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Corporate Governance

We aim to achieve a sustainable level of business development and enhancement of our corporate value through transparency of management and proactive disclosure of relevant information.

Management Structure

Our Basic Policy of Corporate Governance

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, Advantest emphasizes open, honest and respectful dialogue with all stakeholders at all times, to achieve a sustainable level of business development for the Advantest Group and to enhance corporate value over the medium/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.

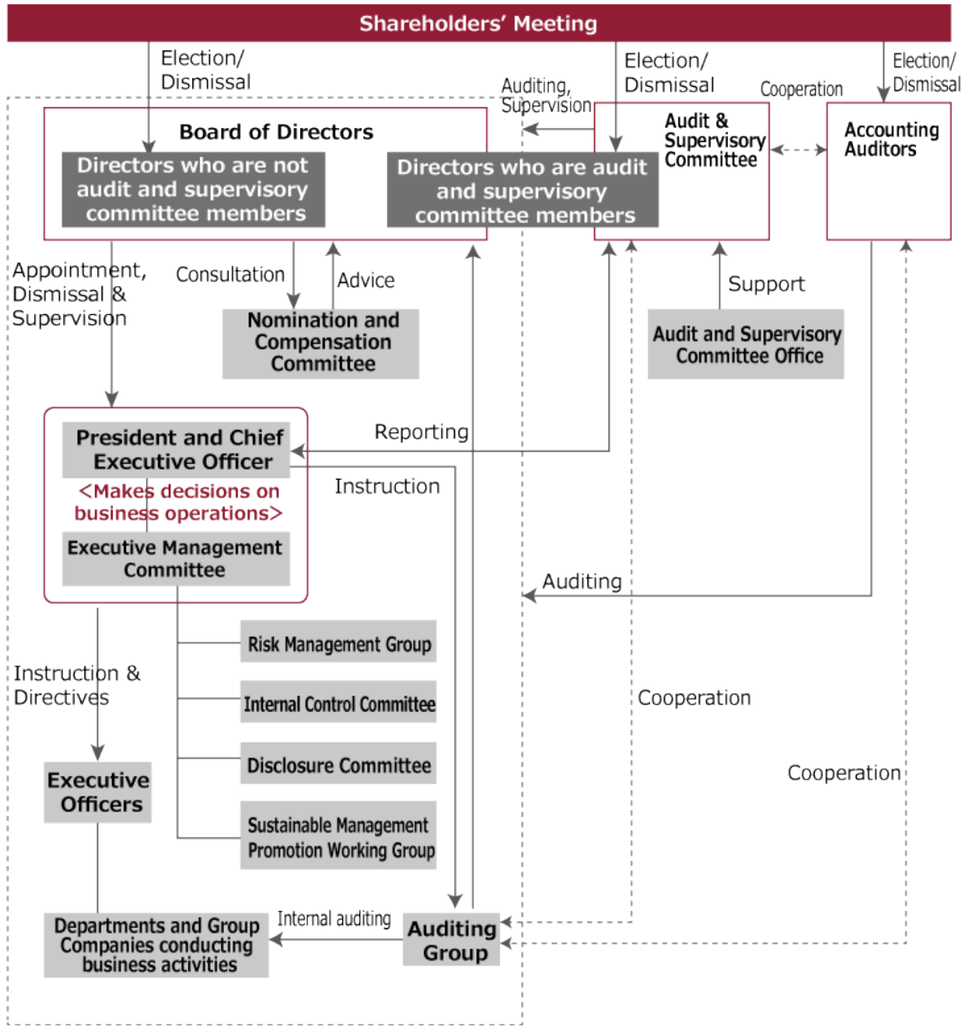
Advantest Corporate Governance Policy (PDF 183KB)

Corporate Governance System

The global business environment is changing more rapidly than ever before, due to factors such as technological advancement and impact of the new coronavirus (COVID-19). To continuously increase our corporate value and competitiveness in today's world, we emphasize swift decision-making and execution. We also place an emphasis on sound, highly transparent business operations in compliance with relevant laws and regulations. In order to meet these challenges, we draw clear lines of authority within our organization and set responsibilities in accordance with each management function, assigning each role to the best person for the job.

We have become a company with an Audit and Supervisory Committee since June 2015. Advantest further strengthened its corporate governance and Board of Directors' audit function as a company with an Audit and Supervisory Committee, where the committee members use their voting rights in Board of Directors Meetings with the aim of further increasing our corporate value. Furthermore, we have established a structure that can quickly respond to the rapidly changing business environment, and in order to strengthen our corporate governance, we introduced an Executive Officer system in 2003.

Corporate governance structure



List of Governance Systems (As of June 24, 2022)	
Structure	Company with an Audit and Supervisory Committee
Number of Directors	11 (male:10 / female:1)
Number of Outside Directors	5 (45.5%)
Number of Non-Japanese Directors	2 (18.2%)
Term of Office for Directors who are Not Audit and Supervisory Committee members	1 year
Number of Directors who are Audit and Supervisory Committee members	3
Number of Outside Directors	2
Term of Office for Directors who are Audit and Supervisory Committee members	2 years
Nomination and Compensation Committee	In place
Nomination and Compensation Committee Members	3 Directors (Two of which are outside Directors)
Nomination and Compensation Committee Chair	Outside Director
Performance-linked Remuneration System	In place
Executive Officer System	In place
Executive Officers	24
Non-Japanese Executive Officers	11

Please see the information below for the Corporate Governance Report.

Corporate Governance Report (PDF 749KB)

Board of Directors

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 supervision 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 FY2021. All members were present at every Board of Directors meeting.

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 meeting takes place once a month, and about 3 to 5 hours is spent per meeting to consider budgets, financial statements, personnel, and acquisition or sales of businesses, etc. As of June 24, 2022, the Board of Directors is composed of five executive directors (inside directors), one non-executive director (inside director), and five non-executive directors (outside directors) for a total of 11 members (including Directors who are Audit and Supervisory Committee members), of which two directors have non-Japanese nationalities, and one female director. 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.

At a Board of Directors' meeting, all directors answered a questionnaire to evaluate the effectiveness of their roles and obligations. Their opinions on the structure of the Board of Directors, operation, and discussion status were collected and analyzed.

(Result of FY2020 and action in FY2021)

Regarding board effectiveness in FY2020, Advantest considered the following two items: deepening discussions on ESG in the board of directors and considering the ideal composition of the Board of Directors.

- Regarding ESG, Advantest formulated our ESG Basic Policy in June 2021, and based on this policy, the Board of Directors received a progress report in November.
- Regarding the composition of the Board of Directors, we discussed including an institutional design at the Nomination and Compensation Committee and at off-site meetings of the Directors. We have not reached a conclusion, but we will continue to discuss this matter.

(Result of FY2021)

Regarding the effectiveness of the Board of Directors in FY2021, it was confirmed that 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 report with greater awareness of the external environment and revise the questionnaire used for the board evaluation accordingly, to focus more on discussion time than on reporting time, and to spend more time on discussion.

Skill Matrix

	Independence (Outside)	Management	Finance/ Accounting	Insight of semiconductor industry	R&D	Global operations	Legal affairs
Yoshiaki Yoshida Representative Director, CEO (Chief Executive Officer), Chairman of the Board of Directors, Nomination and Compensation Committee Member		●		●		●	
Osamu Karatsu Outside Director	●			●	●	●	
Toshimitsu Urabe Outside Director Nomination and Compensation Committee (Chairman)	●	●				●	
Nicholas Benes Outside Director	●	●				●	●
Soichi Tsukakoshi Director, Senior Executive Officer, CPO (Chief Production Officer)				●		●	
Atsushi Fujita Director, Senior Executive Officer, CFO & CCO (Chief Financial Officer & Chief Compliance Officer)			●	●		●	
Koichi Tsukui Director, Senior Executive Officer, CTO (Chief Technology Officer)				●	●	●	
Douglas Lefever Director, Senior Executive Officer, CSO (Chief Strategy Officer)				●	●	●	
Yuichi Kurita Director Standing Audit and Supervisory Committee (Executive Member)			●	●		●	
Kouichi Nanba Outside Director Audit and Supervisory Committee (Chairman)	●						●
Sayaka Sumida Outside Director Audit and Supervisory Committee Member, Nomination and Compensation Committee Member	●		●			●	

Reasons of Appointment of Outside Directors

Name	Reasons for 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 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.
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 in 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.
Kouichi Nanba	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.
Sayaka Sumida	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.

Directors and Executive Officers

Director Off-site Meetings

Advantest held off-site meetings to provide information and exchange opinions so that the Board of Directors can effectively discuss important issues such as the mid-term management plan, succession plan, and M&A. In FY2021, all Directors discussed a favorable composition of the Board of Directors and succession planning over two days.

Director Training

In FY2021, Advantest conducted training for directors as follows.

- We provided a tour of Advantest Laboratories for directors and explained the research activities of the Laboratories.
- We reported on technology trends and sales strategies at meetings of outside directors.
- We provided information security education for directors via e-learning.

All Executive Directors have taken an external training program on governance. It is because governance skill is important, we are expanding scope of the training to Executive Officers who are not directors. In FY2021, all newly appointed Executive Officers have taken the training.

Audit and Supervisory Committee

In compliance with the Rules for Audit established by the Audit and Supervisory Committee, pursuant to the audit policies, audit plans, allocation of duties, etc., and in coordination with the internal audit division and other relevant departments with jurisdiction over internal control, the audit and supervisory committee members attended important meetings such as Executive Management Committee, Business Plan Meeting, Internal Control Committee, Disclosure Committee, Compliance 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, we communicated with and exchanged information with the directors and corporate auditors of the subsidiaries and received business reports from subsidiaries as deemed necessary, and conducted audit to the Company's main consolidated subsidiaries overseas (by interviewing via web conferences or face to face), and confirmed their state of business operations and assets.

Advantest's Audit and Supervisory Committee is composed of one inside director and two outside directors whom are Audit and Supervisory Committee members (of which one is a full-time Audit and Supervisory Committee member)* and is chaired by an outside director. Directors who are Audit and Supervisory Committee members are appointed by the General Meeting of Shareholders separately from other Directors who are not Audit and Supervisory Committee members. The Audit and Supervisory Committee, the Auditing Group and other internal control departments, the Accounting Auditors, and the corporate auditors of each Advantest Group company collaborate with one another so as to carry out regular discussions and timely meetings.
* The number of people given is correct as of June 24, 2022.

Accounting Auditors

Accounting Auditors perform accounting audits of the consolidated financial statements, accounting documents, etc., and produce an audit report. Advantest has appointed Ernst & Young ShinNihon LLC as the Accounting Auditor, and undergoes the specified audit by the company.

Internal Audits

Advantest has established an internal auditing team that comprises the Auditing Group in head quarter and overseas subsidiaries. To verify whether the company's day-to-day operations are carried out appropriately and efficiently in accordance with the requirements of relevant domestic and overseas laws ordinances, and internal rules, the internal auditing team implements operational auditing, compliance auditing and internal controls auditing. Besides evaluating the efficiency of the internal controls system, the internal auditing team also provides support to assist in making improvements at individual business locations, when necessary. The internal auditing team hold appropriate qualifications (such as Certified Public Accountant, Certified Internal Auditor, or Qualified Internal Auditor), and all team members are committed to enhancing auditing quality.

Nomination and Compensation Committee

In 2005, Advantest established a Nomination and Compensation Committee as a discretionary institution. The Nomination and Compensation Committee consists of three Directors (including two outside Directors selected by the Board of Directors' resolution), with an outside Director serving as the chairperson of the committee. The Nomination and Compensation Committee, in consultation with the Board of Directors, discusses matters related to the nomination and compensation of Directors and Executive Officers, and makes proposals to the Board of Directors. The Committee met 13 times during FY2021. The main discussion agenda of the Nomination and Compensation Committee is as follows.

* The number of members is current as of June 24, 2022.

- Candidates for Directors and Executive Officers
- Succession planning for CEO
- Appropriate levels for Fixed Compensation, Performance-linked Bonuses and Stock Compensation and their operations

We have established a policy and procedures to assure the objectivity and transparency of the nomination and compensation of Directors, which are publicly available on the website.

Directors and Executive Officers Nomination/Dismissal Policy and Procedures (PDF 86KB)

Policies and Procedures for Determining Compensation for Directors and Executive Officers (PDF 61KB)

Executive Compensation System

Advantest's executive compensation system consists of fixed compensation (monetary), performance-linked bonuses (monetary), and stock compensation (non-monetary). The Nomination and Compensation Committee proposes our executive compensation system to the Board of Directors, which is operated following approval by the Board of Directors and the General Meeting of Shareholders.

Policies and Procedures for Determining Compensation for Directors and Executive Officers (PDF 61KB)

Basic Concept of the Executive Compensation System

The basic concept of the executive compensation system is as follows.

1. Establish a compensation mix and level that attracts international human resources who can support our global business development
   In order to continue growing in the semiconductor industry, which is complex and swiftly-evolving on a global level, we will appoint talented human resources from all over the world and compensate them according to global standards.
2. Well-balanced bonuses linked to performance
   Given that Advantest's business performance fluctuates, we will reward the contribution of officers when business performance is good, and reduce the burden on our company when business performance is declining.
3. Stock compensation that encourages executives to share the shareholder perspective and promotes a medium/long-term perspective on management
   We combine restricted stock compensation (RS), which encourages executives to pursue the medium/long-term corporate value improvement that shareholders desire, and performance share unit compensation (PSU), which encourages the achievement of medium-term management goals that lead to the improvement of corporate value.

Compensation Structure

As the ratio fluctuates depending on business performance, the ratio of remuneration is as follows, using standard remuneration as an example. However, if s/he concurrently serves as a director, director remuneration will be paid separately.

Senior Executive Officers (including the president)	Fixed compensation: performance-linked bonuses: stock compensation = approximately 1:1:1
Other Executive Officers	Fixed compensation: performance-linked bonuses: stock compensation = approximately 1:0.8:0.8

Fixed Compensation

Fixed Compensation (cash 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.

Performance-linked Bonuses

Advantest believes that performance-linked bonuses should improve corporate value by increasing the range of linkage.
Performance-linked bonuses 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. The distribution according to performance indicators and individual evaluations is as follows:

Performance indicators	With the annual profit plan target achievement rate as a KPI, bonuses vary from 0% to 200% of the individual's standard amount. * The standard amount of Senior Executive Officers is 100% of fixed compensation. The standard amount of other Executive Officers is 80% of fixed compensation.
Individual evaluation	Up to 30% of the total amount of performance-linked bonuses for executive officers is redistributed based on individual evaluations conducted by the president. Evaluation and redistribution proposals are discussed and approved by the Nomination and Compensation Committee and reported to the Board of Directors. 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.

Stock Compensation

In order to encourage management from a medium/long-term perspective, we have introduced a restricted stock compensation plan (RS), which is granted on the condition that the company holds shares during the term of office, and performance share unit compensation plan (PSU), which is based to the achievement status of the mid-term management plan.

Restricted Stock compensation (RS)

- 50% of stock compensation is RS.
- It is granted every year, with restrictions on transfer during the recipient's term of office (obligation to continue holding).

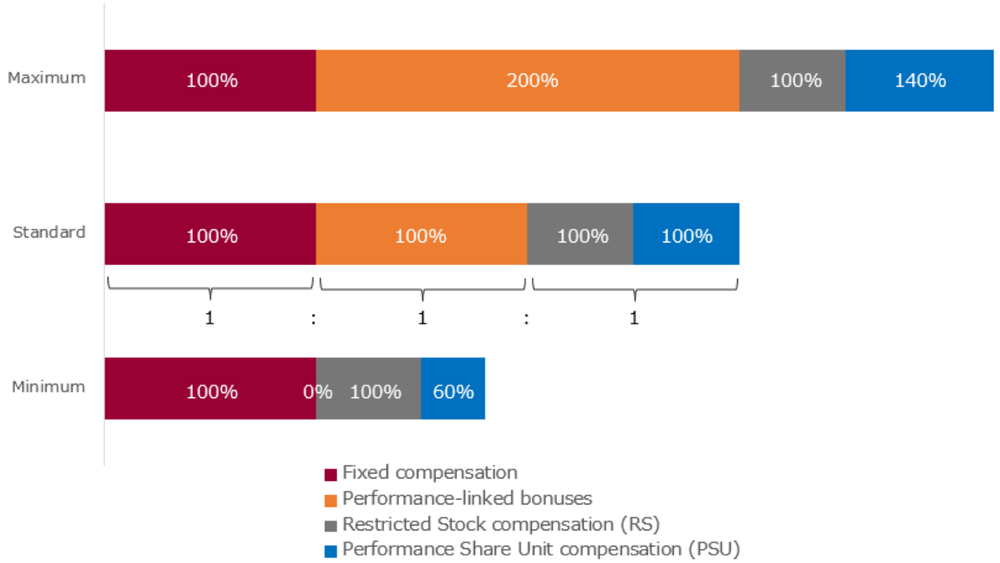
Performance Share Unit compensation (PSU)

- 50% of stock compensation is performance-linked stock compensation.
  PSU may fluctuate between 60 to 140% of the standard units according to how close actual results come to mid-term management targets (KPIs) over a three-year period.
- The KPIs are the following three items, and the weight of each item is as follows.

EPS growth rate	The target is 14% average annual EPS growth over the three years of the mid-term management plan with fluctuations between 70% and 130% of the standard units.
Relative Total Shareholders Return (r-TSR)	Comparison between the TSR of TOPIX with our TSR (our TSR ÷ TOPIX – TSR) with fluctuations between -5% to 5% of the standard units.
ESG evaluation	Evaluation scores of the S&P Global Corporate Sustainability Assessment are used as an index with fluctuations between -5% to 5% of the standard units.

- Three years' worth of PSU will be vested all at once after the completion of the mid-term management plan.
  - Officers who take office or retire in the second or third years of the med-term management plan will be prorated according to the length of time they have served.

Visualization of compensation for Senior Executive Officers (including the president)



* Before redistribution of performance-linked bonuses (30%) based on individual evaluation

Return of Remuneration

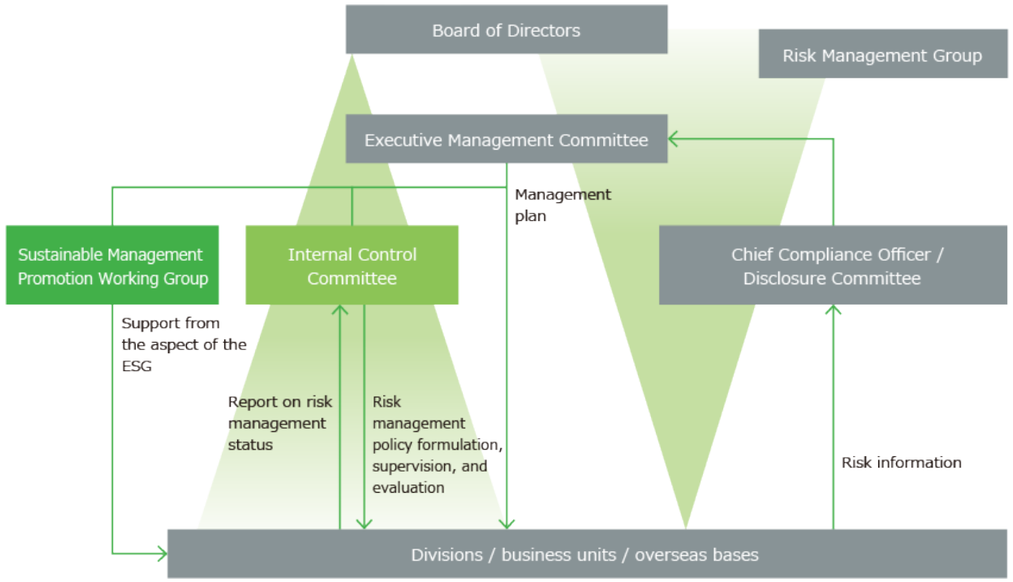
In the event of a violation of relevant laws or regulations or internal regulations, the Board of Directors may decide to reduce future remuneration or refund past remuneration (clawback provision).

Internal Control System

Advantest has set up and maintains internal control systems that correspond to the requirements of the Companies Act and the Financial Instruments and Exchange Act. In order to manage the group with an emphasis on performance evaluation based on the consolidated financial statements, these systems are built as a unified system that includes both Advantest and its affiliates.
Advantest has established an Internal Control Committee in which the Representative Director acts as the chairperson and outside Directors are observers. This committee identifies and analyzes significant risks for the whole company, and clarifies the responsible department and procedures for responding to each risk. Regarding the Internal Control System, the execution status of implementation of the system to ensure the appropriateness of business is reported directly to the Board of Directors once a year. Furthermore, if a material weakness is found in the internal control system development and operating status and the internal control evaluation process, it is reported to the Board of Directors.

Risk Management System

Thus, Advantest's risk management system is based on management supervision of risk analysis and risk response at the unit level. At the same time, regarding corporate-level risks, the Board of Directors or the Management Committee makes timely decisions and issues instructions to relevant departments to create a system that combines bottom-up and top-down risk management.



Bottom-up Reporting Line

Based on the risk management policy established by the Internal Control Committee, each unit conducts risk management and reports to the Internal Control Committee (twice a year). The Internal Control Committee supervises and evaluates the management status and provides feedback to each unit.

The organization to whom risks are reported varies depending on the risk being reported. Risks related to information disclosure is collected by the Disclosure Committee, while those related to compliance is collected by the Chief Compliance Officer (CCO), which are collectively reported to the Executive Management Committee and Board of Directors through the respective officers in charge. Some risks are also reported directly to the Executive Management Committee, Board of Directors, and Audit and Supervisory Committee.

Top-down Management

When each unit incorporates the management plan formulated by the Board of Directors and the Executive Management Committee into its own department's measures, we have a system in place to provide support according to its content.

The Internal Control Committee has defined factors that may hinder business management as risks, and has asked each unit to submit reports while supporting each unit from a company-wide perspective. The Sustainable Management Promotion Working Group encourages each unit for the planning and implementation of measures from an ESG perspective.

In the case of an emergency, necessary measures are taken in accordance with the directions given by the Risk Management Group.

Risk Management

Advantest is building a risk management system around the Internal Control Committee. We continue to practice the plan-do-check-action cycle.

Risk Management System

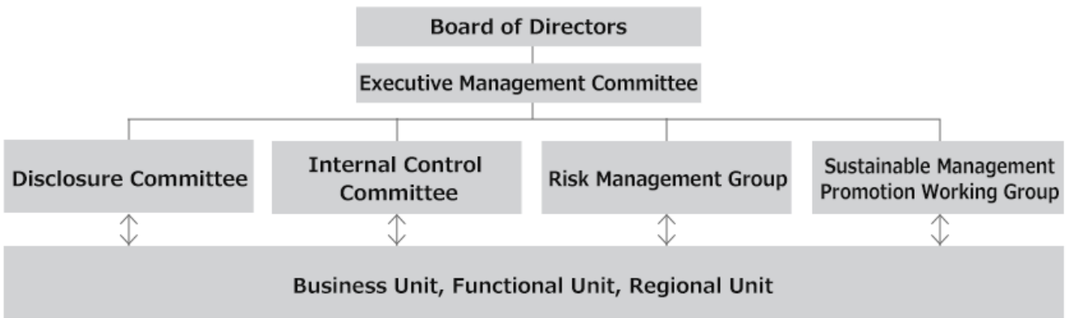
Approach to risk management

Because more than 90% of Advantest sales depend on overseas markets, we must implement risk management across multiple countries and regions. We believe that the key to quick response is a management system that addresses risks both top-to-bottom and bottom-to-top.

Risk management system and organization

At Advantest, each unit carries out risk management under the risk control policy designated by the Internal Control Committee, and the Internal Control Committee supervises and assesses the statuses of each unit before offering feedback.

Likewise, risks related to information disclosure are sent to the Disclosure Committee, while risks related to compliance are compiled by the Chief Compliance Officer (CCO). Emergency response is allocated to the Risk Management Group, whereas climate change risks are allocated to the Sustainable Management Promotion Working Group. In addition, trade issues such as the US-China trade war is dealt by the US-China Trade Compliance Project, a global organization within the Company.



The Risk Management section of our Sustainability Data Book introduces the activities of the Sustainable Management Promotion Working Group and the Risk Management Group.

TCFD-based Climate Change-related Information Disclosure

Initiatives for the TCFD recommendations

Guided by "The Advantest Way," Advantest implements climate change mitigation and adaptation measures from a long-term perspective, aiming to help solve important environmental issues through our business. In April 2020, Advantest announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In this section, we will disclose important information related to climate change in alignment with the recommendations of the TCFD.

Governance

Advantest newly established the Sustainable Management Promotion Working Group (SMWG) in FY2020. With the Director of Sustainable Management as the general leader and strategic managers and global leaders (executive officers) assigned to E, S, and G, the SMWG is composed of the managers of each Business Unit, Functional Unit, and Regional Unit. The SMWG identifies and evaluates issues related to climate change. Goals and priority measures are summarized in the ESG Action Plan 2021-2023 that promotes specific activities. The implementation status of the ESG Action Plan 2021-2023 is reported to the Executive Management Committee and the Board of Directors twice a year for discussion and assessment. In addition, the SMWG manages company-wide risk by sharing information in a timely and appropriate manner with other committees in the company's corporate governance system.

Strategies

Advantest has conducted scenario analysis to consider strategies for adapting to future events predicted by climate change. We began by referring to the greenhouse gas emissions scenarios such as the Representative Concentration Pathways (RCP) 8.5 and RCP2.6 of the United Nations Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report and B2DS of the International Energy Agency (IEA). We identified the risks that are expected to occur by 2050, which will have a particularly large financial impact on our business, including upstream and downstream of the value chain, and considered the well below 2-degrees Celsius and the 4-degrees Celsius warming scenarios.

well below 2-degrees Celsius warming scenario:

Under the well below 2-degrees Celsius framework, we assumed that climate change incentives, such as the introduction of carbon pricing, would be strengthened and that there would be no acute or chronic physical impact of climate change at levels that would impact our business. On another front, in a low-carbon economy, the demand for semiconductors will increase substantially, leading to an anticipated expansion of our business opportunities.

4-degrees Celsius warming scenario:

However, under the 4-degrees Celsius framework, where climate change countermeasures are not strengthened, we assumed that we may be physically affected in an acute or chronic manner by the effects of climate change such as the intensification of extreme weather events.

Climate change risks and opportunities

In order to respond to the effects of climate change, climate change risks and opportunities were deliberated under the TCFD categories. These risks and opportunities were assessed according to their "priority" and "impact", and were categorized into time spans of "short-term (now until 2027)", "mid-term (now until 2030)", and "long-term (now until 2050)".

Risks related to climate change

Two scenarios described in the TCFD categories were deliberated regarding business risks related to climate change.

(1) "Risks related to the transition to a decarbonized society", which occurs mainly during the well below 2-degrees Celsius scenario
(2) "Risks related to the physical effects of climate change", which occurs in the 4-degrees Celsius scenario in which global CO_2 emissions reduction goals are not achieved

Well below 2-degrees Celsius scenario: Risks transitioning to a decarbonized society

Category	Major risks	Response/strategy	Time axis
Policies and regulations	Increased business costs due to laws and regulations (Carbon tax / chemical substances)	▸Reduction of greenhouse gas emissions throughout the supply chain (achievement of SBTi certified target) ▸Product development that does not use environmentally harmful substances	Short-term
Technology and market	Loss of sales opportunities due to delays in technological development (Energy saving technology, test technology for new semiconductors is yet to be implemented)	▸Further energy-saving performance (low power and compact sizes) alongside improvements in testing performance ▸Development of new testing methods and testing devices ▸Generating human resources for next-generation energy-saving research and development	Short- to mid-term
Reputation	Decrease in reputation among stakeholders (due to delays in GHG emissions reduction plans)	▸Promotion of ESG management (achievement of ESG Action Plan 2021-2023 targets)	Short- to mid-term

4-degrees Celsius scenario: Physical risks of climate change

Category	Major risks	Response/strategy	Time axis
Acute/ chronic events	Disruption of the supply chain due to large-scale typhoons and torrential rainfall	▸Response based on the business continuity plan	Long-term

Climate change opportunities

Semiconductors will contribute to the decarbonized society, where stringent climate change countermeasures will be imposed. We can assume that the quantity of manufactured semiconductors will continue to grow in the future due to factors such as the expansion in semiconductor demand accompanying the digital revolution. Meanwhile, the quality and quantity of semiconductor testing will increase in hand with the sophistication and technological evolution of semiconductors. It is thought that demand for semiconductor testing will increase because such demand will be multiplied by the two factors of "enhanced testing content per chip" and the "increase in the physical quantity of semiconductors", and so Advantest recognizes the decarbonized society to be an opportunity presented by climate change.
Advantest will make investments to achieve these technological advancements, such as in research and development and in developing the next generation of human resources, as part of our efforts to contribute to the future decarbonized society through semiconductor testing and product development of new semiconductor technologies.

Climate change-related opportunities

Category	Major opportunities	Response/strategy	Time axis
Products & services/ market	Growth in test demand outpacing market growth for core semiconductors where energy efficiency is important	▸Further energy-saving performance (low power and compact sizes) alongside improvements in testing performance ▸Development of new testing methods and testing devices	Short- to mid-term
Products & services/ market	New test demand introduced by power semiconductors, which are required by the final demands such as EV	▸Development of new testing methods and testing devices	Mid-term
Products & services/ market	Sales growth by providing green products	▸Introduction of energy-efficient products based on the ESG Action Plan 2021-2023 and steady implementation of the energy-saving plan	Mid-term

Risk management

At Advantest, we consider the factors that may hinder business management to be risks and have established a company-wide risk management system. Management risks posed by climate change are also managed within this system. With the support of the SMWG, we analyze and evaluate urgent and anticipated risks posed by climate change. Using the company-wide risk management system that we have already established, we implement countermeasures to avoid and mitigate those risks to prepare for and enable continuity of our business activities in the face of adversity. The SMWG makes timely decisions, and can launch a Task Forces consolidating efforts from related departments into full-scale start-up of initiatives to tackle risks or opportunities, which may be recognized as particularly critical.

Indicators and targets

The indicators and targets for measures taken in respect to risks and opportunities brought about by climate change are managed by the ESG Action Plan 2021-2023. The achievement status of the ESG Action Plan 2021-2023 is reported to the Executive Management Committee and the Board of Directors twice a year for discussion and evaluation. Based on the evaluation, SMWG will review and update the indicators and goals of the ESG Action Plan 2021-2023. Advantest has set a goal to reach net-zero GHG emissions by 2050. In addition, as medium- to long-term climate change countermeasures targets, we have set targets to reduce greenhouse gas emissions covered in Scopes 1 and 2 by 60% by FY2030 compared to FY2018, and to reduce greenhouse gas emissions covered in Scope 3 by 15% by FY2030 compared to FY2018. These goals have been approved by the Science Based Targets Initiative (SBTi), acknowledging that our greenhouse gas reduction targets are based on scientific evidence. We will actively promote activities to reduce environmental impact throughout the value chain, aiming to achieve our emission reduction targets.

Business Continuity Initiatives

This page introduces the measures taken by the Risk Management Group in dealing with disasters and incidents.
Please refer to Supply Chain Management for information on our efforts to address parts procurement risks.

Supply Chain Management

Systems for Disasters and Other Emergency Situations (Risk Management Group)

In December 2001, Advantest established the Risk Management Group, wherein the president assumes the position of general manager. In the event any of the following crises occurs, the Risk Management Group will centralize collection of information, conduct an initial assessment, direct the initial response, implement planning for recovery, etc., by acting promptly and appropriately until recovery is complete:

1. If damage is caused to buildings or facilities, or if networks and systems stop functioning, thereby making it difficult to continue our business operations, or if there is the possibility of this type of situation occurring due to a disaster or accident;
2. If our executives or employees are in danger or possibility of danger of death or bodily injury due to a disaster or accident;
3. If there is a scandal or incident that may to become a matter of public concern; or,
4. In addition to those described above, if there is any event, which may cause a significant impact on the business of the Advantest Group due to a disaster or accident.

Executive Management Committee

Risk Management Group

Position	Role
Group Leader	Make decisions, command, and supervise the BCP plan in the event of a large-scale disaster
Deputy Group Leader	Assist the Group Leader
Business location responsible person	Plan and execute the BCP plan in each business location
Functional members	Collect information and execute functional counter-measures (PR, HR, Accounting, IT, Facility Management, etc.)
Secretariat	Centralize, report, and share information, and various types of arrangements

Business Continuity Plan

The Advantest Group established the following basic policy in fiscal 2007 for large-scale natural disasters. We have devised our business continuity plan based on this policy.

Business Continuity Plan (BCP) – Basic Policy

- We will place top priority on ensuring human safety should a major disaster strike.
- We will minimize the adverse effect to our suppliers and other stakeholders, and fulfill our corporate responsibility.
- We will cooperate with local society in regular disaster prevention activities, and will assist the recovery of local society in case of disaster.

Determining specific measures for BCP

After the Great East Japan Earthquake in March 2011, we reviewed our disaster prevention arrangements. In fiscal 2012, we rebuild our Business Continuity Plan (BCP) to take into account the possibility of an earthquake in Tokyo and flood along the Tone River, and to ensure the integrity of our supply system even in the event of such disasters. Under the BCP, the following measures are stipulated in line with the basic policy.

Basic Policy	Specific Measures
1. Ensuring human safety	In addition to the regular disaster prevention and safety confirmation drills, we will strengthen crisis management and business continuity systems, making human safety the top priority.
2. Fulfillment of supply responsibilities	In case of an earthquake, we will continue to supply systems from our main manufacturing plant (i.e. the Gunma Factory) . In the case of a flood, we will continue to supply systems from alternative 3rd party manufacturing sites.
	In preparation for cases where workplace attendance is temporarily impractical because of damage to offices or infrastructure, we will establish remote work environment.
3. Contributions to local society	Our Gunma R&D Center has been designated by Meiwa Town as an evacuation shelter in case of flooding, and we contribute to the area by keeping the site ready for flood evacuees.

Measures Implemented in Fiscal 2021

From January 2022, we have conducted an analysis of the current status of the BCP by an external consulting organization, identified issues and received suggestions for restructure, and decided to revise the BCP from FY2022. In addition, we implemented the third COVID-19 vaccinations in the workplace for our employees.

Disaster Responses

March 2022	Fukushima Earthquake: All companies in Japan carried out safety confirmation.
March 2022	Conducted COVID-19 vaccinations in the workplace for employees of the Gunma/Saitama regional offices, and employees of the Sendai office participated in the workplace vaccination conducted by the Public Interest Incorporated Group Corporation Sendai Kita.
June 2022	Ishikawa Earthquake: All companies in Japan carried out safety confirmation.

COVID-19 Countermeasures

The Risk Management Group is making efforts to collect information on the pandemic situation both in Japan and overseas in order to inform employees of COVID-19 countermeasures while reporting to management as necessary.

In Japan

In Japan, telecommuting has been recommended since February 2020 as a safety consideration for employees. As a general rule, during the state of emergency periods, employees of offices in applicable regions and residents of applicable regions were required to telecommute. In addition, business trips and visitors were prohibited as a general rule. Furthermore, we conducted e-learning activities to educate employees about COVID-19, and we had employees with symptoms (e.g., fevers) report their conditions to the Risk Management Group through their superiors, enabling us to respond promptly in the event of COVID-19 infection.

Countermeasures implemented in offices have included installation of thermal cameras at regular entrances and service entrances, taking of body temperatures, and confirming wearing of masks upon arrival at work. Employees with fevers are required to stay home, and masks are provided for employees who need them. Hand-sanitizing stations have been installed at company entrances, and some office areas where employees are in close proximity have installed acrylic plates. Antiviral coating has been applied to common spaces (e.g., meeting rooms) to reduce the risk of infection through contact. Offices with cafeterias have changed their hours to disperse crowds and have reduced the number of chairs available to ensure social distancing.

In the event that an individual is confirmed to have COVID-19, temporary office closures and disinfection of areas used by the infected individual are implemented in accordance with the infected individual's commuting status.

The utmost care is being taken so that nothing interferes with production at the Gunma Factory, which is the main production factory for semiconductor test equipments. As a countermeasure in the event that someone becomes infected, workers are provided with smartphones that have the contact-tracing app released by the Ministry of Health, Labor, and Welfare installed to enable them to confirm whether they have had any contact. We have also recommended installation of this contact-tracing app on employees' personal smartphones and requested employees' cooperation in confirming any contact with infected individuals.

Overseas

Our overseas Group subsidiaries follow government ordinances for commuting in their respective countries.

Each business base has been providing education on COVID-19 through informational posters in addition to providing masks and hand sanitizer; reviewing the scope of cleaning; ensuring regular disinfection, ventilation, and social distancing; and enhancing IT infrastructure to boost telecommuting work efficiency. Furthermore, business trip schedules are prepared in consideration of quarantine periods so as to ensure appropriate response to customer requests.

When a COVID-19 infection is confirmed at an overseas Group subsidiary, countermeasures similar to those taken in Japan are implemented to prevent the spread of infection, and the risk management leader of the subsidiary makes use of the notification/information sharing systems to inform the Risk Management Group at the Head Office.

Workplace vaccinations

In Japan, workplace vaccinations for COVID-19 took place at the Gunma R&D Center in March 2022, mainly for Gunma and Saitama regional employees and select clients. The town office of Meiwa Town in Oura County, Gunma Prefecture, where the Gunma R&D Center is located, provided information on mass vaccination that facilitated our workplace vaccinations. Furthermore, employees of the Advantest Laboratories and the Sendai Factory as well as their families could receive their vaccinations through the workplace vaccinations conducted by the Public Interest Incorporated Group Corporation Sendai Kita.

Compliance

We take measures to ensure that all Advantest employees fulfill their duty to society through the maintenance of high ethical standards, thereby helping to ensure that Advantest continues to enjoy the trust of stakeholders.

Initiatives to Promote Ethical Business Practices

Our Stance and Basic Policy on Compliance

Companies aiming for sustainable growth need employees who fulfill their social responsibilities and who possess a strong sense of ethics. They also need to earn the trust of stakeholders. Based on this belief, Advantest has established The Advantest Way as a basic principle for our management and business execution, which lays out our corporate mission, vision, core values, corporate mantra, ESG for sustainability, and specific ethical standards, in order to enhance our ethical awareness.

The Advantest Way

Compliance Promotion System

Advantest gives guidance and advice to all Group employees to ensure that they fully understand and comply with The Advantest Way and has established a global management structure.

The Chief Compliance Officer (CCO), who is the officer in charge of compliance, is responsible for collecting compliance-related information such as legal compliance, human rights protection, information security, and Corporate Ethics Helpline for the entire Group, and corrective actions are taken under the supervision of the CCO. Aggregated information is also reported to the Board of Directors through the CCO. Information gathered is also reported to the Board of Directors by the CCO.

In addition, the Compliance Committee, which assists the CCO, plays a central role in strengthening the compliance system of the entire Group.

Moreover, in order to fulfill our responsibilities as a member of international society, regular compliance auditing is conducted by the global audit team to confirm whether business is being conducted appropriately under each country's laws and regulations.

Compliance Education

When globally deploying its business, Advantest believes that it is important to ensure thorough legal compliance worldwide and to pay attention to compliance across the Group, after obtaining a good understanding of the different laws and regulations in each country.
For this reason, through cooperation between Advantest's audit teams and the legal affairs departments, we are working to strengthen training activities related to national laws and regulations. In addition, to ensure employee commitment in regard to compliance matters, we are implementing regular e-learning sessions for all Group employees on The Advantest Way, "anti-corruption and anti-bribery," "export control," "intellectual property," and "information security."
Moreover, training is implemented locally in each country based on the relevant country's ordinances.

Advantest has signed a Memorandum of Understanding with waste management companies in its efforts toward the exclusion of anti-social forces

The Tokyo metropolitan government and other regional governments have issued organized crime exclusion ordinances, and each company is obligated to make efforts to stipulate in writing that it will terminate contracts if the business partner is found to be an anti-social force.

Furthermore, as a request for a comprehensive overhaul of corporate behavior and as a method to exclude anti-social forces, the Japanese Business Federation (Keidanren) recommends concluding the above memorandum.

To comply with the organized crime exclusion ordinances and the recommendations of Keidanren, the Advantest Group signs a Memorandum of Understanding that stipulates it will terminate contracts if the business partner is found to be an anti-social force with all partner waste management companies.

Prevention of Bribery and Compliance with the Anti-Monopoly Act

The basic philosophy of the Advantest Group, which is embodied in The Advantest Way, attaches great importance to the awareness of one's responsibilities to society, and to the maintenance of integrity in one's conduct. Advantest implements a variety of measures to prevent the occurrence of bribery or other corrupt practices, and to prevent anti-competitive behavior.

The Advantest Way

Prevention of Bribery and Other Corrupt Practices

As a supplement to The Advantest Way, Advantest has also formulated an Anti-corruption and Anti-bribery Policy, which clarifies, in detail, Advantest's rules in relation to the prevention of bribery and other forms of corruption throughout the world.

All Group employees participate in annual "anti-corruption and anti-bribery training" (e-learning) to enable

all employees to fully comprehend this policy and to behave in a manner that does not violate any laws or regulations of the country they are in.

In fiscal 2021, Advantest was not the subject of any legal action relating to bribery or other corrupt practices.

Anti-corruption and Anti-bribery Policy (PDF 319KB)

Compliance with the Anti-Monopoly Act

Advantest educates its employees about all aspects of anti-competitive behavior prevention as part of its Code of Conduct training, which places particular emphasis on the need to comply with the Anti-Monopoly Act. Education on the Act is provided to personnel in all relevant departments, including procurement divisions, along with management and new recruits. Going forward, Advantest intends to continue providing education and training aimed at ensuring fair business practices. In addition, Advantest's Internal Auditing Department samples purchasing transactions to verify that there are no violations of any kind.

Advantest was not subject to any legal action for anti-competitive behavior in fiscal year 2021.

Community Engagement

Advantest engages in business activities as a member of the community and society, and our stakeholders include various organizations, governments, and local government as well. Our goals are the sustainable growth of Advantest, participating in businesses that will resolve social issues, and contributing toward the attainment of a sustainable society through collaborations with these organizations, institutions, and local communities.

Economic and Industry Organizations

Through our participation in various organizations and associations related to the business and trade, semiconductor and electronics industries, Advantest collects information on elements such as next-generation technology standards and enforcement of further social regulations which will lead to future business opportunities and risks, in our efforts to enhance the sustainability of our company. We also make efforts in expanding our contributions toward a sustainable society by deepening our understanding of various social issues through participation in various organizations.

Of the organizations Advantest participates in, such as the Keidanren (Japan Business Federation), SEMI, and Semiconductor Equipment Association of Japan, some may make proposals regarding political and social issues. Participation in organizations does not necessarily imply that we fully endorse that organization's perspective concerning various policies.

Political Contributions and Sponsorships

There are cases in which Advantest makes donations, etc. to various organizations. When doing so, screening and decisions are made in accordance with our internal regulations with regard to purpose and public interest, including whether the initiative contributes to social development and the degree of contribution made toward social missions. These donations, etc. are properly implemented under the relevant laws and regulations of each country.

Export Control

In order to keep products and technologies out of the hands of nations and terrorists that threaten the safety of the international community, the Advantest Group pays the utmost caution to laws and regulations regarding security export control, along with self-management. In the unlikely event of an illegal export, legal sanctions such as temporary export bans will be imposed, which will call into question the social responsibility of the company that made the illegal export and lead to severe damage. Advantest has a basic policy of global compliance with laws and regulations, and has established in-house regulations that require export control to be implemented based on each country's laws and regulations.

In international society, which is changing rapidly, security issues such as terrorist attacks and the development of weapons of mass destruction are becoming more serious by the day. As many Japanese products incorporate advanced technologies, it is necessary to implement measures that prevent leakage to countries and organizations that are subject to international sanctions. The Advantest Group carries out appropriate business practices by having export control officers collect information based on updated laws and orders, etc., based on laws, and incorporating this information into on-site education and training programs.

An export control system in compliance with laws and regulations

At Advantest, the Representative Director serves as the chief executive for export control, in accordance with the Foreign Exchange Law and other relevant laws and regulations. The control system has been constructed and is operated under the leadership of top management since a failure to implement security export control may create a situation that endangers the company's survival.

The Export Control Division of the Head Office regularly audits whether export procedures are being conducted properly in accordance with the basic policy/rules and regulations on export control, and the results are reported to the Chief Export Control Officer and the Export Control Manager.

Export control in the case of US-China trade friction

The working group in the figure considers and takes measures against the trade friction between China and the US. Although this is an issue in terms of international law, US export control regulations are applied extraterritorially to Japan. For this reason, working groups with the participation of related domestic and overseas parties have been established to regularly share information and to ensure that there are no violations of laws or regulations that the US would regard to be problematic.

Export control education

As the vast majority of Advantest employees operate globally, we provide e-learning that outlines export control along with annual training on export control concepts and necessary procedures. All employees in Japan and overseas participate. The content of these initiatives include "the business environment," "export control for security," "targets of export control," "Advantest's export control policy," "points of caution upon export," "export of technology (provision of services)," and "EAR." We will continue to develop and implement more practical content, such as rules reinforcement and addressing important topics.

Risk management related to international affairs

Amid today's rapidly changing business environment, whilst the US diplomacy towards China and the Russian-Ukrainian crisis, it is only natural that risks are also becoming more complex and diversified. Advantest has become a supporting member of the Center for Information on Security Trade Controls for the purpose of obtaining information on changes in the international situation and amendments to laws and regulations and reflecting our own requests during direct dialogues with regulatory authorities or when expressing opinions or making recommendations from the industry. In addition, we have a system in place to consult with outside experts such as lawyers, as necessary, when there is an introduction or amendment of laws and regulations that may have an adverse effect on our business.

Tax Compliance

Basic policy on tax

We fulfill its corporate social responsibility by appropriately paying taxes based on compliance with national and regional laws, and tax guidelines published by international organizations such as the OECD and the BEPS (Base Erosion and Profit Shifting) Action Plan. We do not engage in contrived arrangements for the purposes of avoiding tax.

Secure transparency

We shall have appropriate disclosures like Annual Financial Report in accordance with the Financial laws and regulations. With respect to taxes, we disclose tax information based on laws and regulations in disclosed reports.

Build relationship of trust with tax authorities

We strive to reduce tax risks by building a strong trustworthy relationship with national tax authorities by responding appropriately and cooperatively to their requests for information disclosure.

Appropriate management of the transfer pricing taxation

We recognize the importance of the transfer pricing taxation and executes inter-company transactions based on arm's length principle. We will also pay taxes in proportion to the contribution of the added value created in each country / region.

Tax Havens

We do not engage in deliberate tax avoidance through the use of tax havens (i.e., countries or jurisdictions with no or significantly lower tax rates).

Information Security

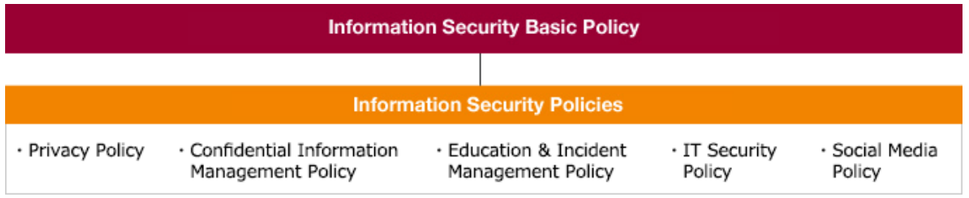
Advantest considers information security management to be an important management issue, and is implementing measures to ensure information security.

Our Commitment to Information Security

The Advantest Group recognizes information received from customers and clients, in addition to our company's technology and sales information, to be valuable information resources. We are committed to proper management of information through the security measures of the Information Security Committee, which include establishing regulations, constructing control systems, and providing employee education.

Policies and Rules Related to Information Security

Advantest has established an Information Security Basic Policy. Rules are specified in five policies: our Privacy Policy, Confidential Information Management Policy, Education & Incident Management Policy, IT Security Policy, and Social Media Policy. Each policy will be reviewed by the Information Security Committee as necessary.

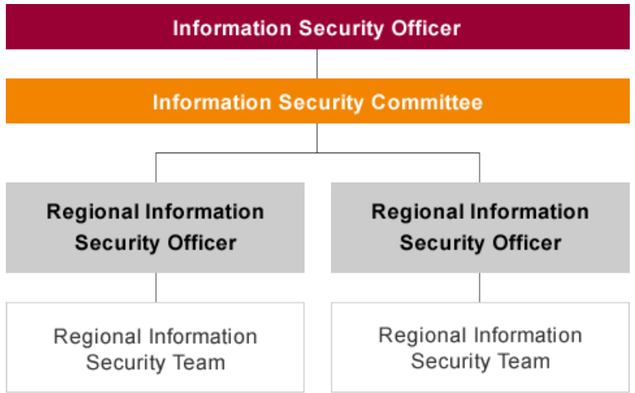


Organization of the Information Security Management System

Advantest recognizes information security management to be a critical business management issue, and has instated the General Manager of Administration as the Information Security Officer within a global system.

Furthermore, Regional Information Security Officers have been appointed in each country to deliberate information security measures to be applied to the Group from various perspectives, and they consider the establishment, revision, and abolition of rules and policies for security measures, thus realizing a system in which each company can actively implement information security measures.

Specifically, the General Manager of Administration in each company functions as the Regional Information Security Officer and is responsible for the management of information security in their assigned region; they appoint members from relevant departments in their countries to be the personnel in charge of implementation. Important reports from each country are forwarded to the Information Security Officer through the Information Security Committee.



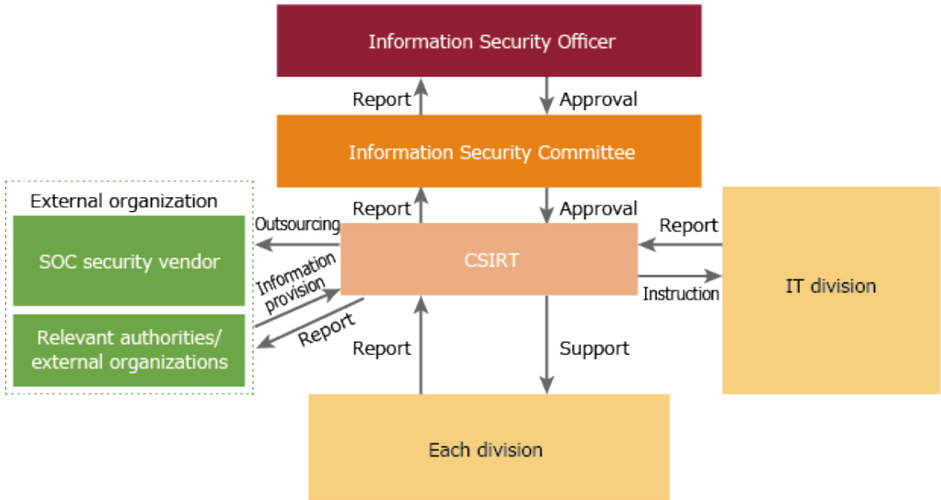
System for Responding to Information Security Incidents

In FY2020, Advantest formed the Advantest CSIRT[*1] to reinforce initial response systems for information security incidents. Furthermore, a SOC[*2] security monitoring system that operates 24 hours a day, 365 days a year has also been incorporated to facilitate early detection and swift response to global cyberattacks.

Cooperation between related parties in case of damage by a cyberattack is regularly checked. We also determine whether responses to information security incidents are properly functioning by conducting cyberattack training.

An emergency call center (available 24 hours a day) has been established to receive incident reports from employees, thus realizing a system that can receive information regarding incidents or accidents at all times.

*1 CSIRT (Computer Security Incident Response Team)
*2 SOC (Security Operation Center)



Efforts to protect information

Information Security Training

Based on our belief that people are the last line of defense in information security, our Group is working to ensure that our information security policies and relevant regulations are thoroughly understood. Information security training, in which all employees participate, is based on the policies of "Personal Information Protection", "Confidential Information Management", "Training and Incident Response" and "IT Security" along with training that includes simulations of actual cyberattacks. From FY2021, we changed the information security training platform to provide an environment where employees can take lessons in an easier manner and deepen their understanding.

Furthermore, information on information security is published on the company website to provide information to employees in a timely manner.

Training/Awareness Raising as Part of the Information Security Training

- Information Security Training through e-learning for all employees: 1
- Targeted email threat training: 1
- Broadcast of information to raise awareness: 10

Initiatives for Strengthening Information Security

- The Advantest Group has established a system in which our audit division conducts information security audits. This enables more objective checks to be carried out based on specified rules and provides a way for the divisions that have been audited to give feedback.
- Since FY2019, we have been making efforts to further reinforce security by configuring multi-factor authentication in order to prevent identity theft.
- Security risk assessments and vulnerability tests conducted by external organizations are carried out to objectively evaluate our information security measures, and the results enable us to narrow down the points that need improvement in order to raise our level of security.
- As security measures, enhanced filtering functions and adding warnings on emails sent from outside the company have been added.
- Acquired ISO27001 certification to ensure continuous implementation of PDCA to reinforce our level of security. Efforts are underway to achieve certification among the entire Advantest group, including our overseas bases.

Acquisition status of ISO27001 certification

Japan	Semiconductor test system related departments (R&D, manufacturing, sales, maintenance)

Confidential Information Protection

Our Information Security Basic Policy defines confidential information as information that has been disclosed by clients under contract along with information that is important to the company. Moreover, the policy stipulates that such information must be handled in accordance with relevant regulations.

Accordingly, we are committed to ensuring that confidential information is not divulged outside the company by ensuring that it is protected through the use of adequate controls governing its storage, disclosure and handling. In fiscal 2021, there were no incidents involving the unauthorized disclosure of important confidential information, etc.

Personal Information Protection

We consider the confidentiality of all personal information entrusted to us to be very important, and accordingly we take steps to ensure that such information is properly protected and managed.

Our commitment to safeguarding personal information entails posting personal information managers in divisions that handle such duties, and ensuring that those managers carry out their duties properly with regard to overseeing such information. Furthermore, we perform regular audits of personal information management and usage practices in each division, and make improvements whenever deficiencies are discovered.

In Group companies outside of Japan, Regional Information Security Officers work to protect and manage personal information in accordance with the laws, regulations, and demands of each respective country or region.

There were no major cases of personal information leaks in FY2021.

Privacy Policy