
- Mr. Atsushi Fujita:
Total compensation 110 million Yen (fixed-compensation: ¥41 million; performance-based compensation: ¥34 million; other cash compensation: ¥0 million; stock options ¥16 million; performance-based stock compensation: ¥19 million) in FY2020
- Mr. Douglas Lefever:
Total compensation 191 million Yen (fixed-compensation: ¥66 million; performance-based compensation: ¥59 million; other cash compensation: ¥0 million; stock options ¥13 million; performance-based stock compensation: ¥53 million) in FY2020

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

**“Other cash compensation” refers to “congratulatory money” paid uniformly to all officers and employees, including directors, as a reward for achieving record-breaking performance in a single fiscal year in terms of net sales, net income and other performance indicators for FY2020.

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 Nominated Remuneration 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, “Directors and Executive Officers Compensation Policy and Procedure” (Please refer to Principle 3.1 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 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 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

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 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. The Board of Directors met 13 times in FY2020, Mr. Yoshiaki Yoshida, Mr. Osamu Karatsu, Mr. Toshimitsu Urabe, Mr. Nicholas Benes, Mr. Soichi Tsukakoshi, Mr. Atsushi Fujita, Mr. Yuichi Kurita and Mr. Kouichi Nanba, attended 13 times, and Mr. Koichi Tsukui, Mr. Douglas Lefever and Ms. Sayaka Sumida attended 10 times, Mr. Hans-Juergen Wagner and Ms. Tsuneko Murata attended 3 times. All the members were present at every Board of Directors meeting which they were eligible to attend (given varying dates of appointment). At the Board of Directors meetings, directors with a wealth of knowledge and experience expressed their opinions from each point of view on the agenda proposed by the management team, and active discussions took place. The Board of Directors spends about 3 to 5 hours per meeting, and considers budgets, financial statements, Executive Officer personnel, and acquisition or sales of businesses etc. The Board of Directors of Advantest (including Directors who are Audit and Supervisory Committee members) is composed of five 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 nationality. One of the directors is female. 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 necessary authorities to ensure the prompt and efficient performance of duties. Advantest holds the Senior Executive Officers Committee to deliberate important matters that delegates its authorities. The Executive Management Committee is held approximately twice a month. The Executive Management Committee is composed of Senior Executive Officers.

Advantest has shifted to the Audit and Supervisory Committee system on June 24, 2015. The Audit and Supervisory Committee is composed of one inside director and two outside directors as of June 25, 2020. Mr. Yuichi Kurita, a member of the Audit and Supervisory Committee member, 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 member, has experience in working an accounting firm as a certified public accountant. Both have sufficient knowledge of finance and accounting. Also, Mr. Kouichi Nanba, a member of the Audit and Supervisory Committee, has abundant experience on legal affairs.

The Audit and Supervisory Committee audits, based on an audit policy, an audit plan and division of duties formulated by the Audit and Supervisory Committee, the execution of duties by Directors, Executive Officers and other business executing agencies through collaboration with the Auditing Group and Accounting Auditors, in addition to its members attending important meetings such as the Board of Directors, the Executive Management Committee, the Internal Control Committee, Compliance Committee, Disclosure Committee, etc. receiving reports on the execution of duties by Directors and Executive Officers, reading important decision-making materials, and investigating the status of operations and assets of Advantest and major consolidated subsidiaries in Japan and overseas.

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 Audit and Supervisory Committee members, 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 14 times in FY2020, Mr. Yuichi Kurita and Mr. Kouichi Nanba attended 14 times, Ms. Sayaka Sumida attended 11 times and Ms. Tsuneko Murata attended 3 times. All the members were present at every Audit and Supervisory Committee meeting which they were eligible to attend (given varying dates of appointment). 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 President and CEO, 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.

With regard to internal auditing, Advantest have established an audit office and several selected internal employees routinely monitor the operation status of Advantest, as well as identifying problems and making recommendations for improvement.

Regarding accounting audits, Advantest has audited with Ernst & Young ShinNihon LLC and received predetermined audits. The certified public accountants who executed Advantest's accounting audit work in fiscal 2020 are Mr. Toshiyuki Matsumoto, Mr. Minoru Ota and Mr. Hiroyuki Nakada. All these auditors have continuously performed our audits for periods of up to seven years. 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.

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

As a company with an Audit and Supervisory Committee, directors who are Audit and Supervisory Committee members have voting rights at the Board of Directors, and the auditing and oversight functions of the Board of Directors are further strengthened. 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.

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.

Furthermore, Advantest has established a system that responds to a rapidly changing business environment, and has adopted an executive officer system in order to execute business operations swiftly, and has delegated much of the authority for business execution to Executive Officers and a President.

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	We 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 our website.

<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) https://www.advantest.com/investors/management-policy/irpolicy.html
Regular Investor Briefings for Analysts and Institutional Investors	Advantest holds financial results briefings for analysts and institutional investors on the date of quarterly financial results announcements. In order to give investors a deeper understanding of our business trends, Advantest holds business / technology briefing sessions several times a year. In addition, for the purpose of deepening engagement, the CEO / CFO and IR personnel hold individual meetings with domestic and overseas analysts and institutional investors as needed.
Regular Investor Briefings for	IR roadshows, held online or face to face, are conducted by the

Overseas Investors	CEO/CFO a few times a year for investors in the US, Europe and Asia.
Posting of IR Materials on Website	https://www.advantest.com/investors/ 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 Planning Department, IR Section 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 “basic CSR policy”. Advantest will strive to respect stakeholders and contribute toward realizing a sustainable society by harmonizing with society
Implementation of Environmental Activities, CSR Activities etc.	CSR activities are actively organized and conducted by Corporate Communication Division, CSR & Environmental Affairs Promotion Office
Development of Policies on Information Provision to Stakeholders	An “Integrated Annual Report” and “Sustainability Report” are produced and published every year on Advantest’s website. From FY2020, we have unified the above two reports and published detailed data in a separate Sustainability Data Book.

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, the Compliance Committee and the Disclosure Committee in order to ensure the appropriateness of business of Advantest Group.
 - (iii) The Internal Control Committee shall report to the Board of Directors about the design and operation of Internal Control System as deemed necessary.
 - (iv) The Compliance Committee monitors the compliance of laws and regulations and the implementation of The Advantest Way and report to the Board of Directors as deemed necessary.
 - (v) The Disclosure Committee oversees the proper disclosure by management and report to the Board of Directors as deemed necessary.
 - (vi) The Company establishes a corporate ethics helpline for whistleblowing such that employees can report behaviors that are illegal or inappropriate in light of applicable laws, Articles of Incorporation or The Advantest Way. The Company stipulates that the reporter / consultant will not treat such persons adversely for having reported an incident or sought consultation regarding a potential violation, and will thoroughly disseminate it.
3. Rules relating to the management of risk of loss and other frameworks of the Company and the Subsidiaries
- (i) With respect to potential risks behind management environment, business activities and corporate assets of Advantest Group, the Company shall identify and classify risk factors for each important business process, analyze the magnitude of risks, possibility of actual occurrence and frequency of such occurrence, etc., and create written policies and procedures regarding the appropriate response to and avoidance/ reduction of the risks, as part of the internal control activities.

- (ii) With respect to emergency situations such as disasters, the Company shall establish the Risk Management Group, create written emergency action guidelines and prepare by implementing education and training programs on a regular base.
 - (iii) The Internal Control Committee shall thoroughly manage risks of the Advantest Group and report material risks to the Board of Directors.
 - (iv) The Company is making efforts to prevent occupational injuries, create a comfortable working environment, and promote the good health of its employees through the establishment of the Safety and Health Committee.
4. Framework regarding the retention and management of information with respect to the performance of duties by Board Directors of the Company
- (i) The Company shall properly retain and manage the following information regarding the exercise of duties by directors, pursuant to the internal rules that stipulate details such as the period of retention, person in charge of retention and method of retention.
 - Minutes of general meetings of shareholders and reference materials
 - Minutes of meetings of the Board of Directors and reference materials
 - Other important documents regarding the exercise of duties by directors
 - (ii) The Company shall establish the Information Security Committee that is responsible for protecting personal information and preventing confidential information from leaking.
5. Framework to ensure the appropriateness of operations of the Company, and the group as a whole, including its subsidiaries
- (i) The Advantest Group shall establish and operate the same quality of internal control system for the Company and each company of the Advantest Group in order to conduct the consolidated group management placing an emphasis on business evaluation based on consolidated accounting.
 - (ii) The internal control system of the Advantest Group is supported by each department of the Company that is responsible for each group company, and is established and operated as a unified system based on the policies of the group created by the Internal Control Committee. Significant matters concerning the status of each group company that is controlled by the Internal Control Committee shall be reported to the Board of Directors.
 - (iii) Auditing Group of the Company supervises an internal audit to each group company.
6. Matters relating to employee(s) who assist the Audit and Supervisory Committee
- The Company shall establish the Audit and Supervisory Committee and assign the employee(s) who assist it.
7. Matters relating to the independence of the employee(s) referred to in the preceding Section from Board Directors of the Company (excluding directors who are Audit and Supervisory Committee members) and the matters for ensuring the effectiveness of direction to the employee(s)
- (i) The personnel matters including but not limited to assignment, transfer, performance appraisal and disciplinary action of the employee(s) referred to in Section 6 shall be subject to a prior consent of the Audit and Supervisory Committee.
 - (ii) The Employee(s) referred to in Section 6 shall perform their duties exclusively pursuant to the instruction and order by directors who are Audit and Supervisory Committee members and their

independence from any officers or employees other than the directors who are Audit and Supervisory Committee members shall be ensured.

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

- (i) In the event that any violation or breach of applicable laws, Articles of Incorporation or The Advantest Way or the fact that could cause serious damage is detected or reported, such 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 FY2020 is as follows:

(i) Framework for the effective performance of duties

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

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

(ii) Framework concerning compliance

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

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

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

(iii) Framework for risk management

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

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

(iv) Framework for retention and management of information

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 business 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.

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

Advantest has defined important business processes of the Advantest group and conducted risk analysis. Advantest provides instructions to group companies about appropriate responses to those risks. In this way, Advantest has established internal control systems that are homogeneous within the group and is operating them. The Internal Control Committee identifies the internal control status of each important group company based on a control self-assessment (CSA) performed by the internal audit division and by means of audits performed by the internal audit division, and provides instructions to group companies to ensure operation in compliance with the policy for establishment of internal control systems. The Internal Control Committee reports to the Board of Directors if important matters concerning internal control of group companies come to light.

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

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

and Supervisory Committee to exchange opinions on a periodic basis or on an as-needed basis in order to ensure good communication.

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 from the audit and supervisory committee members, and thus his independence of 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
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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.

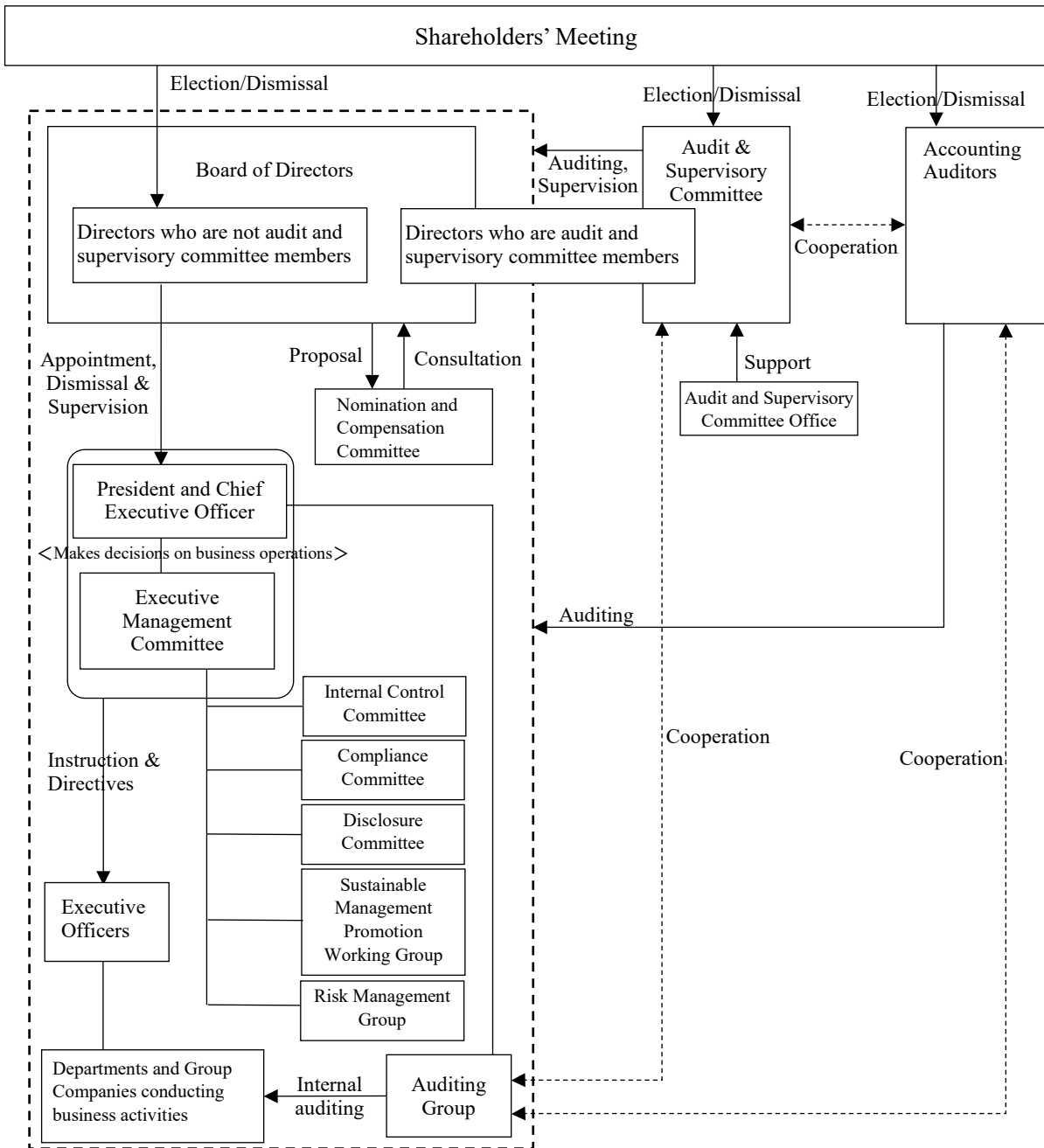
Among the disclosed information, Advantest has established the Disclosure Committee and conducts disclosure control procedures for regular statutory disclosure documents such as information to be submitted to the KLFB, and the CEO · CFO evaluate and certify the effectiveness of disclosure control procedures. 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 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]

